World Academy of Science, Engineering and Technology
International Journal of Economics and Management Engineering
Vol:17, No:02, 2023

More Than Financial Wealth: An Empirical Study on the Impact of Family Involvement on the Dimensions of Exit Success

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Abstract : Family firms represent the predominant business structure worldwide, accounting for 90 percent of all operational businesses. These firms are essential to society and the economy. In the past decade, family firm exits increased by 72%; and in the next five years, 95,000 German family firms will be sold, acquired, or liquidated. For family firms, socioemotional wealth represents the frame of reference and value to preserve when making decisions. Family firm exits threaten the socioemotional wealth, as in extreme scenarios, economic logic may take over. So, a dilemma arises: Maintaining socioemotional wealth versus pursuing financial wealth. Family firm researchers agree that family involvement leads to specific goals, behaviors, and outcomes. For instance, the desire to protect socioemotional wealth when selling the firm and the focus on particular exit success dimensions, depending on the family's role inside the firm. However, despite the regularity of family firm exits, there is little research on the effect of family involvement on the family firm CEOs' perceived exit performance. We investigate the family firm CEOs' perceived exit performance, which we call exit success. Considering the deficiencies in the literature, we identify two research gaps. First, it remains unclear how family involvement affects the dimensions of exit success. Hence, we provide evidence of which success dimensions matter most depending on the family's involvement and how to differentiate successful from unsuccessful exits. Second, prior work has analyzed family involvement in the socioemotional wealth context but found contradictory findings. This work considers, for example, the family generation in control and identifies the tipping point of economic objectives becoming preferable over socioemotional wealth-related goals. This paper theorizes and empirically investigates, through the lens of socioemotional wealth and conflict theory, how socioemotional wealth mediates the relationship between family involvement and family firms' exit success. We analyze family firms' exit success dimensions of personal financial benefits, personal reputation, employee benefits, and firm mission persistence. Family involvement considers the family firms' heterogeneity in ownership, management, and generation. We use a quantitative approach in the form of an online survey by drawing on 116 responses from former family firm CEOs'. This study highlights that socioemotional wealth mediates the relationship between the dimensions of family involvement and exit success. The greater socioemotional wealth, the greater the family firm CEOs focus on the pro-organizational exit success dimensions of employee benefits and firm mission persistence. In contrast, the self-regarding dimension of personal financial benefits is significantly negatively affected. An important finding is that later generations and the number of family managers involved significantly negatively affect the two pro-organizational dimensions of exit success. Family ownership does not show any significant effect. Our work widens implications for research, theory, and practice by contributing in two meaningful ways. First, our results offer insights to differentiate successful from unsuccessful family firm exits and provide evidence of which success dimensions matter and which to focus on, most dependent on the family's role inside the firm. Second, our article advances research and empirical understanding of family firms and socioemotional wealth by clarifying contradictory findings.

Keywords : exit success, family firm exit, perceived exit performance, socioemotional wealth
Conference Title : ICFBE 2023 : International Conference on Family Business and Entrepreneurship
Conference Location : Lisbon, Portugal
Conference Dates : February 06-07, 2023