The role of context and socioemotional wealth to face threats to family business continuity

Entrepreneurship and Family Business

Keywords: Socioemotional Wealth, Family Business Crisis, Threat to Business Continuity.

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ABSTRACT

The aim of this paper is to assess the impact family/family business context has on the drivers of socioemotional wealth and the strategies a family business follows to face a significant business crisis. Based on critical realism, we found that changes in the business and family context are the main drivers explaining the level of threat to the family business continuity. Context was also critical to explain what the most important drivers of socioemotional wealth were at different

points of time. These drivers were identified as the family/family business priorities behind the business decision to face the crisis.

INTRODUCTION

Research on socioemotional wealth has found family business decision-making criteria suffer great changes when the business continuity is under threat (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Similarly, it is acknowledged that socioemotional wealth priorities evolve at different point in time depending on factors such as the CEO retirement plans or the family firm generational stage (Kraiczy, Hack, & Kellermanns, 2015). However, the drivers behind this phenomenon are not yet clear. Research explaining how the family business behaviour changes when the business continuity is under threat has heavily relied on positivistic/empirical theory testing and conceptual analysis (e.g. Sciascia, Nordqvist, Mazzola, & Massis, 2015). But scholars have almost not used case study for develop this nascent theory or explain those aspect related to specific events as is facing a business crisis (the only two exceptions using cases on SEW research were Glover & Reay, 2015; Marques, Presas, & Simon, 2014). Thus, very little is known about how the family business context impacts on the family business decision making when the business continuity is under threat. There is no research studying the specific mechanisms and contextual considerations that explain why family business decision makers follow completely different strategies at different points of time to preserve socioemotional wealth.

To address the aforementioned gaps, we have investigated two questions: (1) Why do the drivers of socioemotional wealth change when the family business context evolves and (2) How does the change in the drivers of socioemotional wealth impact on the strategies used to face a business crisis that is threatening the family business continuity. To answer these research questions, we follow De Massis and Kotlar (2014) call. Accordingly, we rely on a single case study about a small Chilean family business to makes progress on the socioemotional wealth theory of the family firm. Based on critical realism we developed limited and contingent generalizations in terms of cause-effect explanation (Bhaskar, 1975).

This study explores the Guerra[1] family business case. This organization has been controlled and managed by one family through three generations. By the years 2005 to 2007, this organization faced a significant business crisis, and its continuity was severely threatened. A set of wrong decisions at the business level, the retirement of the matriarch because of health problems and the changes in the market's competitiveness standards lead this enterprise almost to the bankruptcy. Thus, this case provide a perfect setting to illustrate what the drivers behind the family business behaviour are when the family business continuity is threatened (Yin, 2014). In this way, we contribute to the extension and refinement of the

1Guerra is a pseudonym of the family business name. As well all the people names in this case are pseudonyms.

socioemotional wealth theory in several ways. First, we gain understanding of how specific contingencies faced by a family business impact the family and the business priorities. In other words, we explain how the family/family business context impact on socioemotional wealth. Second, we also contribute to the understanding of the social and emotional dynamic behind the family business strategic decision making. Finally, we makes progress on the understanding of how this organization face a significant business crisis. At this point we distinguish both, the dynamic driving the decision making at the family and the business level.

This article is organized as follows. First, we develop a theoretical discussion of the socio-emotional wealth theory. By doing this, we set the foundation of our research, identifying critical issues we need to consider during the research process. Then, we explain the research process followed by this study. In the next section, we describe the main findings and develop the case discussion. Here we describe three scenarios that show the evolution in this family business context when they faced their worst business crisis. Finally, we summarize the theoretical understanding gained from the research by discussing the main conclusions and limitations of this work.

LITERATURE REVIEW

Socioemotional wealth preservation and business crisis

According to the core theory of this article, it is expected that a performance decline endangering the family business continuity will lead a change in the family business behaviour in order to preserve the socioemotional wealth the owners are getting from the business (Gómez-Mejía et al., 2007). Family business decision makers look to preserve their socioemotional wealth rather than to maximize the business economic value (Glover & Reay, 2015). The threat to the family business continuity implies the risk of totally losing the socioemotional wealth they obtain from the business (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). Several studies have shown how the family businesses change their strategies and behavior when the context shows important threats to socioemotional wealth. For example, to preserve socioemotional wealth, family businesses avoid to make huge investment which could demand to incorporate non-family member to the decision making or commit huge amount of money on risky investment (Lim, Lubatkin, & Wiseman, 2010) . For this reason they invest less in innovation and their investments have less economic and technological impact (Block, Miller, Jaskiewicz, & Spiegel, 2013). However, if the family business performance is below expectations, these organizations will give more importance to the economic goals in order to keep their businesses healthy (Chrisman & Patel, 2012).

The discussion above is based on the assumption that family business owners have positive emotions toward the firm. However, the owner feeling on their business can also be negative (Kellermanns, Eddleston, & Zellweger, 2012).

Similarly, most of the research on socioemotional wealth assess this construct as the family priority for keeping the control on the ownership and management (e.g. Fernando, Schneible, & Suh, 2014; Schmid, Ampenberger, Kaserer, & Achleitner, 2015). But, several other factors (such as the priority for reputation or keeping strong ties with the community) are also considered part of this construct (Deephouse & Jaskiewicz, 2013). These priorities could be in conflict (Vardaman & Gondo, 2014), when it happens it is expected that decision makers will behave in order to preserve the most threatened priority.

In summary, the discussion above provides evidence about the fact that family businesses behave differently when they face a business crisis. Importantly, it is not clear yet what happens when family business decision makers show a negative socioemotional wealth valence or when different drivers of socioemotional wealth are in conflict. Accordingly, a significant business crisis where the business continuity is under threat would seem to be an interesting setting to understand changes in the family/family business priorities (drivers of socioemotional wealth) and changes in the decision-making behaviour of these types of organizations.

The potential drivers behind the family business decision making

The family business literature has always highlighted two ideas when talking about these organizations' decision making. On the one hand, it emphasizes these enterprises' organizational complexity, which comes from the overlap between the family and the business system (Habbershon, Williams, & MacMillan, 2003). On the other hand, it emphasizes the critical role played by non-economic goals or family goals (Tagiuri & Davis, 1992). These two bodies of knowledge are closely connected. There is agreement that family dynamics impact on the business process, biasing the goal setting and the decision making at the business level (Aldrich & Cliff, 2003; Kotlar & De Massis, 2013). Hence, it is expected that major events impacting the family will be translated to the business level, influencing the decision making (Michael-Tsabari, Labaki, & Zachary, 2014). Thus, decisions which are hard to understand from a rational economic point of view can find support through the understanding of the non-economic family priorities.

Socioemotional wealth theory has explored this area and provides evidence to show that family business decision making is driven by several socioemotional reasons (Chrisman & Patel, 2012; Li, Au, He, & Song, 2015). However, the discussion about what these reasons are remains open. The socioemotional wealth construct has taken different forms, and its meaning seems to be heterogeneous (e.g. Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Zellweger, Kellermanns, Chrisman, & Chua, 2012). Several studies have provided empirical and theoretical support regarding different dimensions that could drive socioemotional wealth. On the one hand, the family priority of keeping family control of the business, preserving their family reputation and the intention to keep trans-generational control have received empirical support to be considered drivers of socioemotional wealth (Deephouse & Jaskiewicz, 2013; Stockmans, Lybaert, & Voordeckers, 2010). On the other hand, conceptual research provides support to include social legitimacy, family attachment and family identification with the business as additional drivers (Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012; Zellweger & Dehlen, 2012; Zellweger, Nason, Nordqvist, & Brush, 2013). In fact, a compelling theoretical study has confirmed the idea that socioemotional wealth can take several forms proposing a construct which include most of the already mentioned factors. It was labelled FIBER and include: Family control and influence, Identification of the family members with the firm, Binding social ties, Emotional attachment and Renewal family bond through dynastic succession (Berrone, Cruz, & Gomez-Mejia, 2012).

In summary, the literature on this point agrees on the fact that socioemotional wealth can be produced by different drivers. However, it is not yet clear which drivers are more/less important and/or under which conditions each of them becomes a family/family business priority. Furthermore, there is agreement on the fact that family business decision making depends on what happens at the family level as well as what happen at the business level. But most of the drivers of socioemotional wealth discussed have been linked to the business rather than the family system.

Socioemotional wealth, context and business behaviour

The socioemotional wealth theory emphasizes that the family business decision making is primarily driven by interest in preserving the family socioemotional wealth rather than maximizing their economic wealth (Gómez-Mejía et al., 2007; Schulze & Kellermanns, 2015). However, predicting the family business behaviour based on this idea is not as easy as it appears at first glance. This theory is based on behavioural agency theory and prospect theory (Kahneman & Tversky, 1979; Wiseman & Gomez-Mejia, 1998). Accordingly, the scenarios the family business faces and how the problems are framed are critical to understand the relation between these two constructs (Cennamo et al., 2012). In this line, it is proposed that the priority family owners place on each of the mentioned socioemotional dimensions changes if the business and/or family context change (Miller & Le Breton-Miller, 2014). For this reason, it is expected that the strategies a family business would follow to face a specific challenge would depend on the contextual condition at the decision-making moment.

The literature emphasizes two groups of contextual issues that should be considered to understand the family business decision making. On one hand, there are those related to the business itself, such as the family business stage, firm size, firm hazard and the presence of non-family stakeholders (Gomez-Mejia et al., 2011). On the other hand, there are those related to the social and emotional family context surrounding the organization at the decision-making moment (e.g., the family attachment, endowment and identification with the business) (Zellweger & Astrachan, 2008; Zellweger et al., 2013). There is one contextual factor that seems particularly critical to understanding the impact of socioemotional priorities on the family business behaviour. It is the family's ability to impose their socioemotional agenda (Deephouse & Jaskiewicz, 2013). At a small family business controlled by a single family, it is not an important issue. However, if we are talking about a large company with several non-family owners, it is important. It is expected that large non-family stakeholders will break the family's ability to made decisions based on socio-emotional interest rather than economic criteria. Hence, how the ownership and power are distributed within the family business is a critical aspect that should be considered in this situation (Jara-Bertin, López-Iturriaga, & López-de-Foronda, 2008).

In summary, the literature provides reason to believe that family and family business context are critical to understanding the socioemotional priorities behind the family business decision making when the business continuity is under threat. However, there has been no research focusing on this. Accordingly, the mechanism and contextual considerations explaining the socioemotional priorities and the family business behavior when the business continuity is threatened are unclear.

THE RESEARCH PROCESS

In order to respond to the research questions discussed above, we developed a contextualized explanation of how a family business faces a process where the socioemotional wealth is under threat (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mantymaki, 2011). To do this, we decided to rely on an explanatory single case study, for several reasons. First, this case provided a perfect setting to study how the social and emotional context impact on the family business decision making when it faces a severe crisis. Second, this family business gave us permission to talk with the most important actors at the family and business level. Finally, this family business offered a unique opportunity for the researcher to get involved in strategic family business meetings as well as family social gatherings (De Massis & Kotlar, 2014; Yin, 2014).

To develop a contextualized explanation, we based our theorizing process on critical realism (Bhaskar, 1975). Accordingly, we accepted a realist ontology as the starting point but we also incorporated the relativistic idea that reality is built by the meaning people give to it (Easterby-Smith, Thorpe, & Jackson, 2012). In this way, we challenged the preconceived trade-off between causal explanation and contextualisation normally accepted in case-based research (Welch et al., 2011). Thus, we incorporated context as a critical driver to search for meaning. But at the same time, we made cause-effect connections to create generalizations.

Case description: The Guerra Family Business

The Guerra family business is a small/medium-sized enterprise (SME) from Chile that has been competing in different industries for more than seventy years. Currently, it consists of a three-star hotel and real estate investments, with annual sales about half a million dollars and twelve employees. In the past, the family also had total control of a retail business (a department store) and investments on farms. At its peak, this enterprise was at least four time bigger than today. Currently, it is managed by Pedro, a 40-year-old grandson of the founder. However, two brothers and one sister from the second generation make the final decisions on the long-term plans developed by the manager.

Pedro joined the family business in 2005 and by 2008 he had become the chief executive officer (CEO). At this point, the organization was experiencing the worst financial period in its history and continuity was threatened.

Data collection and data analysis

As mentioned above, we selected the case because of theoretical reasons (Eisenhardt & Graebner, 2007). In fact, the Guerra family business motivated the research questions and provided the perfect setting to illustrate a critical phenomenon of the socioemotional wealth theory (Siggelkow, 2007). The data we analysed for this case were collected from multiple sources. We retrieved information from public and private records and conducted in-depth interviews with owners, manager and staff. We also collected information through direct observation, participating in family business meetings and social gatherings (De Massis & Kotlar, 2014; Woodside, 2010). Thus, we integrated objective and subjective evidence, which created the possibility to triangulate the information and incorporate our experiential understanding (Jabri, 2005; Yin, 2003). It allowed us to clarify the meaning behind the family business's critical events, the family members' social interactions and the way the business decisions had been made (Stake, 1978).

Personal interviews were the most critical source of information for this research. To define which people were interviewed, we followed a chain-referral sampling (Hunter & Cooksey, 2004). The interview process considered informants from different levels of the organization and different roles in the family business. The interviews lasted about 60 to 90 minutes, and they were recorded with interviewee consent and transcribed for later analysis.

Finally, we followed a deductive-inductive cycle of analysis, as is normally done in realism research (Easton, 2010). It gave us the chance of "gaining creative insight from data, without necessarily denying concepts that has been useful previously" (Denis, Lamothe, & Langley, 2001, p. 812). However, it raised the risk of bias because the data collection and data analysis were sometimes overlapping. Accordingly, we followed several steps to improve our research validity and reliability (Healy & Perry, 2000). For example, after each data collection session we wrote field notes. This process required us not only to transcribe the direct information we had, but also to produce self-reflective and contextual notes. We also created a database with all the information collected before and during the data analysis process (Yin, 2014).

Alongside the data analysis itself, we used techniques such as pattern matching. For this we contrasted the information from different sources and different informants. We also contrasted the input with the theoretical background from the literature (De Massis & Kotlar, 2014). To make the data analysis as objective as possible, the interview recordings were transcribed to a Word document and then content analyzed using the software program MAXQDA10. This analysis was complemented by the information the researcher got from the observation session, the field notes and the family business records. Importantly, data analysis was done in Spanish because the information was collected in this language. Our aim was to keep the underlying meaning behind the narrative and incorporate it into the analysis. However, this required translation of the participants' words to inform the findings of this article.

THE RESEARCH FINDINGS

Drivers of socioemotional wealth

Following the idea that if decisions are not explained by economic wealth creation, they must be supported by socioemotional wealth preservation, we found several dimensions for our core construct. These dimensions are defined as drivers of socioemotional wealth or decision-making drivers. They are the reasons that explain why a decision was made. They express what the family was looking for when they made decisions. These dimensions are an expression of the non-economic wealth the family is looking to preserve. In this case, some drivers of socioemotional wealth were related to the family level and some others were closer to the business level. Ideas such as – preserve the family climate, support the parents' needs, support their brothers' or sister's personal goals, preserve a positive family climate or protect a family member who is seen as weaker – were mentioned as the family priorities behind some of the strategic decision-making in this case. An example of this can be seen below in what is mentioned as the reason why Celso became the second generation family business manager and one of the main owners of Casa Guerra.

> HECTOR: He [Celso] was a pilot of civil aircraft. My brother wanted to be a professional pilot. In fact he was working at an international airline. But it was finally unsuccessful…. So he had to work in the family business, because he was the only one who did not go to the University… (Hector interview, paragraph 25)

The above shows that the first succession was neither planned nor conducted by economic criteria. It was driven by the interest to protect the weakest son/brother, more than to support a business vision. At the same time, it allowed the other owners to focus on developing their own professional careers, which was their main goal. In fact, when later the mother became sick and was no longer able to run the hotel, the brothers and sister asked Celso to take over the administration of the businesses conducted by his mother.

> PEDRO: …They had a lot of respect and compassion for him. He was the one who took the responsibility of the family business [none of the other brothers and sister were interested]. (Pedro interview, paragraph 32)

Similarly, several ideas were identified as drivers of socioemotional wealth linked to the family business level. At this family business, it appeared the priority was to keep the family reputation, preserve the emotional and social ties with employees, keep the family control of the business, preserve the family business identity and preserve the economic and emotional family heritage. The following quotes give support to family reputation as a critical decision-making driver when they faced business problems.

> EDUARDO: Even after their mother passed away they had to put money into the hotel. I do not know if they did it because of reputation or maybe it is just the way they are. They did not like take advantage of anybody…

The change in socioemotional wealth when family/family business context changes

Above we described all the drivers of socioemotional wealth along the three stages we analysed: pre-crisis, during the crisis and post-crisis. As can be seen in Figure 1 below, some of them appear along the three stages, but some dimensions did not appear in all the stages. This figure displays the socioemotional wealth drivers and also the main issues describing the family and family business context at each period. Thus, we could realize, for example, that one of the most important decisions made at the end of the first stage was the partial management succession to Celso. The drivers of this decision were analysed in the previous section. However, we did not analyse the contextual consideration that explains why this decision impact on preservation of socioemotional wealth. Looking at the family/family business context, we could realize the family business was financially and organizationally healthy at this moment and the strategic decisions were made by the parents. However, the father needed to retire because of health problems and only one of the second generation family members was available to take the position. As the quote above demonstrated, the family believed it was a good way to support Celso.

Insert table 1 about here

The following years became difficult for the family business. Casa Guerra was no longer able to continue, the farm did not generate important returns and the family hotel was declining too. At the family level, things were no better. The matriarch became very sick, but she was still there. In fact, as a figurehead she was very important for the family and for the business. Everybody tried to conform to what she wanted and what she needed. Celso was still the only one who was directly involved in the family business and his brothers and sister respected his role and decisions. Importantly, as result of the sale of Casa Guerra, the farm and some other real estate, the family cash savings had increased. In this context, they kept working with the same team of employees and avoided making important changes in the family hotel operation and direction. Although this business was operating poorly and generating financial losses, as family they had enough economic support to make capital contributions that allowed keep running the business in this way. The family business owners were driven by the priority of avoiding family conflict, the attachment and respect they had for each other and the social ties with their employees. The family context led them to focus on their very sick mother rather than their business. For them, it was not the moment to focus on the business, instead it was the moment to focus on the family issues. The following comments support the analysis above:

> EDUARDO: I believe this family is the best example of how feelings impact on economic issues… I believe they put money in the business and at the same time did not change the management [nor the employee team] because of the respect they have for their mother. (Eduardo interview, paragraph 51)
>
> PEDRO-PABLO: Here we had a matriarch. My mother was who decided what the family business had to do during the last 20 years. I believe that was hard for Celso because he always respected her [avoiding conflict with her mother was a priority]. (Pedro-Pablo interview, paragraph 29)

The turning point on the socioemotional priorities

The critical decision making we have analysed followed a common pattern. They were driven primary by family priorities, such as avoiding family conflicts, rather than business priorities, such as keeping the family business financially healthy. This family business faced a process of decline that led them to sell some of their most important businesses. The family business did not have any long-term vision, and the decline continued to the point where they planned to sell or rent the last business unit they had kept running. It was a hard decision; on the one hand they would receive a stable and fair market income, but on the other hand they would lose the total socioemotional wealth they received from the family business. The following comments illustrate the above analysis.

> EDUARDO: … they did not expect to do investment to position the hotel. They were not thinking in the next two years, they thought in the next month… (Eduardo interview, paragraph 94)
>
> EDUARDO: When I said emotional I mean... when they were making the decision they said “if I came to Chillán where I will stay”… (Eduardo interview, paragraph 20)

Again, an important change in the family context created the turning point in their socioemotional priorities. Hector, the oldest second generation family member, took the family leadership because his mother was very ill and she was not able to make decisions. Later, the brothers and sister started to make business decisions together. By the time the matriarch passed away, the family business had hit the bottom. In parallel, a new family business leadership started to appear. Pedro, a third generation family member with management background, had joined the family business just a couple of years before. He had taken some minor responsibilities but his great results put him in a position to be seen as the successor able to recover the family business. This entire contextual element created the scenario for a turning point in terms of the socioemotional wealth priorities and the way the family business was managed. Under these conditions, the family owners gave priority to keeping the family business under family control and forgot the idea to sell it. The following comment informs the most critical issues of this analysis.

> HECTOR: Really when that option was proposed [sell the hotel] I thought after that huge construction [He thinks for a while]…I said no… so I agreed on looking for a good manager. (Hector interview, paragraph 25)
>
> PEDRO: …if the family business had been functioning well…I believe they would have given me the opportunity anyway [to become the family business manager], because they needed to make the generational change and nobody from the family wanted this responsibility. (Pedro interview, paragraph 46)

The changing strategies to manage difficult scenarios

Difficulties for this family business began after the patriarch passed away. Celso was the general manager and the main owner of Casa Guerra, the most important family business at this moment. Meanwhile Maria, the matriarch, was in charge of the family hotel. In the late 1990s, Casa Guerra was in a poor competitive position and the family had to decide what to do about it. Faced with these difficult circumstances, the family business decision was to sell Casa Guerra. However, before the sale of this important family business, they looked for different strategies and an alternative to keep the business under the family control. When this proved impossible, Casa Guerra was finally sold. Importantly, this decision could have served to put the rest of the family businesses out of danger. Pedro-Pablo elaborates:

> PEDRO-PABLO: When sales started to go down, we tried with other business to improve the sales [he is not clear explaining what business they did]… but the problem was how to control that business [it did not work]. (Pedro-Pablo interview, paragraph 15)
>
> PEDRO-PABLO: Finally in the late 1990s we decided to close Casa Guerra. Then we rented the building for a long time, we received a very good rent and the main business started to be the hotel where my mother was the manager. (Pedro-Pablo interview, paragraph 13)

Years later, when the family hotel went into crisis they also thought about selling or renting it. However, the hotel was not sold; instead, the owner contributed personal funding to pay the family business debt and all the financial commitments. This was the last important business the family still had. The very difficult moment they were facing gave them the impetus to implement strategic changes and gave Pedro the opportunity to change the family business path. The following comment informs these observations.

> HECTOR: We try to look for a good manager, we try to rent the hotel but we never completed that. Finally we found the right person, so my son took the responsibility. (Hector interview, paragraph 25)
>
> EDUARDO: So what happened, the owners decided put an important amount of money to pay all the debts and try to float the hotel. (Eduardo interview, paragraph 9)

We described several important decisions made during the three stages we presented in Table 1. The narrative behind these two critical decisions gives strong support in terms of how the change in the drivers of socioemotional wealth impacts on the strategies to face a business crisis. When the family decided to sell Casa Guerra, the main priority was to support the matriarch's and Celso's decision making. But when the family decided to keep the family hotel and their real estate, the main driver of socioemotional wealth was to keep the family control of the family businesses (the last business units they had) and preserve the family heritage.

FINAL DISCUSION

In the following section, we are going to put all the findings together to propose a contextualized explanatory model regarding how family/family business context, threat to the business continuity, socioemotional priorities and business behaviour are related when a family business faces a business crisis. Our theorizing model is summarized in Figure 2, and it is based on six key observations. Each of them is discussed below.

Insert figure 2 about here

Observation 1: The changes in the family/family business context determine the level of threat to the family business continuity

What made this case unique for our research is the fact that they faced a dire business crisis that put at risk the business continuity. It did not happen in a moment of time, it was a process that evolved for about eight years until it become unsustainable. We observed that the threat to the family business continuity was not perceived to its full extent until the situation became untenable. The crisis evolved along the time-line at different levels. First, the family business was a healthy organization, then it started to show difficulties in their most important business unit, later operational and financial problems also hit the family hotel and finally the family business started to demand new capital contribution to support their day-to-day activities. At this point, the family business continuity was completely threatened not only because of the financial issues but also because it was disturbing the normal family life. This entire crisis cannot be only defined as a business problem. It was also a socio-emotional family phenomenon that began and evolved based on the change in the family and family business context.

Observation 2: The drivers of socio-emotional wealth can be related to the family level and/or the business level.

We defined the drivers of socio-emotional wealth as the priorities that explain the family business decision making. In this case, we identified nine key drivers, four of them linked to the family level and five factors related to the business level. On the one hand, at the business level we determined the most important drivers of socioemotional wealth were the priority the younger generation put on supporting their parents' decisions and projects, the priority the parents put on supporting the younger generation's own professional and personal goals, the importance given by this family of protecting each other and the emphasis they put on preserving a positive family climate. On the other hand, at the business level we identified the priority they put on keeping the family control of the business, preserving their reputation, preserving the emotional and social ties with employees, preserving the socioemotional and economic family heritage and preserving the family business identity. These priorities explain why different decisions were made.

Observation 3 and 4: The change in the family/family business context determines which family socioemotional priorities are most important at different points of time. The most important driver of socioemotional wealth (or family/family business priority) is the one most threatened or which has the highest risk of being threatened

We already analyzed how the change in the family/family business context impacts on the level of threat to the family business continuity. This change explains why the socioemotional wealth priorities (drivers) are not exactly the same along the three scenarios we analyzed in Table 3 (pre-crisis, during crisis and post-crisis). For example, the two most important drivers of socioemotional wealth we identified in the first stage of this case were the priority the younger generation put on supporting their parents' decisions and the priority the parents put on supporting the younger generation's own professional and personal goals. The context behind these priorities emphasized a family business that had been always healthy. Later, because of the change in the business and the family context, the family and the business started to face problems. This change impacted on what the owners felt were the priorities in danger. At the beginning, the family business's financial problems were not the most important because they could afford them. Accordingly, they did not realize at all that the family control of the business would be threatened. However, the financial problems created short-term difficulties such as cash flow problems to pay salaries and also family problems as result. Thus, the focus was on preventing family conflict, supporting their mother's and brother's decision making and preserving the family reputation and ties with their employees and supplier. Finally, as we have already analyzed, when the mother passed away and the family business continuity was completely threatened, the priority was on keeping the family control of the business and the trans-generational succession as the strategy to face the crisis.

Observation 5 and 6: The family business strategies along the business crisis process will be focused on preserving the most threatened socioemotional wealth dimension and the harder decisions will be made when the total loss of socioemotional wealth is faced, under the condition of a positive socioemotional wealth valence.

When the focus was on the family needs and the priority for supporting each other, the most important decision they made was to implement a partial succession that allowed the father to retire, the mother to keep running part of the family business and each of the second generation family members to follow their own path. They also implemented an important investment in the family hotel, which was considered to give the mother the tools to keep running her business while the family savings were invested in a low-risk business. At the opposite end, when the family business continuity was at risk, they made the hardest decision as a family. They decided to implement a management succession detrimental to Celso. It was not easy because of the respect they have for each other and because Celso had been the only family member who was involved in the family business activity on a long-term basis. At this point, they evaluated whether to sell or rent the family business. In contrast to what happened with Casa Guerra, they decided to keep running the hotel. The explanation was at least partially because of the asymmetries in the socioemotional wealth valence the business provided to each brother and sister. While Celso was not involved in the family business activity by his own motivation, the other brothers and sister had never quit their own goal to support the family business. In our opinion, this created the condition where Celso developed a negative socioemotional wealth valence. In fact, he did not have any objection to selling Casa Guerra and the idea to sell the hotel came from him too.

CONCLUSIONS AND RESEARCH LIMITATIONS

Literature on socioemotional wealth has provided several dimension to the assessment of this construct. Berrone et al. (2012) has made the most compelling propositions on this point. However, it is not yet clear the role played by the family and the business system in the socioemotional wealth priorities behind the decisions making. Thus, it was not clear yet which priorities are connected to the family and which of them are supported from the business. At this investigation we identified four drivers of socioemotional wealth connected to the family level and five connected to the business level. The case confirmed the importance of priorities such as preserve the family business/family reputation or preserve the family control on the business ownership and management, widely mentioned in previous studies (e.g. Deephouse & Jaskiewicz, 2013; Zellweger et al., 2012). But also, our investigation made progress highlighting new dimensions more linked to the family system. Thus, at his case was highlighted the younger generation priority for supporting their parent ideas, the older generation priority for supporting their children goals, the family priority for protecting the other family members and the priority for preserving a positive family climate. These four dimensions are also closely connected to the concept of intergenerational attention/authority and family climate (Björnberg & Nicholson, 2007).

On the other hand, family business decision maker looks to avoid losses of socioemotional wealth and threat to the family business could imply totally loss it (Patel & Chrisman, 2014). Previous research have used treat to family business control or threat to family reputation as the most common indicator to capture potential danger of losing socioemotional wealth (Berrone et al., 2010). These investigation have needed to use objective indicators to assess it. However, at this study we concluded that family business decision makers do not use objective standards to measure the level of threat to the business continuity or any other socioemotional priority. Mostly, it is perceptual and depends on several factors. Family members devote their attention to solving the problems that are closer and more evident. This case shows a lack of focus on the family business issues while the organization was healthy or the crisis was not evident. We believe this was because of two reasons: the critical problems they were facing at the family level and the family's ability to support economic loss. Thus, when the family business was healthy there was an important focus on the family priorities over the business priorities. However, when the business issues started to disturb the normal family life, the focus was put on the business instead of on the family.

Finally, the literature has provided empirical support demonstrating that family businesses decision making criteria has a great change when the organization continuity is threatened (Gómez-Mejía et al., 2007). It has been also stated that socioemotional wealth priorities and family business decision making evolve at different point in time (Kraiczy et al., 2015; Strike, Berrone, Sapp, & Congiu, 2015). At this work we found that the dynamic of change in the family business behavior started with the change in the family/family business context that impacts the family priorities. These family priorities are both the drivers of socioemotional wealth and the factors explaining the decision making. Thus, when the context suffers a major shock, the family/family business priorities change, forcing them to adapt the decision making criteria. It is the reason why family business decision makers follow completely different strategies at different points of time to preserve socioemotional wealth.

Overall, we developed a contextualized explanation of how the family business behavior changes when the business continuity is under threat. Our theorizing model makes progress on the refinement of the socioemotional wealth construct incorporating several dimension connected to the family system and confirming some of the traditionally used drivers. Furthermore, our model incorporate the dynamic behind the socioemotional wealth formation and the evolving nature of this construct to respond to the changes in the family/family business context. At this point, our proposition highlight the fact that the family business decisions are a critical input on this process while they shape this organization context. This means that family and business priorities will evolve also as the consequence of previous decisions and how they impacted on the contextual condition of the business and the family. Thus, the family business decision makers must try to keep the equilibrium between these two systems, looking to preserve what they feel are the most important priorities at different moments in time.

We must acknowledge the limitation of our research. This work is a first step to understand the socio and emotional process behind the decision making when the family business continuity is threatened. Our explanation, observations, conclusion and theorizing model give an idea about the dynamic context-priorities-behavior. However, the conclusions are limited to this case. Further replication to provide additional support or contrasting ideas would be very useful to continue development of our findings. The research also provided insights regarding the factors behind the socio-emotional wealth construct and the generic strategies to face a crisis that is threatening the business continuity. But it needs to be complemented with new research within different settings. Thus for example, future research could be made to progress the explanation of what happens when the family business owners have a negative socio-emotional wealth balance for their business, what are the contextual factors explaining a negative socio-emotional wealth balance and how it impacts the socio-emotional wealth construct. The replication of this study across different cultural settings would be also useful, to determine if the cultural background impacts on the way family business behave. In fact, this study could be a good starting point to address this issue.

Finally, we believe that socio-emotional wealth considerations can impact any type of strategic decisions. But our study is only focused on a specific point, which is how socio emotional priorities affecting the decision making when the family business is facing a business crisis. This theory could be implemented within several other areas of family business studies, such as innovation, entrepreneurship, family climate, leadership and others.

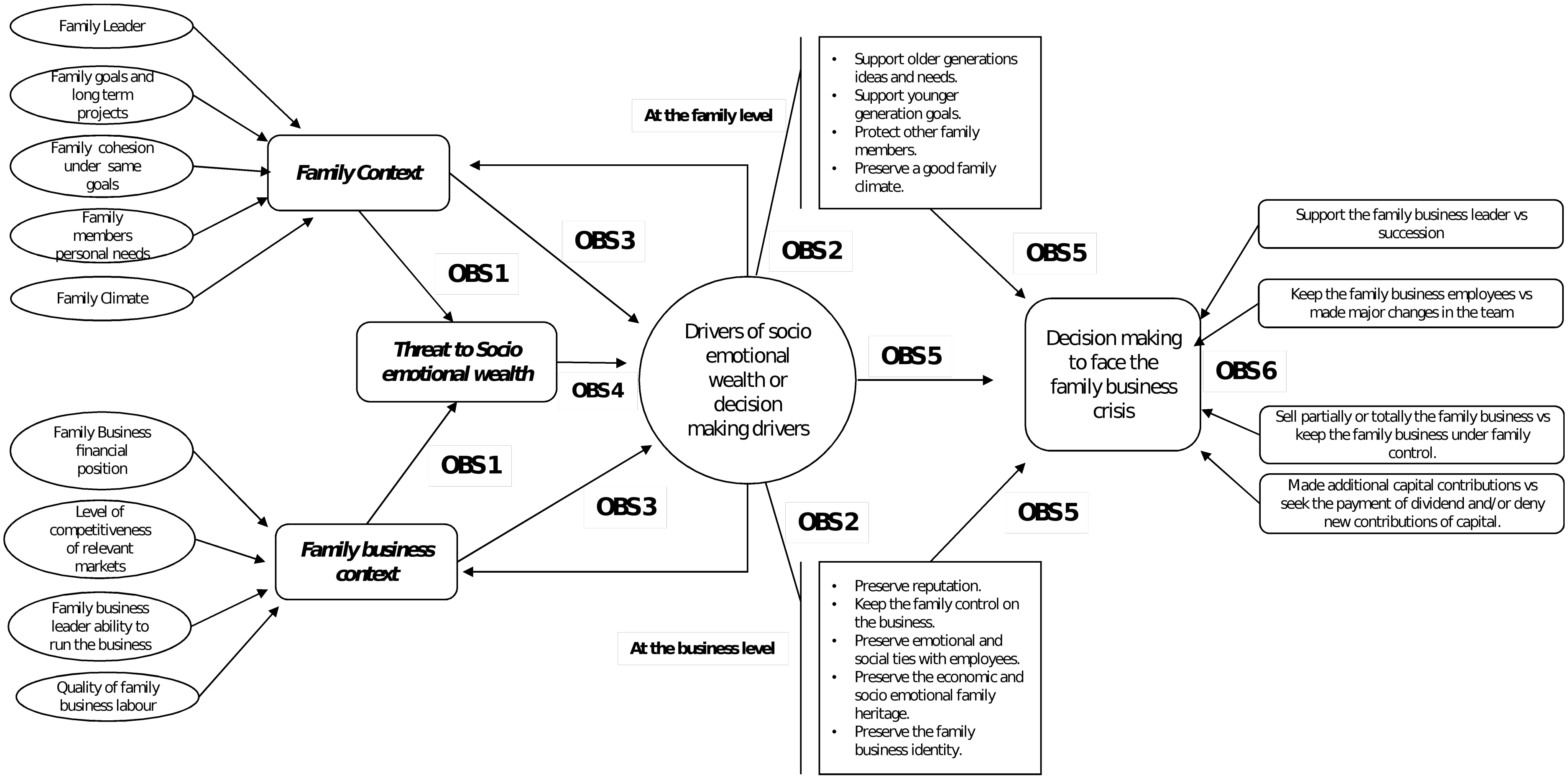
Table 1: Landscape: Context, socio emotional priorities and strategic decision making

		1990-1997	1998-2005	2005-2014
Business context	Family business financial position	++++++++++++++++++++++++++	−−−−−−−	∓++++++++++++++ +
	the stage	Department store, farm, three star hotel (25 rooms), real estate investments.	Three star hotel (25 rooms), real estate investments.	Three star hotel (30 rooms), new real estate investments, new forestry farm, restaurant and conference center.
	Leadership and Management	Founder couple	Matriarch and the second generation manager (Celso).	Family council by second generation owners. Third generation family CEO.
Family context	Important happenings		Second generation become owners.	Pedro (third generation family members) involved in the family business activity.
			Second generation family members got property right on different business unit of the whole portfolio.	Pedro developed and implemented a successfull new strategy.
		Father left his entrepreneurial role	The father passed away. Mother become severely ill.	The mother passed away.
		Celso failed in developing his own career	Hector (Pedro's father), as oldest second generation brother, took the family leadership	Two of the second generation brothers passed away. Their heirs did not show interest in being part of the family business.
				Hector became severily ill.
	Children interest	College. Four of them developed their own professions.	Pedro was finishing his college career in Management.	Hector looks to be fair with his brother, sister, nephews and nieces in term of the family heritage.
		Celso wanted to met the family business.	By 2005 Pedro was looking a long term job close to Chillán.	Hector is more than 70 years old, focus on enjoying his life.

	1990-1997	1998-2005	2005-2014
Critical family business decision making			-invested and a new strategy began to be implemented.
Decision making drivers.	identification with their businesses	-management.	Trans generational succession

+ +: Strong/ Very strong — −: Week /Very week ∴∵∴∵: Strong financial/business crisis period

Figure 2: Contextualized model of relation among context socioemotional wealth –business behaviour to face a business crisis.



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