

Relationship Conflict, Family Name Congruence, and Socioemotional Wealth in Family Firms

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ABSTRACT

We investigate how family relationship conflict and family and firm name congruence influence subjective firm valuations by family firm owner-managers. Drawing on the socioemotional wealth perspective, behavioral agency theory and mixed gamble reasonings, we hypothesize and find a U-shaped association between relationship conflict inside the family firm and subjective firm valuation. While we do not find a direct effect between name congruence and subjective firm valuation, we show that name congruence interacts with relationship conflict to affect valuations in a complex fashion. Implications and contributions of our findings are discussed.

Key words: Family firms; socioemotional wealth; relationship conflict, identity, subjective valuation.

Introduction

The parties have amicably resolved all of their disputes out of court and look forward to the continued growth of the business. That doesn't mean the animosity is gone. The harsh words and tactics over the years left wounds that will take a long time to heal (Grant, July 8, 2017).

Socioemotional wealth (SEW) is the non-financial utility or affective endowments attached to ownership of the family firm (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Scholars use a family business setting to investigate owners' socioemotional utility because non-financial considerations are prevalent in this context (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012). As such, non-financial utility, or socioemotional wealth is recognized as an integral component of the total value owners attribute to ownership in the family firm (Astrachan & Jaskiewicz, 2008; Zellweger & Astrachan, 2008; Zellweger & Dehlen, 2012). Yet, recent findings show that SEW can also detract from firm valuation and trade-offs between financial wealth and SEW are made (Kotlar, Signori, De Massis, & Vismara, forthcoming). Accordingly, the subjective valuation of the family firm by its owners accounts for both the financial and non-financial utility of ownership (Astrachan & Jaskiewicz, 2008; Kammerlander, 2016). Specifically, we define subjective valuation of the family firm as the minimum acceptable price at which owners would be willing to sell the firm to a buyer from outside the family (Zellweger, Kellermanns, Chrisman & Chua, 2012b).

Scholars show that owners' desire to preserve and enhance SEW drives family firm behavior and decision making (e.g., Berrone, Cruz, Gómez-Mejía, & Larraza Kintana, 2010; Chrisman & Patel, 2012; Gómez-Mejía, Patel, & Zellweger, 2018; Zellweger, Kellermanns, Chrisman, & Chua, 2012b); however, the literature does not describe how owners handle

negative experiences related to the family firm, hereafter referred to as socioemotional costs. Socioemotional costs arise from negative features related to ownership, such as relationship conflict and the associated negative emotions (Astrachan & Jaskiewicz, 2008), as well as sacrifice and pressure (Zellweger & Astrachan, 2008).

In this study, we draw on socioemotional wealth (SEW), behavioral agency theory (BAM) (Wiseman & Gómez-Mejía, 1998), and mixed gambles (e.g., Gómez-Mejía et al., 2014), which are all three grounded in prospect theory, to investigate how owners account for the socioemotional cost of relationship conflict in their subjective valuation of the family firm. We challenge the intuitive assumption that socioemotional costs would automatically lead to lower valuations. We propose that socioemotional costs such as relationship conflict amongst family members are viewed differently by family members and can thus increase or decrease subjective valuations of the family firm. Specifically, we hypothesize a U-shaped relationship between relationship conflict in family firms (e.g., Eddleston & Kellermanns, 2007) and subjective firm valuations; whereby low levels and high levels of relationship conflict promote greater levels of subjective valuations. We further hypothesize that family name congruence, evident by the presence of identical firm and family owner names, interacts with relationship conflict to influence subjective valuations. Indeed, family name congruence between the owning family and firm is shown to affect the presence of socioemotional wealth (Gómez-Mejía, Cruz, Berrone, & De Castro, 2011).

Our study makes multiple contributions to the literature. First, we extend the SEW literature by examining socioemotional costs associated with negatively valenced functions such as relationship conflict. To this point, the literature has only been mostly concerned with positively valenced sources of SEW. Rather than a simple depletion of SEW, we hypothesize

and demonstrate that owners account for socioemotional costs in a counterintuitive, non-linear fashion when assigning subjective value to the family firm. These findings have implications for how scholars view family firm owners' potential responses to a broader range of negatively valenced socioemotional costs. It also provides new insights on the research of mixed gambles in SEW and the role of vulnerability (e.g., Gómez-Mejía et al., 2014; Martin, Gomez-Mejia, & Wiseman, 2013). Second, we contribute to a better understanding of the subjective valuation of family firms by their owners (e.g. Foss, Klein, Kor, & Mahoney, 2008; Kotlar et al., forthcoming; Leitterstorf & Rau, 2014; Thomsen & Pedersen, 2000; Zellweger, Richards, Sieger, & Patel, 2016; Zellweger et al., 2012b). Third, our paper adds to the insights of the wider prospect theory by showing how an endowment effect can be driven by relationship conflict and family name congruence (Carmon & Ariely, 2000; DeSteno, Petty, Wegener, & Rucker, 2000; Lerner, Small, & Loewenstein, 2004; Loewenstein & Lerner, 2003). As such, our findings have implications for family firm governance (Lubatkin, Schulze, Ling, & Dino, 2005) and the transfer of private family firm ownership (e.g., Capron & Shen, 2007). Finally, we extend the literature on relationship conflict (e.g., Eddleston & Kellermanns, 2007; Jehn, 1995) by not only tying relationship conflict to firm valuation, but also by showing that the curvilinear relationship varies based on family name congruence. This suggests complexities of family firm conflict not previously acknowledged in the literature and contributes to the ongoing debate on family firm heterogeneity (e.g., Chua, Chrisman, Steier, & Rau, 2012; Stanley, Kellermanns, & Zellweger, 2017; Westhead & Howorth, 2007).

SOCIOEMOTIONAL WEALTH AND FAMILY FIRM VALUATION

SEW is “the non-financial aspects of the firm that meet the family’s affective needs” (Gómez-Mejía et al., 2007: p. 106) and is also referred to as affective endowment, or

socioemotional endowment (Berrone, Cruz, & Gómez-Mejía, 2012; Gómez-Mejía, Makri, & Larraza-Kintana, 2010). SEW helps explain how the pursuit of non-financial goals drives family firm behavior (c.f. Chua, Chrisman, & De Massis, 2015; Martin & Gómez-Mejía, 2016; Miller & Breton-Miller, 2014; Schulze & Kellermanns, 2015).

The subjective valuation of the firm by its owners is particularly salient in the family firm setting owing to the affect-dense setting of the family system (Anderson & Reeb, 2003; Sharma & Manikuttu, 2005) and the prominence of socioemotional wealth as a primary reference point (Gómez-Mejía et al., 2007) since ownership is typically maintained within the family with transgenerational sustainability intentions in mind and as the firm is typically not for sale outside the family (Zellweger et al., 2016). Valuing privately held family firms is subjective in most cases as no liquid market for shares exists (Fernando, Schneible Jr., & Suh, 2014). These valuations are complex, involve considerable uncertainty, and are often biased by social desirability concerns (e.g., family legacy considerations). In these circumstances, individuals' cognitive processes are likely to be infused by affect (Forgas, 1995), whereby affect primes what is selectively recalled and interpreted and, ultimately, biases valuations.

To further our understanding of how SEW acts as a reference point to influence the subjective valuation of family firm ownership (Zellweger & Dehlen, 2012), which is likely to impose biases in the decision process, we utilize multiple approaches. First, we draw on prospect theory to establish a baseline prediction for the typical case. The endowment effect, a central tenet of prospect theory, explains the difference between the price at which an individual is willing to purchase and sell an object. Prospect theory postulates that it takes a more advantageous offer to make an individual sell an endowed asset in comparison to the price at which the individual would be willing to buy the same asset, owing to loss aversion and a bias

toward the status quo (Tversky & Kahneman, 1991). Prospect theory also recognizes the propensity for owners to capitalize prior investments such that they are less willing to relinquish an asset for its current market value even if the decision puts that value at risk (Arkes & Blumer, 1985). As a consequence of attributing value to prior investments of time, money, and affect, decision makers display a decreasing willingness to part with the asset (Moon, 2001). Likewise, owners can consider these costs to be part of the value of an asset, thereby heightening its minimum acceptable sale price (Thaler, 1980). Prior research suggests this is particularly true of affect-infused assets, specifically the socioemotional endowments related to family firm ownership (Zellweger & Astrachan, 2008; Zellweger & Dehlen, 2012). Thus, consistent with prospect theory, we expect owners to include the non-financial component of giving up the socioemotional wealth associated with ownership when deciding the minimum acceptable sales price of the family firm. Moreover, prospect theory suggests the subjective value attached to the non-financial component of firm valuation will most likely be biased upward given the positive affect associated with SEW, and the reluctance to relinquish it.

Yet, we propose the application of prospect theory to this general case cannot fully explain how owners account for negative affect in subjective valuations. For example, we know that some aspects of family firm ownership, such as relationship conflict, are infused with negative affect (Zellweger et al., 2012b). Yet, we do not know if owners account for negative affect in their evaluation of SEW by simply reducing their SEW assessment and with it firm valuation. Further, we do not know if the owner's reference point for subjective valuation will still incorporate a non-financial component (SEW) in the case of negative affect or shift solely to the financial wealth component of the valuation. To address these complexities, we extend our

theorizing beyond prospect theory and draw on both BAM and mixed gambles reasoning in SEW.

BAM (Wiseman & Gómez-Mejía, 1998) in the family firm literature builds on the endowment effect emphasized in prospect theory, suggesting that the value owners place on preserving SEW is associated with ownership in the family firm. BAM proposes the owner's primary reference point for decision making is framed by aversion to loss of the current SEW endowment (Gómez-Mejía et al., 2007). Indeed, prior research shows that motivation to preserve SEW influences family firm decisions (e.g., Berrone et al., 2010; Chrisman & Patel, 2012; Patel & Chrisman, 2014). The applications of BAM often hold the implicit assumption of a trade-off between SEW and financial wealth (Martin & Gómez-Mejía, 2016).

Extending BAM, the literature further introduced mixed gambles in their theorizing (e.g., Gómez-Mejía et al., 2014; Martin et al., 2013), which relaxes the sole focus on loss aversion (pure gamble with only loss outcome) to consider the potential for both gain and loss outcomes (mixed-gamble) in the decision maker's framework (Martin et al., 2013). Indeed, as Bromiley (e.g., 2010) points out there are few decisions that involve the chance for only loss or only gain. When applied to the family firm context the mixed gamble is compounded as the potential for loss or gain applies to both socioemotional and financial wealth (Gómez-Mejía et al., 2018; Kotlar et al., forthcoming).

These theoretical developments can explain complex family firm behavior. For example, while the literature previously suggested that loss aversion of SEW would lead to underinvestment in R&D, utilizing the above referenced theoretical lenses, we can now understand the pursuit of gains due to reference point shifts (Gómez-Mejía et al., 2014). Similarly recent research by Kotlar and colleagues (forthcoming) suggests a dynamic, rather

than static nature of the family firm owner's reference points, leading to changes in the valuation of SEW. Suggesting that the classic trade-off between financial wealth and SEW may not be as straightforward and likely heterogeneous across family firms (Martin & Gómez-Mejía, 2016; Schulze & Kellermanns, 2015). These trade-offs have implications for the valuation of the firm (Kotlar et al., forthcoming; Leitterstorf & Rau, 2014) and we propose that the level of relationship conflict, a key family firm process variable (Eddleston & Kellermanns, 2007), may affect subjective valuations in a counterintuitive fashion. Further, strong identification with the family firm (Kotlar et al., forthcoming; Zellweger, Eddleston, & Kellermanns, 2010), indicated by family firm name congruence in our paper, alters how family firm owners assess the effects of the relationship conflict on overall valuations. Below, we develop these relationships in more detail.

RELATIONSHIP CONFLICT AND VALUATION IN FAMILY FIRMS

Relationship conflict is defined as “an awareness of interpersonal incompatibilities [that] includes affective components such as feeling tension and friction” (Jehn & Mannix, 2001: p. 238). Amason (1996) echoes the inseparability of relationship conflict and negative affect and adopts the term “affective conflict,” and Priem and Price (1991) use the label “social-emotional conflict” to describe negative conflict. Relationship conflict is characterized by disagreements, argumentation, political maneuvering, competition, hostility, and aggression (Barki & Hartwick, 2004). Relationship conflict is embedded with a wide array of negative emotions such as anger, frustration, hatred, animosity, and annoyance (Barki & Hartwick, 2004; De Dreu & Weingart, 2003). According to Deutsch (1969), relationship conflicts decrease goodwill, mutual understanding, and camaraderie, which hinder the completion of organizational tasks and work performance. Jehn (1995) also shows that relationship conflict leads to reduced satisfaction and a

lack of regard for other group members. To date, no evidence shows positive effects of relationship conflict on either performance or satisfaction (McKee, Madden, Kellermanns, & Eddleston, 2014). Relationship conflict is prevalent in family firms (e.g., Beehr, Drexler Jr, & Faulkner, 1997; Danes, Zuiker, Kean, & Arbuthnot, 1999; Dyer, 1986; Eddleston & Kellermanns, 2007; Kellermanns & Eddleston, 2004) and can often have disastrous consequences (Eddleston & Kellermanns, 2007). The dynamics of conflict in family businesses are complex and distinctive because of the unique interdependence between family and business systems (Memili, Chang, Kellermanns, & Welch, 2015; Sorenson, 1999). For example, family member incompetence, entitlement, or opportunism may undermine the SEW investment by other family members and lead to relationship conflict (Eddleston & Kidwell, 2012; Kidwell, Kellermanns, & Eddleston, 2012). Also, relationship conflict may become particularly intense in family firms because conflicts among family members are sustained in repetitive interactions in both work and family settings (e.g., Kaslow, 1993). These relationship conflicts become institutionalized and difficult to resolve because families are social groups with long histories and enduring memories, and the personal costs of exiting either the family or firm are high (Schulze, Lubatkin, & Dino, 2003). Thus, rather than providing an endowment, relationship conflict could lead to socioemotional cost, which can manifest itself as hostile rejection, abject dependence, mental distrust, manipulation, and maladaptation among family members (Eddleston & Kellermanns, 2007; Kellermanns & Eddleston, 2004). Below, we will argue the connection between relationship conflict and the family firm owner's subjective valuation of the firm in more detail.

In the absence of relationship conflict, that is, in harmonious relationships, positive affect can be expected (Isen & Baron, 1991), heightening commitment to the firm and increasing

SEW. Given the positive family relationships within the firm we expect owner's to frame subjective valuations based on the desire to preserve socioemotional endowments associated with ownership in the firm (Zellweger & Astrachan, 2008). Prospect theory/BAM suggests that owners will not only place a high value on the current SEW endowment, but also be strongly averse to losing it (Gómez-Mejía et al., 2007). Owners will therefore include a premium for relinquishing SEW in their subjective valuation of the firm.

If relationships amongst family members deteriorate from low or no relationship conflict to moderate levels, however, goodwill and mutual understanding is reduced (Jehn, 1997) and disappointment, resignation, and sadness begin to take hold (Simons & Peterson, 2000). Keltner, Ellsworth and Edwards (1993) state that sadness and frustration evoke the implicit goal of changing one's circumstances (Lazarus, 1991). This can result in the desire to exit the business and a willingness to accept a lower valuation for the firm in order to move on. Indeed, Lerner et al. (2004) suggest that sadness induced by relationship conflict reduces selling prices, as owners seek opportunities to withdraw. This is also consistent with Kotlar and colleagues (forthcoming) view of dynamic reference points, suggesting that owners are willing to realize losses in current valuations as they adjust to expectations of declining SEW and abate their initial aversion to loss of the endowment. Thus, at moderate levels of relationship conflict we expect owners to arrive at lower subjective valuations.

At high levels of relationship conflict, the conflict escalates and gains in fervor, size, and scope, and is accompanied by arduous in-fighting, stress, acute negativity, jealousy, hatred, and anger (e.g., Jehn, 1997). When negative affect is extreme, it can overrun and overrule rational and sound reasoning (Thomas, 1992), constituting a socioemotional cost to the owner. This has multiple consequences for the valuation of the firm. Angry people are more prone to ill-

considered judgments, suffer from illusions of control, escalate their commitment into the conflict, and engage in self-serving biases that conflate what is perceived as fair (Lerner & Keltner, 2000; Simons & Peterson, 2000). The irrational behavior is also likely reflected in the firm valuation. Rather than withdrawing, they will likely expect to be compensated for the emotional pain suffered through the conflict and thus include the socioemotional cost in their subjective valuation of the family firm. In addition, we adopt the notion of dynamic reference points (Kotlar et al., forthcoming), and argue its impact in the case of high relationship conflict. Here, owners may have little left to lose in reference to SEW and may focus more on financial wealth. Indeed, when the probability and size of gains outweighs losses the decision makers tendency toward loss aversion decreases and the preference for prospective gains increases (Gómez-Mejía et al., 2014), as would be the case here. This reference shift to financial gain, will lead to increased subjective valuations, as owners focus on financial wealth as the primary means of compensation for firm value in addition to including the value of lost SEW. Thus, the combination of a focus on financial wealth as well as the desire to price in socio-emotional cost, will lead to higher valuations.

Accordingly, we hypothesize a U-shaped relationship, in which subjective valuations are higher when relationship conflict is high or low, and subjective valuations are lower when relationship conflict is moderate. Formally stated:

Hypothesis 1: There is a nonlinear association between relationship conflict and owners' subjective valuations of family firms. Specifically, lower and higher levels of relationship conflict correspond with higher subjective firm valuations and moderate levels correspond with lower subjective firm valuations.

FAMILY AND FIRM NAME CONGRUENCE AND VALUATION IN FAMILY FIRMS

Organizational identity captures the most central, distinctive, and enduring characteristics of an organization (Albert & Whetten, 1985). Scholars suggest that, in the case of family firms, a

high degree of overlap between family identity and firm identity is often present (Dyer & Whetten, 2006; Zellweger et al., 2010). Yet, it is widely recognized this sense of shared identity varies considerably among family firms (Sundaramurthy & Kreiner, 2008), implying that a strong linkage between family and firm identity cannot be assumed strictly on the basis of ownership considerations.

Some families actively seek a high fit between family and firm identity (Zellweger, Nason, Nordqvist, & Brush, 2013). For example, families may utilize symbolism, infuse family values in the business, and employ family members in key roles to foster integration between family and business identities (Sundaramurthy & Kreiner, 2008). More specifically, visibility of the family name as part of the firm name is one of the most potent means families use to reinforce the connection between family and firm identities in the eyes of family members, as well as external stakeholders (Deephouse & Jaskiewicz, 2013). The family name stands as perhaps the most central, distinctive, enduring, and visible characteristic of the family. As such, we argue that, when families use the family name as the firm name, they do so with the goal of increasing the strength and visibility of the bond between family and firm identities (De Massis, Kotlar, Mazzola, Minola, & Sciascia, 2018; Sundaramurthy & Kreiner, 2008). As a consequence, family and firm name congruence is not only an observable signal of high identity congruence (e.g., Deephouse & Jaskiewicz, 2013; Zellweger et al., 2010), but also closely associated with behavioral consequences of the family firm often designed to enhance SEW (De Massis et al., 2018; Deephouse & Jaskiewicz, 2013).

Indeed, scholars have shown that family and firm name congruence is associated with higher importance of SEW to family firm owners (Cabrera-Suárez, Deniz-Deniz, & Martin-Santana, 2014; Zellweger et al., 2013). In turn, family owners make decisions aimed at fulfilling

non-economic goals and increasing SEW (De Massis et al., 2018). Although the owners' emphasis on enhancing SEW may create a potential trade-off between socioemotional and financial wealth (De Massis et al., 2018), evidence also suggests a positive association with the owners' subjective assessments of performance (Zellweger, Kellermanns, Eddleston, & Memili, 2012a). For example, family firm name congruence is associated with increased corporate social responsibility and philanthropic activities aimed at promoting the visibility of the family and firm in the community (Campopiano, De Massis, & Chirico, 2014). The goodwill and reputational effects generated by these activities provide positive feedback to the family firm owners, increasing SEW (Campopiano et al., 2014; Kotlar & De Massis, 2013). The increased pursuit of SEW and the closer perceived ties to the family firm should consequently result in higher perceived subjective valuation of the firm by its owners. Formally stated:

Hypothesis 2: There is a positive association between family and firm name congruence and owners' subjective valuations of family firms.

THE INTERACTION OF NAME CONGRUENCE WITH RELATIONSHIP CONFLICT ON SUBJECTIVE VALUATION

We argue that name congruence interacts with relationship conflict to affect the subjective valuation of the family firm. At lower levels of relationship conflict, or its absence, name congruence has likely only a limited reinforcing impact, as all is well and SEW related benefits can be obtained by the family. However, the presence of name congruence affects the U-shaped relationship in a more complex manner at moderate or higher levels of relationship conflict, as we outline below. Name congruence heightens awareness of the efforts family members have made in building the firm and the loss of SEW tied to the family's identity if the firm is to be sold (Zellweger et al., 2012a). When faced with the prospect of selling the business and the loss of SEW, owners may be more willing to endure the negative aspects of relationship conflict in order to retain SEW associated with control of a firm that bears the family's name.

Further, it has been argued that negative expressions of affect embedded in moderate relationship conflict, are socially acceptable in settings where the actors are interdependent (e.g., Rusbult & Lange, 2003). Supporting such a perspective, Yang and Mossholder (2004) propose that a wider range of emotional displays becomes acceptable when interdependencies exist because members are more familiar with the signals used to express strong feelings. Not only does the family provide a framework for interdependence, name congruence of the family with the firm heightens this interdependence as any action that affects the firm simultaneously affects the family members bearing this name. Accordingly, name congruence increases the salience of the strong linkages and interdependence between family and firm, effectively dampening the negative effects of moderate relationship conflict on the subjective valuation of the family firm. Furthermore, based on the mixed gamble logic, name congruence should lead to more perceived vulnerability of the family member. Accordingly, at moderate levels of conflict, this is likely to lead to a shift of the reference point toward a financial preference (see also Gómez-Mejía et al., 2018; Kotlar et al., forthcoming).

At high levels of relationship conflict, however, we reason that family members would exhibit a more negative relationship between relationship conflict and subjective firm valuation in the face of name congruence. Family and firm name congruence blurs the boundaries between family, firm, and individual owners, making it more apparent to external parties that the firm is not controlled by an anonymous group of shareholders but by a personal and identifiable social group (Zellweger et al., 2013). In this situation, relationship conflict has direct negative consequences that may cause the reputation of the family and the firm to be irreparably damaged and thus may lead to an inclination to move away from the situation (De Dreu & Van Vianen, 2001). Indeed, as relationship conflict becomes more acute it is likely to have a negative spill-

over effect on owners' relationships with other internal and external stakeholders. For example, owners could lose face and social standing inside and outside the family if they are seen as the cause or even as primary actors in intractable family conflicts (e.g., Fiol, Pratt, & O'Connor, 2009). Furthermore, when expectations for potential improvement in relationships within the family or with external stakeholders are remote, it likely affects the ability to accumulate SEW in the long run and also negatively affects financial performance (Eddleston & Kellermanns, 2007), thus leaving the individual with only a loss perspective, resulting in lower overall evaluation of the value of the firm. Formally stated:

Hypothesis 3: Relationship conflict and firm name congruence interact to affect the owners' subjective valuations of family firms. Specifically, in the presence of name congruence, we expect an inverted U-shaped relationship between relationship conflict and subjective firm valuations.

METHODS

Our sample includes 149 CEO-owners of family firms located in Germany. We obtained the initial sample frame of 4,000 family firms from an accounting firm. The frame included firms with substantial ownership by a family, family member, or community of heirs. Two mailings yielded 349 questionnaires, representing 326 distinct, privately-held family firms. As the focus of our study centers on relationship conflict among family members in a firm, we further restricted the sample to those cases where there are two or more family members working in the firm. Out of the 349 respondents, we had 149 respondents from firms that met these conditions and who provided estimates of the price they would be willing to sell the firm to an outside party (our dependent variable). These 149 respondents form the sample of the present study. The overall response rate of 8.7 percent (349 respondents out of 4,000 originally contacted) is lower than we desired. Family firm studies, in general, suffer from low response rates, particularly when inquiries involve highly sensitive data (e.g., Chrisman, Chua, & Litz,

2004). Our response rate and sample size compare favorably with prior studies investigating acceptable sale prices (e.g. Horowitz & McConnell, 2002), however.

Dependent variable

We measured the value of the firm as the price that owners would find acceptable if selling the firm to a buyer from outside the family to account for the case in which the owner gives up all the SEW associated with firm ownership. In line with previous willingness to accept and SEW studies (e.g., Carmon & Ariely, 2000; Zellweger et al., 2012b), we asked the CEOs of the sample firms: “What is the minimum acceptable sale price at which you are willing to sell 100% of your company's equity to a *non-family member*?” This question made it clear that we were interested in (1) the value they placed on the firm’s equity (2) when selling the entire firm (3) to someone outside the family. A pilot study of 29 family firm owners provided assurance that they understood the question. These respondents were not included in the final sample. Our dependent variable exhibited high positive skewness and kurtosis (Hair, Black, Babin, & Anderson, 2010). As a consequence, we took the natural logarithm to achieve a more normal distribution (Tabachnick & Fidell, 1996).

Independent variables

Relationship conflict. Our scale for relationship conflict was taken from Eddleston and Kellermanns (2007), who adapted Jehn’s (1995) and Amason’s (1996) scales for use in family firms. The adaptations to these original scales acknowledge that the arena of relationship conflict is the family firm rather than the work unit or the family. Also, our measure asks participants to indicate the prevalence of negative emotions embedded in the conflict. In line with Amason’s (1996) relationship conflict scale we also included a measure of the degree to which interpersonal frictions hamper functional decision making. We assessed this construct with four

items measured on a 7-point Likert-type scale ($\alpha = .89$) (see Appendix A). In order to assess potential nonlinear effects on perceived firm value, we also created a squared term of the construct.

Family-firm name congruence. For name congruence, we constructed a binary variable that equals 1 if the owner's family name is the same as the firm's name and 0 if otherwise. Name congruence has been suggested as an indicator of the level of family identification with the firm in other family business studies (Pérez-González, 2006; Villalonga & Amit, 2006).

Control variables

In line with previous studies on this topic (Zellweger et al., 2012b), we control for the financial and non-financial determinants of perceived firm value discussed below.

Financial control variables. We use archival data for performance (profit) and total assets, and subjective assessments for growth, sustainability of performance, risk, and private financial benefits that the dominant coalition might extract from the business. Archival data on current performance and total assets were collected from Unternehmensregister, an archive in which the German government compiles various types of financial information. This database is comparable to the Spanish SABI database recently used by Cruz, Gómez-Mejía, and Becerra (2010), as it contains objective financial information and industry sector information for privately held companies. As an alternative control variable for performance, we also calculated the cash flow of the firm (Profit + Write-offs), since profit may be affected by tax and write-off considerations, whereas cash flow is less affected by such potential biases and is more directly relevant to shareholders' value considerations (Copeland, Koller, & Murrin, 2000). While objective cash flow could not be calculated for all firms (given the limited availability of income statements and write-off information in the database), we were able to calculate it for 61 firms

and compared these figures with their self-reported cash flows. The correlation between objective and subjective cash flow values was high (0.94, significant at the 0.01 level), indicating high response quality and measurement validity. Thus, we decided to use the validated subjective cash flow measure as an alternative control variable for profitability.

Since a firm's past performance may impact perceptions of firm value, respondents were asked to indicate if their firms' performance in the past three years was much worse, about the same, or higher than their competitors'. We asked seven questions regarding growth in sales, growth in market share, return on equity, the ability to fund growth from profits, growth in profitability, return on total assets, and profit margins (e.g., Eddleston, Kellermanns, & Sarathy, 2008). Performance indicators were measured on a 7-point scale ($\alpha = .93$). The responses were averaged to obtain our aggregate measure. Subjective performance measures are commonly used in studies of privately held firms where public information is lacking (Love, Priem, & Lumpkin, 2002) and have been shown to correlate with objective data in family firms (Ling & Kellermanns, 2010).

To control for private benefits, we asked for the actual monetary value of the perquisites the CEO-owner received from the organization (e.g., car, trips, and other amenities). As this value was not normally distributed, we transformed it using the natural logarithm. Indications of the financial value of the private benefits of control may be biased owing to privacy concerns. Therefore, we also used data on total assets taken from the Unternehmensregister as an additional and objective control, based on the idea that the larger the firm's asset base, the larger the benefits that majority owners will be able to extract (see also Gutiérrez & Tribó, 2004).

Because of the difficulties in directly measuring risk for privately held firms, three separate proxies were used: size, industry, and long-term orientation. Risk tends to decrease with

firm size, which was measured by number of employees. Risk and, therefore, value, also tends to vary by industry. Two categorical variables representing firms in manufacturing and service industries were used. Finally, risk can vary depending on the extent to which family firms invest in projects that might only pay off in the long term. We assessed the long-term orientation of the firms with three items on a 7-point Likert-type scale ($\alpha = .72$).

Non-financial control variables. Emotional attachment and subjective firm value may increase with duration of ownership (Boyce, Brown, McClelland, Peterson, & Schulze, 1992; Curasi, Price, & Arnould, 2004). Thus, we control for the duration of ownership using the age of the firm since all firms in the sample were owned by the family since firm inception. We also controlled for the share of ownership held by the responding family member since higher levels of ownership indicate higher levels of control, authority, and attachment to the firm (Gómez-Mejía et al., 2007). Furthermore, research suggests that ownership will affect valuations of assets, regardless of family ties (Kahneman, Knetsch, & Thaler, 1991; Thaler, 1980). In addition, we controlled for the number of family members employed in the firm. As this number rises, the greater the opportunity for perpetuating family values through the business (Handler, 1990) or preserving the family dynasty (Casson, 1999).

Owners may form an attachment to an organization through long-term association. For example, studies of family firm succession report that incumbent leaders have difficulty in retiring from the firm owing to their emotional ties (Le Breton-Miller, Miller, & Steier, 2004). Thus, we controlled for age of the family CEO as a proxy for organizational tenure. Also, the attachment literature suggests that how an object has been acquired has important implications for how emotional attachment to that object is formed. Indeed, how a business has been acquired has been linked to willingness to sell the business (Shepherd & Zacharakis, 2000). Thus, we

controlled for positive feelings that are associated with the entry into or takeover of the business, with a six-item scale ($\alpha = .81$).

Tests for bias

We relied on a key informant approach (e.g., Kumar, Stern, & Anderson, 1993), following prior family firm literature (e.g., Eddleston & Kellermanns, 2007). We believe that relying on family firm owner CEOs is desirable for our purposes, as 1) CEOs are the most qualified to indicate acceptable sale prices, 2) this question is of particular relevance to them, and 3) they tend to hold a significant ownership stake.¹ To further validate our multi-item constructs and acceptable sale price assessment, we collected data from additional family members ($n = 28$), all of whom were partial owners in their respective firms and occupied management positions. We then proceeded to calculate inter-rater reliability for the multi-item constructs (James, Demaree, & Wolf, 1984). All of these reliabilities were at acceptable levels (r_{wg} -Relationship Conflict = .92; r_{wg} -Positive Feeling = .83; r_{wg} -Past-Performance = .93; r_{wg} -Longterm Orientation = .80), suggesting the appropriateness of our approach (Eddleston et al., 2008). Seventy-five percent of family members reported identical acceptable sale prices, with an overall correlation of 82.1 percent.

Although we could not compare our respondents to non-respondents, we assumed that late respondents are more similar to non-respondents than early respondents (Oppenheim, 1966) and compared these two groups to test for non-response bias. We observed no statistically significant differences utilizing an ANOVA. Furthermore, we ran an ANOVA comparing respondents who answered all questions to those that did not answer the question pertaining to

¹It should also be noted that our theoretical arguments were based on the idea that the perceptions of relationship conflict among family members on the part of *owners* drive *owners*' subjective valuations of their firms. Consequently, using the responses from the same informants to measure our independent and dependent variables was in keeping with our theory.

our dependent variable. Again, no significant difference emerged. Thus, non-response bias did not appear to be a problem.

While some of our control variables were based on objective data, we wanted to ensure that the remaining constructs were not affected by common method bias. Therefore, we performed a single-factor test, as suggested by Podsakoff and Organ (1986) and entered all items used to measure our independent and control variables into a factor analysis. In our sample, ten factors were extracted with Eigenvalues greater than one, together accounting for 71.7 percent of the variance. The first factor accounted for 16.2 percent of the variance. In a second step, we compared the measurement model with a method factor model (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Results show that the fit for the method factor model ($\chi^2(276) = 2482.9$, CFI = .246) is significantly worse than for the confirmatory factor analysis model ($\chi^2(261) = 573.8$, CFI = .893). Thus, common method bias does not appear to be a problem.

RESULTS

Table 1 shows means, standard deviations, and zero-order correlations of our sample. We tested our hypotheses using hierarchical regression analysis (see Table 2). In Models 1–4, the natural logarithm of the acceptable sale price for a sale to a nonfamily member was the dependent variable. Model 1 includes the control variables. The independent variables relationship conflict and its squared term were added in Model 2, and name congruence was added in Model 3. In Model 4, the interaction terms were introduced. The Variance Inflation Factors for our variables did not exceed 2.4, suggesting that multicollinearity is not a concern. Furthermore, with an alpha of .05, 22 total predictors, and assuming moderate effect sizes, we obtained a power level of .75, which is in line with general power levels in strategic management

research (Mazen, Hemmasi, & Lewis, 1987). Moreover, as shown below, we obtained statistical support for most of our hypotheses, which further mitigates power related concerns.

Insert Tables 1 and 2 about here

Model 1 shows subjective valuations are significantly related to the financial control variables: natural log of total assets ($\beta = .430$; $p < .01$), past performance ($\beta = .167$; $p < .05$), manufacturing ($\beta = .520$; $p < .05$), service ($\beta = .411$; $p < .05$), long-term orientation ($\beta = .151$; $p < .05$), and of size ($\beta = .000$; $p < .05$). Firm age ($\beta = .006$; $p < .01$), the number of family employees ($\beta = .132$; $p < .1$), and performance ($\beta = .000$; $p < .1$) are positively related to subjective valuations. The adjusted R^2 is .584.

To test H1, we added relationship conflict ($\beta = -.679$; $p < .05$) and relationship conflict squared ($\beta = .105$; $p < .05$) to our model. Model 2 explains significantly more variance (adjusted $R^2 = .593$) and supports our hypothesized U-shaped relationship between relationship conflict and the subjective value of the firm for sale to a buyer outside the family.

In Model 3, we add name congruence and found no statistical significance, indicating a lack of support for H2. In Model 4, we include the interactions between name congruence and the linear and quadratic terms of relationship conflict. In support of H3, both the linear ($\beta = 1.406$; $p < .05$) and quadratic terms are significant, with the sign for the quadratic term turning negative ($\beta = -.225$; $p < .05$). The adjusted R^2 of Model 4 reaches 0.604.

In order to facilitate the interpretation of our findings, we have plotted the relationships in Figure 1 following guidance by Cohen and colleagues (2003). The plot suggests that with name congruence an inverted U-Shaped relationship between relationship conflict and acceptable sales price exists, while in organizations with differences between the last name and the family name

the relationship is U-shaped. Both curves intersect at moderate levels of relationship conflict. Furthermore, we need to note that both curves are truncated on the right side.

Insert Figure 1 about here

Robustness tests

To ensure that our results were not an artifact of model specification or endogeneity, we performed a variety of robustness tests. First, we re-ran the regression model using the validated subjective cash flow measure instead of objective performance. We also substituted family ownership in place of personal ownership. Neither change impacted the results.

We investigated potential endogeneity using an instrumental variable approach. Although the likelihood that subjective valuations could cause relationship conflict seems low, an omitted variable (such as pressure to place an unqualified family member in a position of responsibility) could influence both the subjective value placed on the firm and relationship conflict. We utilized two instrumental variables that were highly correlated to relationship conflict, but not to subjective valuations. We utilized Stata 11.0 and the program IVENDOG and IVREG (e.g., Baum, Schaffer, & Stillman, 2002) to calculate a two-stage least-squares regression (Hamilton & Nickerson, 2003), as well as the Wu-Hausman F-test and the Durbin-Wu-Hausman test. All test results suggest that endogeneity is not a problem.

DISCUSSION AND CONCLUSION

We investigate the impact of relationship conflict and family-firm name congruence on the monetary value family owners attach to their firms and demonstrate that relationship conflict negatively interacts with name congruence to affect the subjective valuation of the family firm's sale price. Specifically, we observed a U-shaped relation between relationship conflict and subjective valuation, providing support for Hypothesis 1. We found that name congruence did

not have a direct impact on acceptable sale prices, not supporting Hypothesis 2. It is possible that the effects of name congruence is only salient in interaction with other variables. Name congruence is something individuals would take for granted, unless cognitive processes make the consequence of the name noticeable and thus affect the positive or negative valence of the interacting variables. This is consistent with our next hypothesis. Our third Hypothesis postulates an interaction effect between name congruence and relationship conflict and was supported (see Figure 1). In the absence of family name congruence, relationship conflict and subjective firm valuations are related in a U-shaped manner. By contrast, in the presence of name congruence this relationship is reversed to an inverted U-shaped effect. When the family and firm share the same name, moderate conflict heightens perceived vulnerability that these family members experience causing them to shift their reference points to more financial concerns (see also Gómez-Mejía et al., 2018; Kotlar et al., forthcoming). We surmise from our findings that such increased awareness of the inextricable link between family and firm leads to increased valuations of the firm and indeed may be the catalyst for an increased commitment to more effectively manage conflict (Bodtker & Jameson, 2001). But as relationship conflicts become more severe, owners apparently begin to realize the high potential for negative spillovers that could jeopardize the family's reputation and the future value of the firm. When this occurs, family owners may view selling the firm as an opportunity for certain gain vis-à-vis the anticipated future loss of both socioemotional and financial wealth. In short, by unearthing contingency effects, we show how socioemotional costs do not function the same way for all family firms, highlighting the need to better understand the potential negative aspects tied to SEW (Kellermanns, Eddleston , & Zellweger, 2012) and showing the applicability of the mixed

gamble logic (Gómez-Mejía et al., 2018; Gómez-Mejía et al., 2014; Kotlar et al., forthcoming) to relational constructs.

Our findings make several important contributions to the literature. *First*, our study adds to the SEW literature by showing that socioemotional costs influence the value perceptions of family firm owners in a manner that is more complex than suggested in prior work (Gómez-Mejía et al., 2007; Zellweger et al., 2012b). Drawing on mixed gambles, BAM, and prospect theory as parts of the wider SEW literature, we help to further understand the interrelationship between financial and socio-emotional wealth and the trade-off relationships amongst them (see also Kotlar et al., forthcoming). We demonstrate that owners' reference points may be sensitive to socioemotional costs, that these costs are not perceived the same way by all family firms and that the effects are nonlinear. Socioemotional cost, as induced by relationship conflict and based on contingencies lead to higher or lower valuations. Not only does this support the realization of the growing importance of investigating family firm heterogeneity (e.g., Chua et al., 2012; Stanley et al., 2017), but also the need to more fully capture psychological aspects inherent in SEW (Jiang, Kellermanns, Munyon, & Lane, 2018). Therefore, our study not only suggests that socioemotional reference points and acceptable sale prices are a function of socioemotional benefits, but are also likely shaped by current, future, and even previously incurred socioemotional costs and the way these costs are accounted for by owners.

Second, our paper expands the stream of literature which suggests that family firm owners value subjective nonfinancial utilities related to the ownership stake (Foss et al., 2008; Thomsen & Pedersen, 2000; Zellweger et al., 2016). We add to the theoretical underpinnings of this claim by integrating new developments in the SEW literature (e.g., Gómez-Mejía et al., 2018; Kotlar et al., forthcoming; Schulze & Kellermanns, 2015). We show that family-firm

name congruence and the related identity linkages have an indirect rather than direct influence on the mental pricing of socioemotional benefits and costs and the trade-offs with financial values. Indeed, we shed light on the unexpected finding of Moon (2001), who shows escalating commitment even when costs cannot be recovered. Additionally, our study extends the literatures' almost exclusive focus on the positive features of the owned asset (Nayankankuppam & Mishra, 2005). We challenge this contention by suggesting that sellers do, in some circumstances, price negative features of assets and thus add to the overall valuation literature in family firms (Kotlar et al., forthcoming; Leitterstorf & Rau, 2014; Zellweger & Dehlen, 2012; Zellweger et al., 2016; Zellweger et al., 2012b).

Third, we extend the literature on relationship conflict by introducing a new class of outcome variables: the subjective valuation of a possession, in our case the family firm. So far, the conflict literature has primarily emphasized sources of conflict, quality of interaction, and conflict outcomes such as the performance of work groups. Our study suggests that relationship conflict can have much broader ramifications for family firms. Our study helps understand why some family firms endure conflicts (Gordon & Nicholson, 2008) rather than accept an “appropriate” sales price and shows that the cost of conflict is priced into the valuation. Name congruence, which is directly related to the individual's vulnerability in mixed gambles (Gómez-Mejía et al., 2014) plays an important part in the relationships. Yet, while relationship conflict is highly emotional, our data still shows that family firm owners are both rational (they value financial gains, as shown by the control variables in our regression) and self-actualizing in the sense that they seek restitution for forgone efforts and frustrations. Yet, this behavior (i.e., seeking restitution) is not seen as rational by third parties (e.g., external buyers) and may, thus, lead to inefficiencies in the market for corporate control.

Limitations and Future Research

It is important to discuss the limitations of our study as well as the opportunities these limitations provide for future research. Our study utilizes a cross-sectional design and both the response rate and the sample size were low. While common method bias and endogeneity do not appear to be problems, we cannot demonstrate causality. A longitudinal design capturing the patterns of conflict over time (e.g., Jehn & Mannix, 2001), or an approach that captures subjective valuations of firms in a lagged design, would provide additional insights. However, a lagged design was not absolutely necessary for our study because we were not looking at an unfolding scenario (Bono & McNamara, 2011), decision, or outcome variable over time. As such, we do not address the issue of change (Bono & McNamara, 2011) but rather the state of mind of family firm owners.

We also realize that our binary measure of family name congruence is limited. In fact, while it has been often used in the literature (e.g., Deephouse & Jaskiewicz, 2013; Zellweger et al., 2010), it still only serves as a proxy and does not necessarily cover all aspects of identification with the organization. Indeed, high identification with the firm can be experienced in the absence of family name congruence, yet these cases are limited as shown in the study by Westhead and Cowling (1998). Our measure is, thus, likely to underestimate the effect, which may also explain our non-significant main effect. Accordingly, we encourage a more sophisticated approach to the measurement in future studies. Similarly, while we focused on relationship conflict as demonstrated by related negative emotions, relationship conflict studies often do not refer to such emotions (e.g., Eddleston & Kellermanns, 2007). We believe a direct assessment of emotions (both positive and negative) would be desirable in future research.

We also recognize that relationship conflict and SEW may be perceived differently by individual family members (see also Jiang et al., 2018). Indeed, not everyone may have the same tolerance or perception of conflict, making labels like “moderate conflict” general terms that are not directly associated with a specific numerical value on a Likert-type scale. Furthermore, the literature is mostly silent on how the family firm composition affects processes and relationship conflict. For example, in the case of asymmetrical altruistic behavior by parents towards their children (e.g., Schulze, Lubatkin, Dino, & Buchholtz, 2001), the dynamics of conflict would be different than in scenarios with symmetrical altruism amongst all family members (e.g., Eddleston & Kellermanns, 2007) or in situations where family cohesion deteriorates, e.g., in cousin consortiums (e.g., Gersick, Davis, Hampton, & Lansberg, 1997). We, thus, encourage future research to account for specific patterns of family involvement.

We considered whether the impact of social desirability on firm valuation could pose a limitation to our study. Scholars find that controlling owners often seek to generate a positive image of their firms, especially in the presence of family and name overlap (Dyer, 2006); however, many reasons show this should not have biased our results. First, identical family and firm names do not have a direct effect on subjective valuations. Second, our self-reported data on valuations is not likely to be as susceptible to social desirability biases as responses to affective scales. For example, Cruz et al. (2010) found a high correlation between self-reported quantifiable information provided by family CEOs and externally validated information obtained from archival sources. Third, our data collection efforts assured the respondents strict confidentiality. Finally, as suggested by Podsakoff and colleagues (2003), we collected data from multiple sources.

A further limitation may be related to the fact that our sample was composed of firms located in Germany (for an overview see Klein, 2000). We acknowledge that family structures and assessment of relationship conflict may significantly differ across cultural contexts (Sharma & Manikutty, 2005). Although we believe the theoretical arguments apply to a wide variety of cultural settings, future research to replicate our findings with samples from other countries would be instructive. Research on family firms in Asian cultures, for example, could provide an interesting contrast, as individuals in these cultural settings are more likely to try to avoid relationship conflicts (Hofstede, 2001) with accordingly less accounting for socioemotional costs.

Future research should also investigate if an individual's capacity to cope with relationship conflict affects SEW. Research suggests that individuals who are able to successfully regulate negative affect are better able to objectively assess the situation (Rusting, 1998). Coping ability might further alter the curvilinear relationship outlined in our paper and thus affect firm valuations. Yet, our analysis of relationship conflict was static. The utilization of a process model to analyze conflict in family firms could reveal additional insights such as whether the desire to recover perceived socioemotional costs is likely to lead to more conflict in the future. It also has implications for practice, as it suggests that conflict management in family firms is of utmost importance (e.g., McKee et al., 2014; Sorenson, 1999). Moreover, future research could explore the frequency of family social interaction since interaction frequency has been shown to be a powerful moderating influence in family firm research (Ling & Kellermanns, 2010).

Researchers should also seize opportunities to investigate actual transfers of corporate control (e.g., Capron & Shen, 2007). It would be informative to confirm if higher levels of SEW

among owners make the transfer of the firm to third parties less likely (see also Ahlers, Hack, Kellermanns, & Wright, 2017). If the endowment effect for family owners results in a significant bid-ask spread, SEW factors could ultimately influence the efficient allocation of capital in the family firm realm.

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Table 1: Correlation Matrix, Means, and Standard Deviations

	Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10
1 LN WTA (nonfamily)	15.76	1.58										
2 LN WTA (family)	15.16	2.12	.728**									
3 Performance	1098751.33	3523758.86	.489**	.432**								
4 LN (Total Asset)	15.29	1.49	.639**	.417**	.484**							
5 Past performance	4.95	1.21	.342**	.367**	.181*	.210*						
6 Size (# employees)	437.18	2190.13	.347**	.288**	.271**	.343**	0.072					
7 Manufacturing	.39	.49	.270**	0.128	0.132	.169*	0.078	-0.044				
8 Service	.46	.51	-0.024	0.092	0.115	-0.088	-0.034	0.088	-.572**			
9 Long-term orientation	5.16	1.26	.429**	.444**	.254**	.256**	.297**	0.145	0.138	-0.063		
10 Private benefits	9.97	.94	0.158	.183*	0.110	0.074	0.048	0.008	0.143	-0.005	0.114	
11 Firm age	54.09	44.6	.411**	.264**	.194*	.264**	0.043	0.067	.201*	-0.134	.214**	0.111
12 # family employees	2.52	1.25	0.071	0.048	-0.056	-0.010	-0.022	-0.018	0.117	-0.055	0.052	0.061
13 CEO age	51.94	11.52	0.016	0.125	0.111	-0.051	0.007	-0.081	0.034	0.024	0.071	0.002
14 Positive emotions	5.79	1.17	.200*	0.134	0.090	0.131	0.074	0.078	0.092	-0.008	.314**	-0.081
15 Personal ownership	66.00	30.67	-.269**	-.251**	-.279**	-.366**	0.127	-.183*	0.042	-0.055	-0.031	.164*
16 Relationship conflict	2.75	1.21	-0.005	-0.048	-0.040	0.059	-0.025	0.055	-0.134	0.017	-0.033	0.023
17 Name congruence	.55	.50	0.009	0.075	-0.045	-0.104	0.120	-0.067	0.027	-0.005	0.134	0.127

Table 1 (continued): Correlation Matrix, Means, and Standard Deviations

(continued)	11	12	13	14	15	16
1 LN WTA (nonfamily)						
2 LN WTA (family)						
3 Performance						
4 LN (Total Asset)						
5 Past performance						
6 Size (# employees)						
7 Manufacturing						
8 Service						
9 Long-term orientation						
10 Private benefits						
11 Firm age						
12 # family employees	0.036					
13 CEO age	0.043	0.071				
14 Positive emotions	0.148	0.039	0.092			
15 Personal ownership	-0.157	-0.137	0.053	-0.051		
16 Relationship conflict	0.048	.232**	0.052	-0.149	-0.120	
17 Name Congruence	.169*	.229**	0.092	0.044	0.053	-0.001

** Correlation is significant at the 0.01 level (2-tailed); * Correlation is significant at the 0.05 level (2-tailed); N=149.

Table 2: Results of Hierarchical Regression Analysis for the Subjective Value of the Firm when Sold to a Buyer from Outside the Family^{a, b}

	Model 1	Model 2	Model 3	Model 4
Constant	.171*	.181*	.181*	.194*
Performance	.000†	.000*	.000*	.000†
LN (Total Asset)	.430**	.407**	.406**	.388**
Past performance	.167*	.141†	.143†	.134†
Size (# employees)	.000*	.000*	.000*	.000*
Manufacturing	.520*	.581*	.581*	.668**
Service	.411*	.446*	.446*	.501*
Long-term orientation	.151*	.201*	.202*	.215**
Private benefits	.051	.049	.050	.070
Firm age	.006**	.007**	.007**	.006**
Share of personal ownership	-.005	-.004	-.004	-.003
# family employees	.132†	.101	.102	.127
CEO age	.001	.002	.002	.001
Positive emotions	.035	.060	.059	.085
Relationship conflict		-.679*	-.682*	-.539†
Relationship conflict sq.		.105*	.105*	.081†
Name congruence			-.015	-.031
Name congruence x relation. conflict				1.406*
Name congruence x relation. conflict sq.				-.225*
Adj. R ²	.584	.593	.590	.604
Change in R ²		.014†	.000	.018*
F statistic	15.683	18.101	18.107	21.208
Change in F statistic		2.418†	.006	3.101*

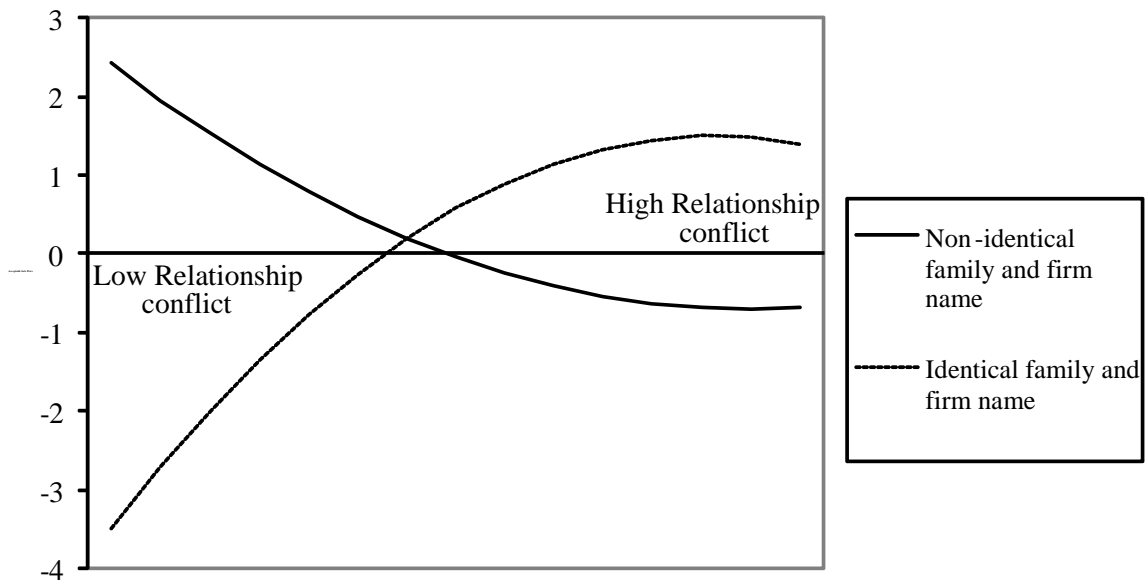
a. Dependent Variable: "What is the minimum acceptable sale price when sold to nonfamily members?"

b. All variables, except name congruence, were centered prior to the analysis.

** : Coefficient is significant at the 0.01 level (2-tailed); * : Coefficient is significant at the 0.05 level (2-tailed);

† : Coefficient is significant at the 0.1 level (2-tailed); N=149, Unstand. Regression Coefficients

Figure 1: Relationship Conflict, Name congruence, and Subjective Firm Valuation



Appendix A: Scale Items and Reliabilities

Construct	Items	α
Dependent Variables		
<i>Acceptable Sale Price to non-family Members</i>	What is an acceptable sale price at which you are willing to sell 100% of your company's equity to a non-family member?	
Independent Variable		
<i>Relationship Conflict</i>	How much negative interpersonal conflict is there in your family firm?	.89
	How much negative emotional conflict is there in your family firm?	
	How often do personality clashes get in the way of sensible decision making?	
	How often do family members get angry with each other working in your family firm?	
Control Variables		
<i>Past Performance/Growth</i>	How would you rate your firm's performance as compared to your competitors?	.93
	Growth in sales	
	Growth in market share	
	Growth in profitability	
	Return on equity	
	Return on total assets	
	Profit margin on sales	
	Ability to fund growth from profits	
<i>Long-term Orientation</i>	The firm is long-term oriented.	.72
	The firm can undertake investments that pay off only in the long-run.	
	The firm can undertake several investments and wait to see how they evolve over time.	
<i>Positive Feelings</i>	In retrospect, taking over control in this firm was a positive event for me.	.81
	In retrospect, I have a positive memory about taking over control in this firm.	
	Taking this firm over was a great opportunity for me.	
	Continuing the family legacy and traditions is important to us.	
	How frequently are family member's responsibilities discussed?	
	How much discussion of family members' work assignments is there in your family firm?	