



## Chapter 36

# Affective and Emotional Determinants of Entrepreneurial Orientation Within Family Firms

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### ABSTRACT

*As a predominant form of business organization, family firms have attracted increasing attention by scholars, and especially by those researching entrepreneurial orientation with the aim of better understanding of entrepreneurial activities pursued by enterprises. However, the literature on the confluence of entrepreneurial orientation and family firms has paid scant attention to the influence of affective and emotional factors. To cover this research gap, the authors analyze the impact of affective commitment and concern for socioemotional wealth preservation on entrepreneurial orientation. To do so, they performed an empirical study using the data collected from 342 small and mid-sized family firms from Portugal, a country where family firms are under-researched even though they make up the backbone of the economy. Results show that both affective commitment and socioemotional wealth positively impact entrepreneurial orientation, pointing to the need to further research the relationships between such factors and strategic behaviors in the family business context.*

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## INTRODUCTION

Entrepreneurial orientation (“EO”) is defined as “a construct capturing the degree to which a firm’s posture is entrepreneurial versus conservative, concerns how the firm’s top managers support key entrepreneurial activities” (Morris et al. 2011, p. 956). EO has been the subject of more than 30 years of research (Wales et al. 2011) and is becoming a key construct within the management literature due to its ability to further our understanding of entrepreneurial activities pursued by organizations (Covin & Wales, 2012). As a result of these years of research, we know that organizational context impacts this strategic orientation (Covin & Slevin 1990; Wales et al., 2011).

Among the contexts influencing firm EO, the family business context deserves special attention, since family firms play a significant role in the worldwide economy as a predominant form of business organization (e.g., Astrachan & Shanker, 2003; Chittoor & Das, 2007; Litz, 1995; Sharma et al., 2012). Beyond its economic relevance, EO within family firms is attracting growing interest by literature (Hernández-Linares & López-Fernández, 2018) and merits further research because in family businesses the presence of a family as the dominant coalition of the company (Chrisman et al. 2012) affects their strategic behavior (Carney et al., 2015; Pindado & Requejo, 2015). Specifically, the behavioral theory of the firm (Cyert & March, 1963) supports that stakeholders in a firm usually have many different goals instead of only one. This theory also points out that the dominant coalition in the company, in pursuing their goals, will influence the behavior and decision making of the firm (Argote & Greve, 2007). Family business researchers have used this theory to explore the effects of being a family, as the dominant coalition, in the firms’ behavior (e.g., Chua et al., 1999; Ensley & Pearson 2005; Chrisman et al., 2012). However, the behavioral theory has scarcely been used in the exploration of EO in family firms (Revilla et al., 2016; Zahra, 2012).

Moreover, the heterogeneity of family firms is broadly accepted by scholars (Corbetta & Salvato, 2004; Dyer, 2006; Dyer & Dyer, 2009; Sciascia et al., 2014; Shanker & Astrachan, 1996; Sharma, 2004; Stanley et al., forthcoming; Westhead & Howorth, 2007). In this sense, previous research has shown that the ability to influence organizational behavior derived from the dominant position of the family does not warrant that the family will actually do so (Chrisman et al., 2012). The dominant family’s willingness to influence family firm behavior has been called the essence of family influence and is at the root of family firms’ heterogeneity (Chrisman et al., 2012). Among the indicators of family essence, we will address two in this work, the dominant family’s affective commitment to the firm and the concern for socioemotional wealth (henceforth SEW) endowment preservation. Affective commitment to the firm reflects pride in belonging, as well as an emotional attachment, to the organization (Perry et al., 2016), and is still unresearched in relation to EO within family firms. This is so despite its inclusion as a control variable in a recent article (Hernández-Linares et al., 2018a). However, considering that affective commitment stems from the desire to support change (Chirico & Salvato, 2008), and is significantly related to EO (Hernández-Linares et al., 2018), it seems reasonable to call for further investigation into the influence of affective commitment on the EO of family firms. In a similar sense, SEW, which is rooted in the principles of behavioral agency theory (Wiseman & Gomez-Mejia, 1998), proposes that some firms are highly concerned with preserving their socioemotional endowment, while others attach less importance to such non-economic factors (e.g., Gómez-Mejía et al., 2007 & 2011). Nevertheless, according to a recent review of the literature on the confluence of EO and family firms (Hernández-Linares & López-Fernández, 2018), only two empirical studies have included concern for SEW preservation among their variables (Kallmuenzer et al., 2017; Schepers et al., 2014). Therefore, further investigation

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