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FINANCIAL HEALTH OF MOROCCAN UNLISTED FAMILY BUSINESSES:

EXPLANATION BY EMOTIONAL AND SOCIAL DYNAMICS

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Abstract:

This paper aims to explore the effect of socio-emotional wealth on the financial health of Moroccan unlisted family businesses. Building on the theory of socioemotional wealth, this research is a first attempt to provide a better understanding of this phenomenon by analyzing how the non-financial prerogatives of family members are likely to affect the financial health of Moroccan family businesses. To arrive at the results, we conducted this study through exploratory qualitative research using semi-structured interviews with 19 managers of Moroccan unlisted family businesses. The results obtained seem to confirm that the non-financial logic adopted by family members can deteriorate the financial situation of family firms, as they feel less concerned about liquidity, profitability, and solvency objectives and prefer to make decisions that minimize socioemotional losses at the expense of better financial health.

Keywords: Family business, Financial health, Socioemotional wealth, Socioemotional losses, Performance.

Résumé:
Ce papier vise à explorer la richesse socio-émotionnelle en liaison avec la santé financière des entreprises familiales marocaines non cotées. En s'appuyant sur le modèle de la richesse socio-émotionnelle, cette recherche constitue une première tentative afin de mieux comprendre ce phénomène, et ce, en analysant comment les prérogatives non financières des membres de la famille sont susceptibles d'affecter la santé financière des entreprises familiales marocaines. Pour arriver à ces résultats, nous avons mené cette étude par le biais d'une recherche qualitative exploratoire à travers des entretiens semi-directifs avec 19 dirigeants d'entreprises familiales marocaines non cotées. Les résultats obtenus semblent explorer que la logique non financière adoptée par les membres de la famille peut entraîner une dégradation de la situation financière des entreprises familiales, car ils se sentent moins concernés par les objectifs de liquidité, de rentabilité et de solvabilité, et préfèrent prendre des décisions qui minimisent les pertes socio-émotionnelles au détriment d'une meilleure santé financière.

Mots-clés : Entreprise familiale, Santé financière, Richesse socioémotionnelle, Pertes socioémotionnelles, Performance.

Introduction

Long regarded as obsolete organizations, family businesses, (Michiels and al., 2015), are today one of the key drivers of economic growth in emerging and developed countries (Carney and al., 2015). Several studies have focused on identifying the key factors for the success of this type of organization, without paying much attention to aspects that could threaten their longevity.

Socio-emotional inheritance (Gómez-Mejía and al., 2007) can be particularly informative in understanding these important issues for the longevity of family businesses. According to this conceptual framework, family shareholders differ from non-family shareholders in that they have a greater propensity to limit losses relative to the stock of affective values invested in the firm at the expense of purely financial aspects (Berrone, Cruz and Gómez-Mejia, 2012). This stock of affective values, also known as social-emotional wealth, includes several aspects such as maintaining family control, dynastic succession, emotional attachment to the organization, or strengthening social ties with stakeholders (Gómez-Mejia and al., 2014). Therefore,family shareholders use a frame of reference based primarily on emotional motives to make operational and strategic choices that reduce the likelihood of socioemotional losses even if these resultstake the family firm in economic disadvantage (Gómez-Mejia and al., 2007).

In this sense, several works illustrate the financial conservatism adopted by family businesses that do not wish to open up their capital or go into debt because of the loss of control resulting from such operations (Gómez-Mejia and al., 2011). Schepers and al. (2014) have shown that the preservation of social-emotional assets has a negative effect on entrepreneurial efficiency because, despite the benefits of building social ties with stakeholders to identify new needs, the lack of human and financial capital resulting from the indisposition of family members to loosen their hegemony over the organization alters the firm's ability to convert entrepreneurial efforts into performance gains. The authors thus suggest that the positive aspects of the preservation of the socio-emotional heritage are outweighed by the disadvantages induced by the prioritization of the emotional aspects. In the context of this research, it issuggested that the predisposition of family members to favor the pursuit of socio-emotional objectives exposes family businesses to greater financial constraints since socio-emotional factors weaken their ability to cope with the financial challenges they face.

However, research seems to show that the inclination of family members to preserve their socioemotional heritage is contingent on the financial situation facing the firm. Thus, when the firm's future is threatened, family members would place greater emphasis on purely financial aspects at the expense of emotional goals to ensure the preservation of future socioemotional wealth, which is intrinsically linked to the firm's survival (Gómez-Mejia, Patel and Zellweger, 2018). It is proposed that, compared to non-family firms facing financial difficulties, family firms experiencing such conditions will be more inclined to take corrective measures to improve their performance levels and limit the risk of extinction of the socio-emotional heritage associated with the potential disappearance of the firm. On the contrary, when the situation of family businesses is healthy, family shareholders will be more willing to

make choices that guarantee the preservation of the social and emotional heritage, thus altering their ability to generate financial gains.

Consequently, **the objective of this paper is to contribute to the understanding of the role played by the preservation of socio-emotional heritage in explaining the financial health of family businesses.** Indeed, despite the uniqueness and specificities of family businesses, few works attempt to explain how the family character of businesses affects their financial health? However, the analysis of this problem is of definite managerial interest for the shareholders and managers of family firms, since it would make them aware of the organizational context in which the firm's survival is most threatened and the capacity to overcome such a threat is the best.

Based on a sample of 19 family-owned businesses, this study aims to qualitatively explore the theoretical arguments advanced and tested, offering several contributions to the literature in the context of Moroccan family businesses.

The architecture of this paper begins by exposing the theoretical framework that sheds light on the costs of information asymmetry, and the role of the owner-manager in the family business, which leads us to expose the consequences in terms of financial difficulties. In the second section, we present the qualitative methodology of the study. Finally, the last section will present the results of our semi-structured interviews and their discussions, before concluding with several avenues of research.

1. Literature review

The premise of the existence of an optimal debt ratio is rejected by the Pecking Order theory. Indeed, firms often follow a precise financing hierarchy, due to the presence of asymmetry of information between management and shareholders. According to this hierarchy, firms opt first for internal financing with no information costs, secondly, for the introduction of debt, and lastly, for external equity financing, which has the highest information costs. In the context of the family business, the issue of new shares and new investors should lead to a dilution of control, which is not accepted. Family businesses are also characterized by financial autonomy and limited access to external financing. Besides, these businesses are usually managed and owned by a family member. In this respect, the model's assumption that the manager acts in the interest of existing shareholders is not rejected. Finally, these firms are characterized by the desire to perpetuate their activities and their control. However, this hierarchy is expressed differently, and this is linked to the decisions of the firm's manager. Thus, the manager decides, according to his aversion to risk, either to maximize shareholder wealth or to act for his well-being.

1.1. The role played by the costs of information asymmetry in the specific case of family businesses

According to (Stiglitz 2000), information asymmetry occurs when information is imperfect, or costly. Information asymmetry occurs when one contracting party has less knowledge than the other party about the true intentions of the counterparty and the planned activities. Leuz and Wysocki(2016) highlight two important roles of information in financial decision making.

First, accounting information is important in valuation decisions, where investors need accurate and sufficient information before the investment decision. Such a role of information is considered ex-ante and reduces the chances of adverse selection (reducing the possibility of lending to undesirable borrowers). Also, investors need to know whether their funds are being used for the purpose for which they are intended, or whether they are being used sub-optimally. The second role is the ex-post, or stewardship role. This information role reduces the chances of moral hazard (reducing the possibility of activities that are undesirable to the lender). The separation of control from ownership of firms is important because it leads to information asymmetry and agency problems between those who control and those who do not. Agency costs can be broken down into three costs: control costs, incurred by the principal to limit the opportunistic behavior of the manager; liability costs, incurred by shareholders to justify the quality of their actions; and residual costs, due to the impossibility of exercising total control over the manager. These agency costs influence the firm's financing decision; they are the ones that justify the mix of existing financial structures.

Besides, there are three types of agency relationships for family-owned companies: between shareholders and managers, between managerial shareholders and minority shareholders, and between creditors and managerial shareholders. In the case of family businesses, agency costs may be favorably low if there is a family relationship between the owners and managers. For these arguments, researchers such as (Daily and Dollinger, 1992) conclude that family firms represent one of the most effective forms of organizational governance for controlling agency costs between shareholders and managers. Family firms are generally managed by close family members. Therefore, family members tend to have exceptional concerns about sustainability and a strong incentive to supervise the management of the firm (Andres, 2008). Thus, family firms are characterized by a sense of unity. This enables them to take a long-term view. Family members have better information about the inside of the firm, compared with outside managers and investors, because they have in-depth knowledge of the business (Anderson and Reeb, 2003).

However, (Fama and Jensen, 1983) suggest that a high level of participation by family members may create another problem: the conflict of interest between family shareholders and minority shareholders. This conflict of interest manifests itself in a variety of ways: owner-shareholders may engage in profit holdup, sell the firm's assets and products at abnormally low prices, give well-paying jobs to lower-skilled relatives and friends, or pay unreasonably high salaries to family executives. In this sense, family businesses experience serious information asymmetry. Moreover, a problem of entrenchment emerges, and this is more between families and the control of minority shareholders than between family control and management. Indeed, family shareholders have the objective of the sustainability of their company and for this reason may decide not to distribute profits to finance a project, whereas the objective of sustainability is generally seen as a negative principle by minority shareholders because the distribution of profits or recourse to an increase in capital is weak. In the same vein, asymmetry of information increases the effect of rootedness between the founding family and minority shareholders, due to the lack of transparency and the poor

circulation of information. Information asymmetry is higher for family firms with a lack of information transparency and disclosure practices.

According to Anderson and al (2009), transparency plays an important role in mitigating conflict between dominant shareholders and minority investors. Their findings showed that family control is less likely to provide transparent information. In the same context, several pieces of research have focused on the role of trust in financial relations between family firms and different stakeholders, including creditors (Allouche and al., 2008). Family businesses are much more concerned about their reputation and survival among the various stakeholders, which helps to build a long-term relationship of trust with the banks, by reducing information asymmetry. Therefore, the protection of reputation and the establishment of a climate of trust contribute to a reduction in the asymmetry of information between family businesses and banks.

1.2. The role played by financial behaviorof the owner-manager of the family firm

Family businesses have very specific characteristics. For example, the majority of family shareholders are long-term investors, often over several generations (Anderson and Reeb, 2003). They intervene in the management of the firm by delegating representatives to the board of directors and by appointing managers from the family, which leads to a cumulation of functions in the hands of family members and reduces the effectiveness of the supervisory bodies (Anderson and Reeb, 2003). The goal of majority family shareholders, in addition to maximizing shareholder value, is to seek to maximize the firm's longevity, protect the family name and reputation, and ensure the transmission of their company to the next generation.

Anderson and Reeb (2003)show that family-owned businesses run by family owners are more successful because they are managed more efficiently and carry less debt than other businesses. The altruism of the family firm manager is generally perceived in the literature as a source of value creation (Chibani, Henchiri, and Degos, 2016). Besides. It helps to strengthen and stabilize relationships and trust over the long term with different stakeholders (Tagiuri and Davis, 1996). Consequently, altruistic behavior is a moral value that motivates individuals to undertake actions that benefit them. In family businesses, the altruism of the family leader leads to fairly extensive communication and cooperation among family members (Jensen and Meckling, 1976).

On the other hand, the altruism of the family leader can make family members want to hide information and increase agency problems. Altruism may force the family leader to take rash actions that could potentially have negative consequences for all stakeholders. It can also lead to a devaluation of performance (Hirigoyen, 2008) because it creates a behavioral bias, a source of agency costs. This does not prevent the altruism of the family shareholder-manager from constituting a strength for the firm. It can be the source of certain conflicts with external investors, which has a negative impact on costs and external financing. Unlike non-family firms, the objectives of family firms are often reduced to those of the owner-manager, which can lead to decision making that is more oriented towards the pursuit of personal goals, such

as maximizing family wealth, rather than maximizing the value of the firm (Anderson andReeb, 2003).

The shareholder-manager may also seek to maximize family values. Indeed, they tend to take advantage of the firm's profits, to the detriment of minority shareholders (Chrisman and al. 2005), such as generous compensation, in-kind benefits, and extraordinary dividends. The authors have shown the impact of the family-owner on information asymmetry, especially when family owners offer the shareholder-manager the possibility of diverting resources from investments that are profitable for the firm and linked to unfair prices, which reduces the propensity of minority shareholders to earn expected wealth.

Besides, the study of owner-manager financial behavior can be of considerable value in deepening our understanding of financing choices. Indeed, financing decisions are strongly influenced by the personal attitude of the owner-manager. Such research (Gallo, Tapies, and Cappuyns 2004) suggests that family businesses follow a particular financial logic, motivated by economic and non-economic considerations. Consequently, individual financial attitudes may produce particular financial behaviors that may be important in explaining the variation in family business financing (Ajzen, 1991). For this reason, the study conducted by (Koropp, Grichnik, and Kellermanns 2013) attempts to explain how personal characteristics (financial knowledge, positive experience with financial institutions, and orientation toward an economic goal) influence the financial attitudes of the managing shareholder of the family business. Specifically, these authors examine the managing shareholder's financial attitude toward debt financing. Thus, according to the Pecking Order theory, debt would be the first external financial source for family firms. Besides, these authors find significant relationships between financial knowledge and positive experience with banks and the financial attitudes of owner-managers towards debt. These results show that the family's strong involvement in these types of relationships strengthens their positive relationship with banks. Finally, the family shareholder-manager seeks to retain control and decision-making power and often seeks to avoid capital dilution. The opening of the capital, through the issue of new shares, seems to be an exception, since it leads the family shareholder-manager to lose part of his autonomy and control of his firm. The shareholder-manager may reject an investment project that appears profitable, rather than obtaining an external source of financing that would dilute control of his firm. Consequently, it seems very likely that capital increases are used only as a last resort by family businesses, and mainly in high-growth companies.

1.3. Financial health in the case of family businesses: financial performance or family goals?

Family businesses have become a research object in their own right in the management sciences in recent decades (Michiels and al., 2015). Among other things, for more than two decades, a large part of the academic literature has been trying to determine whether they have better levels of financial performance than their non-family counterparts (Carney and al., 2015). Thus, several works refer to agency theory to suggest that the concentration of shareholding in family hands reduces agency costs because family shareholders have their

interests aligned with those of executives who are frequently family members (Jensen and Meckling, 1976). Consistent with this logic, many studies empirically demonstrate the positive effects of family shareholding on performance. Conversely, other authors argue that the discretionary space available to the family when shareholding is concentrated in its hands can generate specific agency costs induced by managerial entrenchment (Villalonga and al., 2015), nepotism, and parental altruism (Lubatkin and al., 2005) as well as the emergence of family conflicts (Memili and al., 2015), thus explaining the empirical finding of underperformance of family businesses (De Massis and al., 2015). On the other hand, other research based on stewardship theory suggests that family shareholder-managers adopt pro-organizational behaviors because of their strong attachment to the firm, which would contribute to the performance of family firms (Kellermanns and al., 2012).

These empirical and theoretical inconsistencies stimulate reflection on the issue of the performance of family businesses. To overcome the empirical confusion surrounding this issue, Carney and al. (2015) propose adopting a contingent approach to identify the circumstances in which this type of organization presents better levels of performance. The underlying reasoning is that the specific characteristics of family businesses are likely to prove beneficial or detrimental depending on the context in which they operate. This research is in line with this trend and attempts to determine whether family businesses are more exposed to financial constraints before analyzing whether a significant difference in performance appears between family and non-family businesses exposed to such a situation. This contingent approach will thus make it possible to identify the financial conditions under which family businesses outperform or underperform their non-family counterparts.

2. Method

The information was collected using an interview guide with open-ended questions. These questions were the most appropriate to explore and deepen a complex and unfamiliar subject. The interview guide was addressed to managers of a diverse sample of 19 unlisted Moroccan family-owned companies, based on size, market, and sector of activity. Indeed, we did not seek representativeness in the statistical sense but wanted to reflect the diversity of possible cases in the face of the problem under study (Evrard and al., 1993).

The methodology for addressing these open-ended questions is at the heart of this empirical study. It is a content analysis based on the thematic elements of the text-responses. This approach to texts through thematic analysis consists of the nodes in each sentence to give priority to the meanings. We can then perform a content analysis by approximating each theme by the set of the most frequent ideas (relating to each theme). The software used is the latest version of Nvivo, specially adapted to thematic treatment.

The most important part of this analytical work consisted of creating thematic dictionaries, that is to say, to gather in a dictionary the ideas whose meaning was common. Question by question, the work was divided into two stages. The choice of the number of dictionaries and their names was made in such a way that they would cover all of the themes advanced. This choice was first made intuitively by scrolling through the most frequently cited ideas (quite

revealing of the themes addressed). To apprehend the repetition of an idea, we based ourselves not on the number of occurrences, but the number of observations.

Once the dictionaries were chosen, for each question we selected the ideas we wanted to integrate into each dictionary. This work was done by reading the interview transcripts and selecting after checking for each idea its meaning in context (sentences and answers in general) in all observations.

The characteristics of the sample are presented in (Table.1). Of the 19 firms in our sample, six are large firms, seven are SMEs, and six are VSEs.

Table. 1. Our Qualitative Study Sample

Code Company	Size	Year of creation	Number of generations	City	Sector
FB no. 1	SME	1994	3 generations	Casablanca	Wholesaletrade
FB no. 2	SME	1999	2 generations	Marrakech	Remediation
FB no. 3	SME	2003	2 generations	EL HAOUZ	Construction
FB no. 4	VSE	2002	2 generations	Casablanca	Miscellaneous and printing
FB no. 5	VSE	1993	2 generations	Marrakech	Touristagency
FB no. 6	SME	1994	2 generations	Marrakech	Construction
FB no. 7	SME	1958	2 generations	Marrakech	Printing
FB no. 8	VSE	1990	3 generations	Marrakech	Carpentry
FB no. 9	SME	1974	2 generations	Marrakech	Privateeducation
FB no. 10	VSE	2006	2 generations	Azilal	Tourism
FB no. 11	Large	1965	2 generations	Casablanca	Industry
FB no. 12	VSE	2000	2 generations	Marrakech	Agriculture
FB no. 13	VSE	1996	2 generations	Agadir	Tourism
FB no. 14	SME	1970	4 generations	Marrakech	Distribution CHR
FB no. 15	Large	1979	3 generations	Casablanca	Industry
FB no. 16	Large	1978	2 generations	Marrakech	Industry
FB no. 17	Large	1976	2 generations	Marrakech	Construction
FB no. 18	Large	1992	2 generations	Marrakech	Textille
FB no. 19	Large	1990	2 generations	Agadir	Tourism

3. Empirical results analysis and discussions

3.1. Socio-emotional wealth and financial health in Moroccan unlisted family businesses

While socio-emotional inheritance can explain many of the behaviors adopted by family firms (Gómez-Mejia and al., 2011), this theoretical framework finds even greater resonance within Moroccan family firms. "*Indeed, family firms are essentially guided by the logic of family*

members who have a deep emotional attachment to their firm and most often hold sovereign power to establish their domination in the choices made by the organization."(CEO of FB no. 19). Thus, according to family business leaders (of FBs no. 4, 5, 9, 12, and 15), it is not uncommon for the majority of management and/or board positions to be held by family members in Moroccan family businesses, such that the family has a great deal of latitude in pursuing activities aimed at minimizing socioemotional losses.

This finding is consistent with Gómez-Mejia, Patel, and Zellweger (2018), who show that in such a context, the predominance of socio-emotional logic in the decision-making of family businesses is likely to expose them to greater financial difficulties. In this sense, the CEO of FB no. 3, shows that: "*Because of their aversion to socio-emotional losses, family members opt for strategic decisions that minimize them even if such choices expose the organization more to financial difficulties."*. For example, some family businesses prefer to adopt the status quo to maintain family control and to avoid intra-family conflicts resulting from differing views on the strategic direction of the organization (Chirico and al., 2011). This means that family members are more inclined to make strategic decisions based on their past experiences rather than identifying and exploiting new opportunities that pose a potential threat to their socioemotional assets. In the same, the CEO of the FB no. 18, shows that: "*Family businesses are more likely to be overwhelmed by market developments that will be effectively integrated by their non-family counterparts where socio-emotional prerogatives interfere to a lesser extent in the decision-making process.*"

Moreover, although the preservation of socioemotional heritage includes some potential sources of competitive advantages such as the consolidation of social capital through the strengthening of links with stakeholders or the willingness to pass on the family legacy to succeeding generations (Berrone, Cruz and Gómez-Mejia, 2012), the use of this frame of reference in decision making also implies disadvantages such as nepotic appointments (Lubatkin and al., 2005), the systematic refusal of external sources of funding (Gómez-Mejia and al., 2011) and the granting of privileges through excessive dividends (Michiels and al., 2015) to meet family members' expectations regarding the maintenance of family control and their financial aspirations. Other leaders indicate that the above-mentioned advantages are not sufficient to guarantee the longevity of the organization, for example: "*Despite the long-term vision and the strengthening of social ties, the drawbacks associated with the preservation of socioemotional assets accentuate the threat to the survival of the firm because of the constraint imposed by such logic on the available financial resources and human capital."*(CEO of FB no. 19). In this sense, Schepers and al. (2014) argue that the absence of quality human capital and sufficient financial resources significantly alters the ability of family firms to implement their strategic choices effectively. Moreover, some family firms also face intergenerational conflicts between family members (Kellermanns and al., 2012), which reinforces their inefficiency in determining and implementing the firm's strategy (Chirico and al., 2011). The combination of these different factors islikely to further expose family businesses to financial difficulties.

To discuss the ambiguity surrounding these issues, this paper refers to the model of socio-emotional heritage (Sciascia, Mazzola, and Kellermanns, 2014). This framework used in the literature on family firms provides a more refined view of the family's capacity to influence organizational behavior and performance. Indeed, the concept of socioemotional heritage combines elements related to the theoretical frameworks of agency and stewardship (Kellermanns and al., 2012), thus making it possible to reconcile divergent logics using an integrative approach (Chua, Chrisman and De Massis, 2015). More specifically, it is in line with behavioral agency theory and suggests that a socioemotional approach integrating the non-financial aspirations of family members would be more appropriate for understanding the behavior and performance of family businesses (Gómez-Mejia and al., 2011). "*Decisions made within family businesses would be oriented towards minimizing socioemotional losses to the detriment of the pursuit of financial objectives.*" (CEO of FB no. 2). Another CEO suggests that: "*Family members would thus adopt choices that reinforce or maintain family hegemony, family members'emotional attachment to the organization, links with stakeholders and ensure dynastic succession, even if these sometimes imply an economic disadvantage for the firm.*" (CEO of FB no. 16).

Referring to this framework, several authors demonstrate that family firms are less innovative, and show a lesser inclination to pursue diversification, and internationalization strategies (Scholes, Mustafa, and Chen, 2016), because, despite the economic benefits they may provide, such decisions involve relaxing family control over the organization by using non-family members to manage the operational aspects of implementing the strategic choice. In another vein, Berrone and al. (2012) provide empirical evidence that family firms pollute less to limit the negative consequences for their image because family members want to ensure the transmission of a firm with a solid reputation for the next generations. The same argument is used to demonstrate that family firms are less willing to opt for aggressive profit accounting management practices (Martin, Campbell, and Gómez-Mejia, 2016).

Although, this research rooted in the theory of socioemotional wealth, offers a better understanding of the influence of the non-financial logic of family members on decisions made within the organization, little work attempts to apprehend the consequences of using such a frame of reference on the financial situation and performance of family businesses.

3.2. Financial constraints and performance in Moroccan unlisted family-owned businesses

Although the preservation of the social-emotional heritage plays a large role in explaining the behavior and financial situation of family businesses, several authors reveal that the predominance of the emotional aspirations of family members is contingent on threats to the future of the business (Gómez-Mejia, Patel, and Zellweger, 2018). According to one leader: "*Family members would be willing to sacrifice part of their social-emotional assets and take economic measures oriented towards perpetuating the company's activities when the future of the organization is potentially threatened.*"(CEO of FB no. 10). While family firms are often characterized by a lower propensity to invest in innovation because of the socioemotional

losses that such a strategic choice implies, they invest more in research and development than their non-family counterparts when their level of performance is lower than that of their competitors. "*Family firms would adapt to the context in which they operate to avoid being overtaken by competitors and to avoid exposing the survival of the organization*."(CEO of FB no. 6). In this context, the leaders (of FBs no. 7, 13, and 17) establish that, when family businesses are more vulnerable due to results below the expectations of family members, they adopt strategies for acquiring targets with a significantly different core business to limit the risk of dependence on a single source of activity and contribute to the long-term sustainability of the business.

These resultsimply that the socioemotional aspirations of family members are supplanted by economic prerogatives when the future of the organization is threatened to ensure the longevity of the company and thus guarantee the preservation of the future socioemotional heritage for the following generations (Gómez-Mejia and al., 2014). Applied to our problem, this angle of reflection would imply that, if the level of financial trouble and thus the probability of bankruptcy is high, family firms would be more willing than non-family firms to initiate actions aimed at redressing the firm's financial situation and profitability to ensure the perpetuation of the socioemotional heritage of family members in the longer term. In this sense, previous work shows that family firms explore more opportunities, innovate and diversify more when faced with hostile environments (Chirico and al., 2011) or perceive a danger to the long-term survival of the organization. Moreover, family firms are also more inclined to hire non-family members to compensate for the inefficiency of the management team in place, which is predominantly family-based, when they are confronted with a particularly constraining economic environment that threatens the organization's survival.

The CEO of FB no. 8, suggests that: "*The willingness of family members to perpetuate their future socioemotional assets would lead them to make strategic and operational decisions oriented towards improving the economic situation of the organization when the survival of the organization is potentially in question*.", which could result in better performance levels in the financial health of family businesses compared to non-family businesses. On the other hand, "*When family businesses are exposed to a low risk of financial problems, family members will be less inclined to take measures oriented towards maximizing their performance level since the preservation of their future socioemotional assets is not exposed to a tangible threat.*"(CEO of FB no. 11).

Consequently, "*The favorable financial conditions experienced by family businesses will make family members more inclined to favor shares that limit the loss of hitherto accumulated socioemotional wealth at the expense of potential economic gains.*"(CEO of FB no. 14). In this sense, this CEO demonstrates that family businesses operating in a stable environment prefer to maintain their competitive position in traditional activities rather than take the risk of engaging in activities disconnected from their business to outperform their competitors. This reluctance is explained by the fact that such a diversification strategy requires human and financial resources, the acquisition of which would entail significant socio-emotional losses in terms of control for family members who would eventually have to open up capital, take out

loans or hire non-family managers. Within family firms, these non-financial aspirations would play a less important role, so that strategic and operational decisions would be made more along financial lines (Rosenbusch, Brinckmann and Bausch, 2011). They would be more inclined to take advantage of favorable financial conditions to develop their competitive advantage over their competitors and improve their profitability.

Conclusion

The objective of this paper is to explore the effect of socioemotional wealth on the financial health of unlisted Moroccan family businesses. Although issues related to financial health are currently the subject of deep reflection in the academic world and among practitioners, little work addresses this issue in the context of family businesses despite their significant contribution to the economic fabric (Memili and al., 2015). Drawing on the concept of socio-emotional wealth (Gómez-Mejia and al., 2007), this research constitutes the first attempt to provide a better understanding of this phenomenon by analyzing how the non-financial prerogatives of family members are likely to affect the financial health of Moroccan family businesses. To arrive at the results, we conducted this study through exploratory qualitative research using semi-structured interviews with 19 managers of unlisted Moroccan family businesses. The results obtained seem to confirm that the non-financial logic adopted by family members can deteriorate the financial situation of family firms, as they feel less concerned about the objectives of liquidity, profitability, and solvency (De Massis and al., 2015) and prefer to make decisions favoring the minimization of socio-emotional losses to the detriment of better financial health (Gómez-Mejia, Patel and Zellweger, 2018).

However, the continuation of this study has made it possible to further qualify this reasoning since the results have shown that socio-emotional prerogatives are of less importance when the future of the business is threatened. Therefore, family members would be more inclined to take corrective measures aimed at improving the level of performance and ensuring the status quo would lead to the disappearance of the company and the socio-emotional heritage attached to it. On the other hand, if the situation of the family business is healthy, family members would choose decisions oriented towards minimizing socioemotional losses, which would greatly impair their ability to capitalize on emerging opportunities.

This paper makes several contributions to the literature. By identifying the family nature of the firm as an antecedent of financial health in family businesses, this research complements the several works aimed at identifying the explanatory factors of such a situation. Indeed, rather than focusing on the accounting or financial predictors of financial troubles, it illustrates the importance of considering the family dimension of the organization in understanding this phenomenon by suggesting that the non-financial logic of family shareholders makes them economic actors far removed from the homo economicus classically depicted in the majority of studies dealing with this subject (De Massis and al., 2015). Finally, while socio-emotional wealth theory has mainly been used to distinguish the strategic choices of family businesses from those of other types of organizations (Berrone and al., 2012), this study has highlighted the role played by socio-emotional prerogatives in understanding the performance of family businesses, a subject that has been under-explored in the literature.

Moreover, it has also called into question the application of this conceptual framework, which assumes that socio-emotional concerns any form of economic rationality. Indeed, it has emerged that when the future of the firm and the future socioemotional heritage (through dynastic succession) are threatened, family firms are more willing to take economically rational measures to redress their performance level and ensure the survival of the organization. This research thus underlines that economic and socioemotional objectives are not necessarily antinomic and that a certain convergence between these prerogatives can be observed in specific conditions (Gómez-Mejia and al., 2014).

Several limits must be noted and allow us to propose avenues of research. One limitation lies in the fact that this research uses several arguments relating to the theory of socio-emotional heritage without proposing a concrete measure. Although it adopts a similar perspective to previous work arguing that family ownership and involvement go hand in hand with the predominance of socio-emotional wealth as a frame of reference (Gómez-Mejía and al., 2007), additional efforts should be made to directly measure the influence of different non-financial objectives on financial failure and performance. Besides, future research could focus on the heterogeneity of family shareholders to determine how the breakdown of the shareholder structure between several family members belonging to different generations and with divergent interests affects the exposure of family firms to financial failure (Kellermanns and al., 2012).Also, future work could provide insight into how the relationship between the family nature of the business and the level of financial distress fluctuates according to the sector of activity concerned. Indeed, it is not inconceivable to imagine that family firms operating in sectors with high technological innovation would be more exposed to a situation of financial distress since they are generally less inclined to engage in projects oriented towards breakthrough innovations. Consequently, more work is needed to deepen our understanding of the antecedents and consequences of financial distress in heterogeneous contexts.

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