THE IMPACT OF RELATIONSHIP CONFLICT ON SOCIOEMOTIONAL WEALTH CONSIDERATIONS OF FAMILY FIRM OWNERS (SUMMARY)

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SUMMARY

THE IMPACT OF RELATIONSHIP CONFLICT ON SOCIOEMOTIONAL WEALTH CONSIDERATIONS OF FAMILY FIRM OWNERS

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Principal Topic
A recent stream of research has started investigating the impact of socioemotional aspects of organizational ownership on the monetary value attached to a firm by its owners. In these attempts, several researchers have chosen the setting of family firms, since these firms have long been said to strive for non-financial next to financial goals (e.g., Chrisman, Chua & Litz 2004; Astrachan & Jaskiewicz 2008, Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson & Moyano-Fuentes 2007).

However, whereas most above studies discuss aspects of socioemotional wealth with positive valence, family firm owners also experience negative aspects related to organizational ownership, such as relationship conflicts. Relationship conflicts exist when there are interpersonal incompatibilities among group members which typically include annoyance and tension among group members (Jehn 1995), reducing productivity and satisfaction (Gladstein 1984; Wall & Nolan 1986), a particularly relevant socioemotional cost in the context of family firm ownership (Zellweger & Astrachan, 2008).

Method
By investigating how relationship conflicts in family firms color acceptable sales prices of organizational ownership we speak to the recent literature exploring socioemotional aspect of corporate ownership (Gomez-Mejia et al. 2007; Astrachan & Jaskiewicz 2008; Shepherd, Wiklund & Haynie 2009) We argue that severe relationship conflicts do not lead to withdrawal behavior but, instead, foster escalating assessment of conflict related sunk costs. We thereby add to the ongoing discussion in economic psychology literature about how negative emotions may impact the monetary valuation of possessions (e.g., Lerner & Keltner 2000; Loewenstein & Lerner 2003). In this context, mood congruency theory contends that valuation of events and possessions is negatively influenced by bad emotions and positively influenced by positive emotions (Bower 1981; Lazarus 1991; Rusting 1998; Rusting 1999; Innes-Ker & Niedenthal 2002; Lin, Chuang, Kao & Kung 2006). In contrast to these predictions, prospect theory suggests that owners will price unpleasant outcomes through sunk cost considerations, negative experiences leading to higher valuations (Tversky & Kahneman 1991; Brockner 1992; Garland & Conlon 1998; Arkes & Ayton 1999).

Results and Implications
The present paper reconciles these conflicting views by showing that as a response to negative emotional affect (in our case induced by relationship conflicts) family firm owners will first lower their valuation of organizational ownership, as predicted by mood congruency theory, and above a certain conflict escalation level, start pricing sunk costs as assumed by prospect theory. As such, we find a U-related relationship between relationship conflicts and minimum acceptable sales prices indicated by family firm owners. In sum, as a first study, we examine the carryover effect of negative emotional affect on the subjective valuation of organizational ownership (e.g., DeSteno, Petty, Wegener & Rucker 2000; Lerner & Keltner 2000).