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3. Behavioural Theory and the Family Business

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1. Introduction

A Behavioral Theory of the Firm (BTOF, Cyert & March, 1963) has been extraordinarily influential for students and scholars of organisation and strategy (Gavetti, Greve, Levinthal, & Ocasio, 2013), mostly for predicting and explaining the determinants of organisational goals, aspirations and the factors influencing organisational strategic behaviour towards risk-taking. According to Cyert and March (1963), the environment provides performance feedback on goals determined by an organisation, managers search for solutions when a goal is not met and, finally, potential solutions are evaluated and translated into organisational changes. In summary, the process of decision making in organisations may be analysed in terms of “the variables that affect organisational goals, the variables that affect organisational expectations, and the variables that affect organisational choice” (Cyert & March, 1963, p. 162).

To date, a considerable amount of the family business literature has adopted BTOF to provide significant insights into how differently family firms set their goals, determine their expectations and solve low performance problems with respect to nonfamily firms (Gomez-Mejia, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Chrisman & Patel, 2012). Yet, the family business literature has offered a quite fragmented treatment of BTOF, with two distinct streams of research that adopt it. The first one investigates how performance feedback, mostly in terms of financial performance, affects strategic behaviours and the risk taking of managers in a context of

goal divergence between owners and managers (principal-agent), as well as owners and owners (principal-principal), in family and nonfamily firms. The second stream focuses on investigating the extent to which internal factors and characteristics of organisations influence aspirations and the dominant coalitions' decisions in family firms compared to their nonfamily counterparts but also among family firms (Chrisman, Chua, Pearson, & Barnett, 2012; Zellweger, Kellermanns, Chrisman, & Chua, 2012). Given these fragmented insights and both the practical and theoretical importance of BTOF in family business research, it is surprising that no comprehensive review of studies in family business adopting BTOF has been published. This study addresses that omission by providing a theoretical comparison of the primary family business studies adopting BTOF. By doing so, this study attempts to link the core constructs of BTOF – organisational aspirations and problemistic search – to family business processes and structures. The discussion follows four basic steps to ensure consistent and thorough coverage of the relevant literature. Starting from an in-depth review of BTOF, its basic assumptions and evolutionary path, this chapter focuses on the process of goal formulation and the formation of aspirations and on the process of searching in family firms. After a review of all of those studies in the family business literature adopting behavioural theory, the chapter attempts to outline potential future directions for the adoption of behavioural theory assumptions and constructs in family business research.

2. BTOF: Organisational goals, aspirations, and search

Cyert and March's 1963 *A Behavioral Theory of the Firm* is "about the business firm and the way it makes economic decisions" (Cyert & March, [1963] 1992, p. 1). The belief behind the theory is that "in order to understand contemporary economic decision making, we need to supplement the study of market factors with an examination of

organisational structure and conventional practice on the development of goals, the formation of expectations, and the execution of choices” (Cyert & March, [1963] 1992, p. 1).

As Argote and Greve (2007) stated, *A Behavioral Theory of the Firm* has shown its strongest influence in researchers’ adoption of specific assumptions of the theory to construct other theories. *A Behavioral Theory of the Firm* has given its strongest contribution to organisational learning theory (Huber 1991; Levitt & March, 1988; Miner & Mezias, 1996) and to evolutionary economics (Nelson & Winter, 2002), but many other theories, such as institutional theory (Meyer & Rowan, 1977; DiMaggio & Powell, 1983) and newer developments of population ecology (Barnett & Hansen, 1996; Baum & Singh, 1996) have also adopted some of the assumptions and concepts of BTOF. Additionally, the key concepts and theoretical mechanisms developed in BTOF have been adopted in combination with other relevant theoretical frameworks. For instance, some research findings into firm risk taking have shown how the predictions of aspiration level updating and problemistic search in Cyert and March (1963) could be applied along with prospect theory (Kahneman & Tversky, 1979) to explain intertemporal variation in firm risk taking (Bromiley, 1991). In the same vein, Shimizu (2007) proposed the integration of behavioural theory and prospect theory with the threat-rigidity thesis – the latter suggesting that organisations may not be risk-seeking in the face of economic adversity. Finally, building on behavioural theory and agency theory, Wiseman and Gomez-Mejia (1998) constructed a new theoretical model (the behavioural agency model, BAM) to analytically investigate goal divergence between owners and managers and its impact on executives’ risk-taking behaviour. By doing so, they relaxed the inflexible assumption from agency theory that decision makers are

necessarily risk averse and hold consistent risk preferences and suggested that executives may exhibit risk-seeking as well as risk-averse behaviour (Wiseman & Gomez-Mejia, 1998). In this sense, strategic behaviour in organisations is driven by decision makers' contingency-based views, with varied risk preferences being possible depending on the context (Gomez-Mejia et al., 2007).¹

One of the most important contributions of *A Behavioral Theory of the Firm* to subsequent organisational theories was the introduction of bounded rationality and satisficing as theoretical concepts (Greve, 2003). The conceptualisation of these two constructs derived from a modification of the rational choice paradigm that underpins most economic theory. In particular, Cyert and March (1963) argued that human decision makers have different goals and personal motives, and profit is only one of these goals. Additionally, limited information, attention and processing ability make decision makers unable to perform the maximisation tasks assumed in many economic treatments of the firm. Instead of maximising, decision makers are likely to satisfice, which means that they set a goal that they try to meet and evaluate alternatives sequentially until one is found that satisfies the goal (Greve, 2003).

The environment provides performance feedback on goals determined by the organisation and fosters managers' search for solutions when a goal is not met. Potential solutions are then evaluated and translated into organisational changes. In summary, the process of decision making in organisations may be analysed in terms of "the variables that affect organisational goals, the variables that affect organisational expectations, and the variables that affect organisational choice" (Cyert & March, [1963] 1992, p. 162).

¹ For an in-depth description of agency theory, consult the chapter by Kuiken, A. For a detailed description of the behavioural agency model, consult the chapter by Kumeto, G.

Cyert and March (1963) devoted one chapter to the problem of defining goals. They viewed the organisational goal as formed by a dominant coalition of its members and other actors with an interest in the organisation's operations and the ability to influence them (Greve, 2003). Even if members of the dominant coalition have different individual goals that may lead to conflict, a quasi-resolution of conflict may be achieved and the participants in the dominant coalition may enforce the agreement of the entire organisation around a particular goal.

A central idea of BTOF and its descendants is that decision makers use an aspiration level to evaluate organisational performance along an established goal dimension. An aspiration level was defined as “a result of boundedly rational decision makers trying to simplify evaluation by transforming a continuous measure of performance into a discrete measure of success or failure” (Greve, 2003, p.39). One way to determine an aspiration level is to use the experience of the focal organisation (Cyert & March, 1963; Mach & Simon, 1958; Simon, 1955): “The past performance is an indicator of how well the organisation can perform and can easily become a standard for how well the organisation should perform” (Greve, 2003, p.42). When external sources of information are absent or unreliable or when discontinuous environmental changes reduce the usefulness of historical aspiration levels, a historical performance level may be combined or replaced with a historical aspiration level. An alternative rule for setting aspiration levels is to use information on other organisations that are viewed as comparable to the focal organisation. The result of this process is generally referred to as a social aspiration level (Greve, 2003). The use of the social aspiration level is particularly effective when a group of organisations is subject to the same turbulent environmental conditions. Finally, the three sources of aspiration levels can be

combined, as in the original formulation of aspiration-level learning (Cyert & March, 1963), to make an aspiration level follow a weighted function of the past goal, past performance and past performance of others. Aspirations affect organisations because the decision makers' strategic behaviour is guided by the discrepancy between aspiration and performance. If performance is judged to be below aspirations, decision makers are expected to select new strategies to increase performance, and these are generally assumed to involve increased risk. In contrast, when performance is above the aspiration level, decision makers are expected to continue the status quo (Shinkle, 2012). However, before selecting and implementing the solution to a specific organisational problem, decision makers are expected to activate a process of search. Search is a central concept in the behavioural theory of the firm. It implies that the organisation is committed through a series of activities to find new strategies and ways of operating. By generating alternatives to the current set of activities, search spurs organisational change but is not the same as organisational change. Search activities are not necessarily permanent and they do not necessarily imply permanent changes to organisational procedures and routines. For this reason, search is considered to be a precursor to change (Greve, 2003). According to Greve (2003), three types of search exist in the organisation: slack search, institutionalised search and problemistic search. Slack search "results from extra time and resources that are used for experimentation" (Greve, 2003, p.54). Institutionalised search can be thought of as an activity performed by organisational units devoted to search and explicitly managed and regulated by resource allocation. Finally, problemistic search is conceived as "search that is stimulated by a problem (usually a rather specific one) and is directed toward finding a solution to that problem" (Cyert & March, [1963] 1992, p.169). Problemistic search,

unlike slack and institutionalised search, is guided by performance aspiration discrepancy. Cyert and March (1963) indicated that problemistic search is a motivated, initially simple-minded and biased search. It is motivated because it is always the response to an organisational problem. Problemistic search is simple-minded because it initially follows proximity rules: it generally occurs in proximity to the problem symptom and in proximity to current alternatives. This rule means that organisations will tend to search for solutions in the organisational unit that first reports a problem and will favour solutions that make minor changes to the current routines. However, when search for proximate solutions fails, the organisation increases the complexity of search, generally starting by searching for solutions in vulnerable areas. Finally, problemistic search is biased because it depends on the variation in training, experience and goals of the participants in the organisation.

In summary, what emerges from this review of BTOF is that organisations learn from performance feedback when managers evaluate the organisational performance relative to an aspirational level, search for solutions when performance is low and make changes when a promising solution to the performance problem is found (Ben-Oz & Greve, 2012). Organisational decision making is often associated with incremental and short-term solutions and follows past solutions and rules (Shimizu, 2007). The firm, in fact, is seen as an adaptive system whose experience is embodied in a number of procedures for solutions to problems that the organisation has managed to solve in the past. As time passes and experience changes, the firm's routines change through processes of organisational search and learning whose intensity is dependent on "the extent to which goals are achieved and the amount of organisational slack" (Cyert & March, [1963] 1992, p.116).

3. BTOF in family business research

BTOF has been applied in a variety of settings to study organisational change and strategic behaviour. In the last decade, behavioural theory, and particularly the integration between agency theory and behavioural theory (BAM)², has also become one of the dominant paradigms for understanding the ways in which family business organisations make decisions.

In family business organisations, a controlling family has an active role in shaping the strategic behaviour of the organisation (Chua, Chrisman, & Sharma, 1999). The family system influences the business system through different formal and informal mechanisms. The formal mechanisms include family ownership and family involvement in board activities and/or management. The informal mechanisms comprise, for instance, language and narratives that become shared by organisational members over time, as well as idiosyncratic approaches to conflict resolution (König, Kammerlander, & Enders, 2013). These mechanisms promote the adoption of family-centred goals, such as authority, identity, social status, and dynasty (Chrisman et al., 2012). The presence of those family noneconomic goals causes more complex and heterogeneous strategic behaviours in family than in nonfamily firms, where financial goals, such as profit maximisation, rule the organisations' decision-making and strategic behaviour (Chrisman & Patel, 2012).

Therefore, Cyert and March's concept of bounded rationality - grounded on the attack on profits as a motive and on the consideration that individuals and organisations have a host of personal motives - finds a fertile theoretical ground in the family business field

² See chapter by Kumeto, G.

of research. The presence of an additional group of individuals within the organisation with particularistic goals, on the one hand, reinforces the validity of bounded rationality assumptions and, on the other hand, makes the concept consistent with the study of family organisations' decision-making. In particular, in family organisations where ownership is concentrated, those with a controlling interest are likely to have power to pursue private benefits. Empirical evidence suggests that major family owners, in catering to family self-interest, will underinvest in the firm, avoid risk, and extract resources (Le Breton-Miller, Miller, & Lester, 2011).

To illustrate the relative state of scholarly attention to family firms' strategic and organisational behaviour, I started my review with the work of Gomez-Mejia et al. (2007), which opened the way for applying behavioural theory, and particularly BAM, to the study of organisational change in family businesses. After Gomez-Mejia et al.'s (2007) study, another ten articles explicitly declared their adoption of BTOF to address family organisations' decision-making. Yet, a consistent number of articles, though not explicitly declaring the adoption of BTOF, have used the construct of socioemotional wealth developed by Gomez-Mejia and colleagues (2007). This chapter presents a review of the articles in which authors specifically use the behavioural theory of the firm and its developments as the primary theoretical framework of analysis. The intent is not to provide an exhaustive review of the literature or to offer a unifying conclusion to the findings in the literature but rather to synthesise and provide a critical overview of a subset of the family business literature that analyses the organisational responses evoked by family firms from performance feedback.

The data on family business articles applying behavioural theory suggest that in the last five years, within the specific field of family business, a substantial body of

literature explicitly focused on the determinants of strategic behaviour and organisational change, which is the first element warranting a critical discussion of research findings. Moreover, different studies have identified a substantial gap in our understanding of strategic behaviour and risk-taking actions in family firms (Chrisman & Patel, 2012; Gomez-Mejia, Makri, & Larraza-Kintana, 2010; Lumpkin, Steier, & Wright, 2011), suggesting the need for a deeper and further examination of the factors underlying such behaviours. The opportunity to direct attention to the drivers of aspirations, search and organisational change in family organisations is the second element supporting my literature review on BTOF in family business research. Furthermore, there is a quite fragmented treatment of BTOF in the family business literature (Gomez-Mejia et al., 2007, Chrisman & Patel, 2012; Chrisman et al., 2012; Zellweger et al., 2012) that provides my final rationale for this study, which attempts to provide a coherent theoretical comparison of the primary family business studies adopting BTOF.

4. Outcomes of the review

At the end of the selection procedure, 11 articles remain, representing the first outcome of the review analysis. Table 3.1 contains the final list of selected articles as well as the description of fundamental findings and variables for each article. All of the contributions are based on quantitative empirical research.

The research to date has tended to focus on determining the extent to which the family variable affects strategic behaviours and inclinations of family businesses with respect to nonfamily firms (Gomez-Mejia et al., 2007; Chrisman & Patel, 2012). Some available studies have investigated the effects of the family element on firm's strategic behaviour, devoting particular attention to research and development expenditures

(Gomez-Mejia et al., 2010; Gomez-Mejia, Campbell, Martin, Hoskisson, Makri, & Sirmon, 2014; Kotlar, De Massis, Frattini, Bianchi, & Fang, 2013; Chrisman & Patel, 2012) and financial performance hazard (Gomez-Mejia et al., 2007). A recent study has tried to understand the temporal orientation of family business in setting their aspirations and goals (Chrisman & Patel, 2012). Finally, some studies have adopted BTOF to provide evidence of family firms' heterogeneity. In particular, these have noted the role of composition, attributes, and characteristics of the dominant family coalition in influencing goal setting dynamics (Chrisman et al., 2012; Classen, Van Gils, Bammens, & Carree, 2012; Zahra, 2012; Zellweger et al., 2012).

Insert Table 3.1 about here

From this review, two distinct streams of research emerge in the family business literature that adopt BTOF. The first one applies the behavioural agency model to investigate how performance feedback, mostly in terms of financial performance, affects strategic behaviours and the risk taking of managers in a context of goal divergence between owners and managers (principal-agent), as well as owners and owners (principal-principal), in family and nonfamily firms (see chapter by Kumeto, G.). The second stream focuses on investigating the extent to which internal factors and characteristics of organisations influence aspirations and the dominant coalitions' decisions in family firms not only compared to their nonfamily counterparts but also among family firms (Chrisman et al., 2012, Zellweger et al., 2012). In particular, the literature review reveals that there is a clear tendency in all of those studies in the first stream of research to involve a measure of financial performance as an independent

variable and to prefer BAM to BTOF as the reference theoretical framework. In contrast, the studies in the second stream generally adopt BTOF to explain how the characteristics and values of dominant coalitions may differ between family and nonfamily firms or among family firms, and consequently how heterogeneously dominant coalitions act in making complex strategic decisions. There is a basic explanation for this evidence, which can be attributed to the theoretical roots of BAM itself. Because much of the argument underlying BAM builds from agency views of the principal-agent relationship, the model is primarily concerned with the effect of corporate governance mechanisms and structures on the principal's control over the agent to improve financial performance and returns (Wiseman & Gomez-Mejia, 1998). Therefore, when organisational aspirations are not directly related to performance, but rather to more internal factors, such as organisational capabilities, attributes and culture, BTOF appears to be preferred to its integration with the agency model (BAM). In the following pages, fundamental contributions will be presented in detail, grouped in their relevant stream. This categorisation provides an initial logical path to drive through the fragmented family business literature adopting behavioural theory and helps to position the contribution of each strand according to its focus (antecedents, consequences or moderators of aspirations) and theoretical assumptions.

4.1. Risk taking and organisational change in family versus nonfamily organisations

A relevant share of the reviewed articles focuses on the consequences of performance aspiration discrepancies in terms of managerial risk preferences and organisational change in family firms compared to nonfamily firms. The aim of this stream is to provide an *ex post* explanation for the empirical observation that the effects of

performance feedback on managerial risk preferences are different between family and nonfamily firms.

Using the behavioural agency model, Gomez-Mejia et al. (2007) provided one of the fundamental contributions to the risk preferences that family firms exhibited in response to performance feedback. This contribution demonstrated how the risk aversion of family-owned firms is related to the loss of their socioemotional wealth and how it differs depending on family involvement. In particular, family firms may be willing to incur a greater performance hazard to protect their socioemotional wealth, but they are generally risk averse when the business decision increases the chance of unexpected outcomes, causing variance in performance. By extension, Gomez-Mejia and colleagues (2010) applied the same logic to study corporate diversification decisions, concluding that although diversification efforts reduce risk concentration, family firms are more likely to avoid it to the extent that these efforts are associated with a loss of SEW.

Chrisman and Patel (2012), starting from the premise that family firms have a long-term orientation, demonstrated that, coherent with behavioural theory, family firms tend to be risk averse when the business decision can potentially cause variance in performance, for instance, investing less in R&D than nonfamily firms, but the variability of these decisions is greater owing to differences in the compatibility of long- and short-term family goals with the economic goals of a firm. When performance is below aspiration levels, they argued that the economic goals and family goals tend to converge, leading both to an overall increase of R&D investments for family businesses and to a decrease of variability for those investments. By extension, Patel and Chrisman (2014) suggested that, in addition to differences in the levels of R&D investment,

family firms are also likely to differ from nonfamily firms in the nature of these investments. By applying BAM, they demonstrated that when performance meets or exceeds aspirations, family firms focus more on making exploitive R&D investments to decrease the variability of sales, compared with nonfamily firms. In contrast, when performance is below aspirations, loss-averse family owners and managers are more likely than nonfamily counterparts to make explorative R&D investments that increase both the level and the variability of sales.

Additionally, Kotlar et al. (2013) argued that family firms are generally more reluctant to invest in external technology acquisition than nonfamily firms, which is attributable to family managers' attempts to avoid losing control over the trajectory that technology follows over time. Furthermore, Gomez-Mejia and colleagues (2014) recently noted that even in high technology industries, where the relative risk of R&D investment is lower than the risk of not investing in the firm's innovation prospects, family organisations invest less in R&D to protect socioemotional wealth.

In summary, empirical evidence from this stream of research suggests that family firms differ from nonfamily firms in the risk preferences and attitudes of the decision makers. Because of their affective endowments and close attachment to the firm, family owners and managers in the organisation are assumed to avoid strategic decisions that may potentially produce a loss of wealth or a loss of control for the family (Berrone, Cruz, & Gomez-Mejia, 2012). Losses in socioemotional wealth are, thus, seen by family owners and managers as the primary frame of reference for decision-making (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). However, this stream of research, though focusing on organisational change, neglects to investigate the other fundamental trigger of organisational change: organisational search. As Greve

(2003) noted, the effects of performance feedback on organisational search and managerial risk preferences combine to affect the rate of organisational change. Therefore, considering the dynamics of organisational search in family firms, as well as investigating how and to what extent family firms differ from their nonfamily counterparts in performing different types of search, represents a significant research gap in the current family business literature. Researchers might therefore address their attention to fill this gap to generate a comprehensive understanding of the drivers enabling or inhibiting organisational change in family businesses.

4.2. Internal drivers and dominant coalition's characteristics as determinants of family firms' aspirations and strategic behaviour

To explain variations in strategic behaviours and goal setting decisions between family and nonfamily firms and between family businesses themselves, a different stream of research has adopted behavioural theory to investigate the processes through which the dominant coalition influences goal setting, organisational behaviours and routines, with a particular focus on the family as a very important coalition within family enterprises that is able to engage in particularistic behaviours. For instance, Classen et al. (2012) suggested that the involvement of a dominant family coalition in SMEs influences strategic innovation decisions and processes by impacting the number of different external sources that firms rely upon to acquire resources for their innovative activities (search breadth). The authors adopted BTOF and posited that the cognitive diversity of family decision-makers, as well as their desire to preserve family SEW, lead dominant family coalitions to prefer a less diversified set of external partners within the innovation process. In this study, they highlighted the role played by family firms' heterogeneity and by diversity in the decision makers' personal traits in driving

organisational decision-making and strategic behaviour. Similarly, Chrisman et al. (2012), by integrating theoretical arguments inferred from behavioural theory and stakeholder theory, posited that both family and nonfamily firms entertain multiple goals, but the goals adopted by family firms are more likely to include family-centred non-economic (FCNE) goals than those adopted by nonfamily firms. Additionally, the urgency of FCNE goals is mediated by family essence, in terms of both transgenerational family control intentions and the controlling family's commitment to the firm. Finally, Zellweger et al. (2012) applied behavioural and prospect theories to demonstrate that family businesses are heterogeneous and that differences in firm control, and particularly in intentions for transgenerational control, impact socioemotional wealth and consequently the perceived acceptable price at which owners would be willing to sell firms to nonfamily buyers.

From this review, it emerges that only few investigations have tried to empirically identify and examine internal organisational factors (antecedents and moderators) and the characteristics of the dominant coalition that influence goal setting and aspiration choice in family businesses. Although the central role of resource management processes and idiosyncratic resources and capabilities in family firms is entrenched and well-established in the literature (Habbershon & Williams, 1999; Habbershon, Williams, & MacMillan, 2003; Chrisman, Chua, & Litz, 2003; Sirmon & Hitt, 2003), the consideration of the resources and capabilities of family firms, in addition to financial performance, as drivers for determining aspirations and organisational decision-making is an under-investigated topic. Furthermore, there is substantial evidence in the family business literature that family goals are generally oriented to the preservation of control, socioemotional wealth (Gomez-Mejia et al., 2007) and

corporate reputation (Zellweger et al., 2013). However, the influence of noneconomic performance dimensions on organisational change and strategic behaviour between family and nonfamily firms has never been directly assessed. Therefore, the application of BTOF in the family business literature should evolve by including noneconomic performance dimensions as drivers of organisational search and organisational change. For instance, dimensions of social capital and socioemotional wealth, such as the perceptions, values, attitudes, identities and intentions of the dominant coalition in the organisation (Argote & Greve, 2007), should be measured and included as antecedents or moderators in the study of family firms' strategic behaviour.

5. Future directions and research opportunities

As I noted in previous sections, articles applying *A Behavioral Theory of the Firm* to study organisational change in family businesses have flourished over the past 10 years. Although much has been accomplished, many interesting and important questions remain unanswered.

5.1. Problemistic search in family firms

The family business literature has stressed the role of noneconomic factors in the management of the firm as the key distinguishing feature that separates family firms from other organisational forms. As discussed above, empirical evidence shows that family firms are capable of being risk willing and risk averse at the same time in regard to strategic choices. The explanation for this paradox lies in the role of socioemotional gains or losses for the family when considering the relative risk of various strategic choices. In addition, research indicates that a long-term orientation (LTO) is often associated with family firms. LTO has been referred to as 'the tendency to prioritise the

long-range implications and impact of decisions and actions that come to fruition after an extended time period' (Lumpkin, Brigham, & Moss, 2010). For instance, the focus of family firms on transgenerational wealth creation engenders family members to view the firm as a long-term family investment to be handed down to future generations (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010) and hence to exhibit a stronger LTO (James, 1999; Miller & Le Breton-Miller, 2006; Sirmon & Hitt, 2003). Particularly, 'LTO operates as a higher-order heuristic that the dominant coalition employs to realise its long-term aspirations and priorities' (Lumpkin & Brigham, 2011, p. 1151). Evidence shows that in highly family-influenced businesses, decision makers adopt long-term reference points for framing problems and actions (Gomez-Mejia et al., 2007) and lengthy periods for the evaluation of decisions (Chrisman & Patel, 2012), thereby exhibiting decreased attention toward short-term wealth and quick and predictable returns (Carney, 2005; Konig et al., 2013).

Both risk aversion to losses of family socioemotional wealth and a long-term orientation may influence the preferences of family firms in terms of search processes. In particular, when search is conducted in response to a problem, compared with their nonfamily counterparts, family firms could be more reluctant to abandon the established practices and rules created by past experience, routines and heuristics because they are embedded in the business and in the shared family and firm history, values and traditions. From an outcome perspective, family firms will be likely to search for solutions in areas that enable them to use and build upon their existing knowledge base. For instance, family firms will be likely to adopt as proposed solutions projects that have been completed but not launched as products. Additionally, family decision makers will show a LTO in their search processes. Family executives will be likely to

react to low performance by making long-term investments that offer, at the same time, immediate pay-offs. Therefore, family managers will show a stronger incentive to maintain and refine search routines that benefit the firm in the long term. Finally, researchers should consider adopting different measures of organisational change in addition to R&D investments to entirely capture the differences between family and nonfamily firms in reacting to performance feedback.

5.2. Goal formulation and the formation of aspirations in family firms

While some attempts have been made to understand the process of goal formulation in family firms (Kotlar et al., 2013; Chrisman et al., 2012), very little is known about the process of goal assignment and adjustment by groups in the organisation. Furthermore, no research has been found that investigates how family firms utilise the available information to generate an aspiration level compared to nonfamily firms and to what extent this process may be biased by family preferences for social references and self-enhancement mechanisms.

In situations of goal diversity, family organisations achieve a quasi-resolution of conflict through different types of bargaining mechanisms and interactions (administrative versus affective bargaining and formal versus social interactions) in relation to the particular goal and the dominant coalition's commitment to that goal. A process of stabilisation is, thus, activated that yields a semi-stable set of economic and noneconomic goals (Kotlar & De Massis, 2013). In family firms, economic and noneconomic goals, aside from being short- or long-term oriented, may be family- or nonfamily-centred. This variety leads to a more diversified array of goal combinations in family firms than in nonfamily firms. Family business research should focus on investigating what spurs family firms' dominant coalitions to prefer certain goal

combinations in place of others and how family business executives adjust the goals they are given, translate complex long-term oriented goals into more specialised tasks, and assign them to groups and individuals. For instance, in the top management team of a family enterprise, a family manager will be likely to use different mechanisms to adjust the goals assigned to him/her in comparison with a nonfamily manager (e.g., making less compromise between assigned goals and available information). In the same vein, the translation of aggregate goals into sub-goals will differ between family and nonfamily executives. Due to their greater power and discretion, family managers will be less likely than nonfamily managers to follow the organisational structure in creating sub-goals and assigning tasks; they will rather assign sub-goals at different levels (e.g., individual, team and group level) at the same time.

As concerns the process of forming aspiration levels, research should focus on how, in a specific environment, family firms evaluate different sources of aspiration levels (past goals, past performance, and past performance of others) with respect to nonfamily firms. Researchers should devote their attention to the processes of social comparison in family firms, investigating how members of a controlling family choose referents and use social comparison to interpret their own performance. For instance, a promising avenue for future research could be studying whether in family enterprises, nonfamily CEOs use social comparison to pursue goals of self-enhancement either by choosing lower performing organisations as a social reference or by distorting information about the performance of others.

6. Conclusions

This study is the first attempt to synthesise the understanding and application of BTOF in the family business literature. In this study, I have surveyed studies in the family

business literature that apply BTOF to study organisational change in response to performance feedback and have shown that they fall into two streams of research. The first stream is devoted to the investigation of risk taking and organisational change in family organisations with respect to their nonfamily counterparts, while the second is focused on internal drivers and the dominant coalition's characteristics as determinants of family firms' aspirations and strategic behaviour.

This study focuses on the advantages deriving from the adoption of behavioural theory in the family business field of study, providing family business researchers with some suggestions for moving forward in this direction. The potential of the behavioural framework appears, in fact, to be still unexplored, especially in the family business literature. Available studies - although they have generated important and significant findings - have primarily focused on empirical investigations into the impact of the family element on strategic risk-taking behaviour at the organisational level. My analysis suggests that the adoption of BTOF in the family business literature may be extended by exploring the influence of specific factors that are related to the family and its firm on goal formulation and the formation of aspirations. Another important issue is represented by the opportunity for researchers to study problemistic search in family firms as a precursor to organisational change. In this sense, the theoretical flexibility of the behavioural framework combined with the unique characteristics of family firms offers a rich soil to family business researchers not only to generate significant insights about how family firms react to performance feedback but also to extend the theoretical assumptions of BTOF. Indeed, the family business research field offers room to further expand BTOF and exploit the potential of Cyert and March's framework by investigating how family firms may differ in aspirations and strategic decision making

from nonfamily firms and how internal and environmental factors may be helpful in explaining heterogeneous family businesses' decision making, strategic behaviour and performance in an array of contexts and industries.

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Table 3.1: Chronological review of organizational aspiration and behavioral theory in family business literature

Study	Antecedents	Consequences	Moderators	Theoretical Approach	Context	Findings
Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes (2007)	a) Historical target achievement (Current vs. past performance in terms of quantity sold) b) Referent-target achievement (Firm's performance vs. average performance of other firms in the sector in terms of quantity sold) c) Probability of failure	a) Control Loss (Decision of changing status from a privately owned independent firm to a cooperative) b) Venturing Risk (Coefficient of variation for each firm)	a) Family involvement (Dummy variable) b) Family firm stage (Categorical variable)	a) BAM (Behavioral agency model)	1,237 family-owned and 549 nonfamily-controlled olive oil mills in Southern Spain (1944-1998)	a) Family firms are willing to accept a significant risk to their performance (Performance hazard) b) Family firms are less likely to make business decisions that increase performance variability (Risk venturing)
Gómez-Mejía, Makri, & Larranza-Kintana (2010)	a) Family firm (dummy variable)	a) Overall diversification (Entropy index) b) International diversification	a) Cultural distance b) Systematic risk c) Unsystematic risk d) Performance hazard	a) BAM (Behavioral agency model)	360 publicly traded companies in COMPUSTAT (1998-2001)	a) Family firms prefer less rather than more diversification b) Family firms tend to opt for domestic rather than international diversification c) Family firms that invest internationally prefer to choose regions that are culturally close d) Family firms are more willing to diversify as business risk increases (both systematic and unsystematic)
Berrone, Cruz, Gómez-Mejía, & Larranza-Kintana (2010)	a) Family firm (dummy variable) b) Local roots (Distance of the firm's subsidiaries from its headquarters weighted by economic importance in terms of employment) c) CEO stock ownership	a) Environmental Performance	a) Family firm (dummy variable)	a) BAM (Behavioral agency model) b) Institutional Theory	194 U.S. public corporations in COMPUSTAT (1998-2002)	a) Family-controlled public firms have a better environmental performance than their nonfamily counterparts b) The positive effect of local roots on environmental performance is higher for family-controlled than for nonfamily-controlled firms c) For nonfamily public firms, stock ownership by the CEO has a negative environmental effect

Table 3.1: Chronological review of organizational aspiration and behavioral theory in family business literature (continued)

Study	Antecedents	Consequences	Moderators	Theoretical Approach	Context	Findings
Chrisman, Chua, Pearson, & Barnett (2012)	a) Family ownership b) Family management c) Family generations involved	a) Family harmony b) Family social status c) Family identity linkage	a) Family's intention for the transgenerational sustainability of control (TFCI) b) Controlling family's commitment to the firm	a) BTOF b) Stakeholder Theory	1,060 U.S. small firms	a) Family essence partially mediates the relationship between family involvement and family-centered non-economic goals in small firms.
Chrisman & Patel (2012)	a) Family involvement (Ownership and management, continuous variable)	a) R&D investment b) R&D variability	a) Historical performance gap (ROA) b) Competitors' performance gap (Median ROA in the industry)	a) BAM (Behavioral agency model) b) Myopic Loss Aversion Framework	964 S&P 1500 firms in COMPUSTAT (1998-2007)	a) Family firms invest less in R&D than nonfamily firms b) The variability of R&D investments is greater in family firms
Classen, Van Gils, Bammens, & Carree (2012)	a) Family involvement (Ownership and management, dummy variable)	a) Search breadth (Number of external partners or channels the firm rely upon in its innovative activities)	a) Family CEO education b) Nonfamily management involvement c) Educational background diversity of the top management team	a) BTOF	167 SMEs located in Belgium and the Netherlands	a) Family SMEs have a lower diversity of cooperation partners used for innovation-related activities (search breadth) than nonfamily SMEs b) The search breadth in family SMEs is moderated by other factors (CEO's education level, TMT management and heterogeneity)
Zahra (2012)	a) Family Ownership (Percentage of a company's equity held by a single family, continuous variable)	a) Organizational learning breadth b) Organizational learning depth c) Organizational learning speed	a) Family cohesiveness	a) BTOF	741 U.S. manufacturing firms	a) Family ownership is positively associated with the breadth and the speed of learning b) Family ownership is negatively associated with the depth of learning c) Family cohesiveness amplifies the positive effect of family ownership on learning breadth and speed

Table 3.1: Chronological review of organizational aspiration and behavioral theory in family business literature (continued)

Study	Antecedents	Consequences	Moderators	Theoretical Approach	Context	Findings
Zellweger, Kellermanns, Chrisman, & Chua (2012)	a) Extent of current control b) Duration of control c) Intention for transgenerational control	a) Perceived acceptable selling price (SEW)	-	a) Prospect Theory b) BTOF	82 Swiss and 148 German family firms	a) The extent of control has no relationship with perceived total value b) Duration of control may have a weakly positive effect on perceived value c) Intentions for transgenerational control have a significantly positive impact on the total perceived value of the firm
Kotlar, De Massis, Frattini, Bianchi, & Fang (2013)	a) Historical performance gap (ROA) b) Reference-target performance gap (Average ROA in the industry) c) Family Management (Number of family members in top managerial positions, continuous variable)	a) External technological acquisition through R&D contracting	a) Family Management (Number of family members in top managerial positions, continuous variable) b) Technology protection (Increase in the number of patents registered by the company)	a) BAM (Behavioral agency model)	1,540 Spanish manufacturing firms (2000-2006)	a) Performance below aspiration positively affects the likelihood of managers to acquire technology from external sources through R&D contracting b) There is a negative relationship between external technology acquisition and family management c) Family management moderates the relationship between external technology acquisition and performance, so that the relationship is weaker among family than nonfamily firms d) Technology protection moderates the relationship between external technology acquisition and family management

Table 3.1: Chronological review of organizational aspiration and behavioral theory in family business literature (continued)

Study	Antecedents	Consequences	Moderators	Theoretical Approach	Context	Findings
Gómez-Mejía, Tochman, Campbell, Martin, Hoskisson, Makri, & Sirmon (2014)	a) Family firm (dummy variable) b) Family firm stage (Founder firm, dummy variable)	a) R&D investment b) Related diversification (Entropy index)	a) Performance hazard (Industry-median-adjusted ROA) b) Institutional investor ownership c) Related diversification	a) BAM (Behavioral agency model)	610 high technology firms in COMPUSTAT (2004-2009)	a) Family-controlled high technology firms invest less in R&D than their nonfamily counterparts b) The negative relationship between family control of the high technology firm and R&D investment is moderated by performance c) Family-controlled firms invest less in R&D than founder-controlled firms d) Family controlled firms in high technology industries are more likely to engage in related diversification than family controlled firms in low technology industries e) Family controlled firms are more likely to invest in R&D as related diversification increases f) The negative relationship between family control and R&D investment in high technology is moderated by institutional ownership
Patel & Chrisman (2014)	a) Production function (R&D investments, capital investments, advertising investments, and total number of employees) b) Risk abatement function (Family involvement (Ownership and management, continuous variable), R&D investments, and interaction between family involvement and R&D investments)	a) Mean sales b) Variability in sales	a) Historical performance gap (ROA) b) Competitors' performance gap (Median ROA in the industry)	a) BAM (Behavioral agency model) b) Risk abatement model	847 S&P 1500 manufacturing firms in COMPUSTAT (1996-2005)	a) Family firms differ from nonfamily firms in the nature of their R&D investments b) When performance meets or exceeds aspirations, family firms focus more on making exploitive R&D investments to decrease the variability of sales, compared with nonfamily firms c) When performance is below aspirations, loss-averse family firms are more likely than nonfamily firms to make explorative R&D investments that increase the variability of sales