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Abstract

Kotlar and De Massis found that membership assortment and the number of organizational members, as well as the imminence of succession, influence goal diversity in family firms. They also showed that goal diversity can be managed and family-centered goals can be stabilized through professional and familial social interactions, driving the formation of collective commitment to family-centered goals (CCFG). Using this research as a point of departure, we propose that CCFG may impact family firm economic and noneconomic performance. Furthermore, we introduce to the family firm literature the organizational psychological capital (OPC), consisting of hope, efficacy, resilience, and optimism. We also suggest that OPC may be more prevalent in family firms than in nonfamily firms. Moreover, OPC of family firms may play an important role in the link between CCFG and economic as well as noneconomic performance.

Introduction

In their article "Goal Setting in Family Firms: Goal Diversity, Social Interactions, and Collective Commitment to Family-Centered Goals," Kotlar and De Massis (2013) start with the truism that the membership assortment and number of organizational members, as well as the imminence of succession, influence goal diversity in family firms. They conclude that goal diversity can be managed, and family-centered goals can be stabilized through professional and familial social interactions, fostering collective commitment to family-centered goals (CCFG). Investigating the formation of CCFG is important since these goals are the key in shaping family firm strategies, decision making, and behavior (Chrisman, Chua, Pearson, & Barnett, 2012) and can also shed light on the differences and competitive advantages among family firms (Chrisman, Chua, & Sharma, 2005). However, like most studies, the results stimulate more questions than answers, especially when it comes to the "bottom-line" of family firm economic and noneconomic performance.

In this commentary, we extend Kotlar and De Massis's (2013) findings with regard to the development of CCFG by proposing that CCFG can influence family firm economic (e.g., profitability and growth) and noneconomic (e.g., transgenerational sustainability and job creation) performance. Specifically, goal commitment can motivate family firm members to achieve such economic and noneconomic performance differentially. In an important, value-added manner, we also propose that the widely accepted psychological capital (PsyCap; Luthans & Youssef, 2004), should now be recognized, developed, and leveraged among both family and nonfamily firm members. When taken to the organizational level (see McKenny, Short, & Payne, 2013), PsyCap may be more prevalent in family firms than in nonfamily firms because of unique family firm dynamics (e.g., long-term orientation). Moreover, this organizational PsyCap (OPC) of family firms can affect the links between CCFG and family firm economic and noneconomic performance.

Thus, the purpose of this commentary is to extend Kotlar and De Massis's (2013) research by exploring the outcomes of CCFG. First, we suggest the impact of CCFG on the important family firm outcomes of both economic and noneconomic firm performance. Second, we introduce for the first time in the family business literature the extensively researched positive construct of PsyCap and suggest its firm-level development within the context of family firms and effects on the relationships between CCFG and family firm economic and noneconomic performance. Owing to the important role that positive organizational behavior may play in family firms' transgenerational survival and success, research on valuable intangible, firm assets, such as OPC of family firms we propose, can make a significant contribution to both family firm theory and practice. With regard to Kotlar and De Massis's research, OPC may be critical in turning CCFG into family firm economic and noneconomic performance, even though family firms may be facing challenges in raising financial capital or even survivability capital (Sirmon & Hitt, 2003). After a brief overview of the meaning and implications of OPC for family firms, we offer propositions to extend Kotlar and De Massis's research in relation to OPC of family firms.

PsyCap and Family Firms

Drawing from positive psychology, positive organizational behavior has been gaining research attention with a focus on positive development and management of human resources in the workplace. This positive approach has led to what Luthans and colleagues identify as PsyCap (Luthans & Youssef, 2004). In order for a psychological resource to be included in PsyCap, it must meet the criteria of being based on theory and research, having valid measurement, being open to development and thus "statelike," and having impact on desired outcomes. The positive constructs of hope (goals and pathways), efficacy (confidence), resilience (bouncing back from adversity), and optimism (making positive attributions and having positive future expectations, or the "hero within") meet these criteria and make up the core construct of PsyCap. Considerable research over the past decade has been meta-analyzed to indicate that employees' PsyCap is positively related to desired attitudes, behaviors, and performance, and is negatively associated with undesirable employee attitudes such as cynicism, turnover intentions, job stress, and anxiety and undesirable employee behaviors such as deviance (Avey, Reichard, Luthans, & Mhatre, 2011). Moreover, experimental research by Luthans and colleagues clearly demonstrates that PsyCap can be developed in short training programs, even online (Luthans, Avey, & Patera, 2008), and cause performance to improve (Luthans, Avey, Avolio, & Peterson, 2010).

Walumbwa, Luthans, Avey, and Oke (2011) show that group-level collective PsyCap can develop through interactive and coordinative dynamics and leadership in a firm that can foster desired behaviors and performance outcomes. A recent computer-aided text analysis by McKenny et al. (2013) introduces a method of how to measure organizational-level PsyCap by drawing directly from Luthans, Youssef, and Avolio (2007) individual-level construct definition of PsyCap. According to McKenny et al., OPC develops through members' interactions over time and reflects the shared level of positivity and agency among employees. However, to date, PsyCap has not been investigated at the organizational level in family firms despite its importance.

OPC of family firms may be particularly important because there is a high level of dependence on family as well as nonfamily firm members and their collaboration for transgenerational survival and success (Barnett & Kellermanns, 2006) through CCFG (Kotlar & De Massis, 2013). Family business members may have certain wishes or desires, shaping their goals, which may be diverse. They can turn the goal diversity into CCFG through professional and social interactions (Kotlar & De Massis). However, unique strategic intangible resources, such as OPC of family firms, are then necessary to strengthen the family firm's ability to turn CCFG into noneconomic and economic firm performance. This is particularly valuable when family firms face challenges in raising financial capital and rely substantially on survivability capital (i.e., the pool of personal resources that family members use for the family business). Such capital can also be limited owing to family and firm size unlike many nonfamily firms and larger family firms having easier access to equity and debt markets (Sirmon & Hitt, 2003). Aside from the financial or survivability capital limitations, human and social capital may also be limited in some small family firms. Such limitations may further elevate the importance and value of the OPC as a strategic resource in efforts to transform CCFG into economic and noneconomic performance.

Family involvement in the business through ownership, governance, management, and intentions for transgenerational succession and vision (Chrisman et al., 2005; Chua, Chrisman, & Sharma, 1999) is likely to have effects on developing valuable intangible, or we would propose psychological assets such as OPC. Furthermore, longer term planning horizons (e.g., Sirmon & Hitt, 2003), family's lasting involvement and tenure in the business owing to family handcuffs and emotional attachment (Gómez-Mejía, Kintana, & Makri, 2003; Zellweger, Kellermanns, Chrisman, & Chua, 2012), reciprocal altruism extended to include nonfamily firm members (Karra, Tracey, & Phillips, 2006), and interactions coupled with high-quality relationships (Pearson & Marler, 2010) may foster development of unique "OPC of family firms," which can be more enriched than that in nonfamily firms.

Propositions

CCFG and Family Firm Economic and Noneconomic Performance

As inferred from Kotlar and De Massis (2013), CCFG may be the key to long-term survival of family firms. Many family firms continue to survive in order to achieve family-centered goals, even though they may not be performing well financially (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007). For example, the achievement of these goals may lead to the preservation of socioemotional wealth. Yet, the loss of socioemotional wealth can result in diminished or loss of intimacy, lowered status, and inability to meet the family's expectations (Gomez-Mejia et al.). Therefore, it is necessary to pay attention to both economic and noneconomic family firm performance since both play a critical role in long-term survival and success of family firms. At this point, we do not know enough about the potential differential impact of CCFG on family firm economic and noneconomic performance. This is because family firms tend to accept or avoid risk to their economic performance owing to loss aversion concerning their socioemotional wealth, which can elevate noneconomic family firm performance. Indeed, family firms tend to be risk averse in order to protect socioemotional wealth to an extent that they may be willing to accept a greater economic performance hazard in order to preserve socioemotional wealth rooted in family-centered noneconomic goals (Chrisman, Memili, & Misra, 2013; Gomez-Mejia et al.).

These research findings suggest that family firms experience a dilemma resulting in trade-offs between economic and noneconomic goals which can shape their strategies, behavior, and performance (Chrisman et al., 2013). Therefore, it is imperative to examine the impact of CCFG on both economic and noneconomic family firm performance. On one hand, based on Kotlar and De Massis's (2013) research, we expect that CCFG will lead to the attainment of higher levels of noneconomic family firm performance through the attainment of noneconomic goals. On the other hand, CCFG can lead family firm members to collectively focus on the long-term well-being of the firm and work hard to achieve high economic performance up to an optimum level. After an optimum level, however, complacency may set in owing to the attainment of family-centered noneconomic goals since this may be a satisfactory achievement for family business members. Additionally, higher levels of CCFG can lead to prioritization on the family-centered goals and make family business members lose sight of the economic well-being of the firm, such as growth, by shifting their focus primarily onto the attainment of noneconomic goals. Family firm studies have associated family firms with traditions such as restricting change, reluctance to take risks, emotionally significant illiquid investments, and unwillingness to grow (Ward, 1997). Excessive levels of CCFG, with dual conflicting roles of facilitating the attainment of high noneconomic performance, can harm economic performance after an optimum level. Hence:

Proposition 1a: CCFG will be positively associated with noneconomic family firm performance.

Proposition 1b: CCFG will have an inverted U-shaped relationship with economic family firm performance.

OPC of Family Firms

Beside socioemotional wealth, we propose OPC (Luthans & Youssef, 2004; McKenny et al., 2013) as another important, but to date overlooked, intangible asset of family-owned firms. Family firm dynamics (Steier, Chrisman, & Chua, 2004) such as family bonding, collectivity, shared history, open family firm culture, external orientation, and decentralization may facilitate the development of OPC of family firms. Since founder(s)/owner(s) have the critical influential role in leadership through shaping the family firm's vision and culture (Kelly, Athanassiou, & Crittenden, 2000), they can provide the broadest cultural information and the family firm historical contexts to both family and nonfamily employees. Hence, learning the family firm values and operating rules from the founder(s)/owner(s) and the leader(s) creating "high-quality relationships," such as "positive employee trust, commitment, and pro-social behavior," with both family and nonfamily employees (Pearson & Marler, 2010, p. 1120) can enhance nonfamily employees' involvement and development of OPC of family firms more than in nonfamily firms. High-quality relationships and reciprocal altruism extended to nonfamily members (Karra et al., 2006) can also facilitate the social integration (O'Reilly, Caldwell, & Barnett, 1989) of nonfamily employees via the development of psychological and social links to family members. This can result in attitudinal similarities (Terborg, Castore, & DeNinno, 1976) and the homogeneity of PsyCap among both family and nonfamily firm members creating OPC of family firms. Therefore, high-quality relationships initiated by family firm leaders are expected to facilitate the development of OPC of family firms at a higher level than in nonfamily firms. Additionally, long-term orientation of the family firm fosters enduring relationships with key stakeholders, particularly for both family and nonfamily employees (Habbershon & Williams, 1999). Accordingly, the concern for long-term sustainability encourages family firm leaders to build psychological resources, such as PsyCap, among all family business employees, which can in turn help family firms leverage their patient investments and long-term strategies. Therefore, unique family firm psychodynamics can lead to more OPC than in nonfamily firms.

Proposition 2: OPC will be more prevalent in family firms than in nonfamily firms.

Moderation Effects of OPC of Family Firms

When present, OPC of family firms is expected to influence the relationships between CCFG and family firm economic and noneconomic performance, as a strategic resource and competitive advantage. Indeed, the higher levels of positive OPC in family firms can enhance the relationship between CCFG and noneconomic firm performance by mitigating the risk aversion toward uncertainties and elevate the perceptions concerning the family firm capabilities. For example, a family firm exhibiting high levels of OPC may perceive more capabilities and have more incentive and strength to transform its CCFG into high noneconomic family firm performance. Hence, OPC may be the key valuable asset in turning CCFG into high noneconomic family firm performance. In other words, the reinforcing effects of OPC of family firms can strengthen the ability to transform CCFG into high noneconomic performance.

Similarly, the psychological strengths attained through higher levels of organization-wide confidence, perseverance, positive attributions, and ability to bounce back and even beyond, can help family firms cohesively turn their CCFG into high economic performance despite the challenges and/or limitations in raising other types of capital, such as financial capital, up to an optimum level. Nevertheless, after an optimum level of CCFG, OPC may exacerbate the negative effects of CCFG on family firm economic performance through excessive unrealistic optimism, resilience, hope, and efficacy, which can generate hubristic myopia in determining capabilities, elevate attachment to the status quo, and diminish the necessity to develop skills and competencies to grow. Thereby, complacency may set in, replacing the ambition and motivation to succeed financially. Therefore, we expect that OPC will enhance the positive relationship between CCFG and economic family firm performance up to an optimum level. Then, after an optimum level, it will strengthen the negative effects of CCFG on economic family firm performance. Thus, our final extending propositions are as follows:

Proposition 3a: OPC will moderate the relationship between CCFG and noneconomic family firm performance, such that OPC will strengthen the positive relationship between CCFG and noneconomic family firm performance.

Proposition 3b: OPC will moderate the inverted U-shaped relationship between CCFG and economic family firm performance, such that OPC will strengthen the positive effects of CCFG on economic family firm performance up to an optimum level and after reaching an optimum level, OPC will strengthen the negative effects of CCFG on economic family firm performance.

Conclusion

This commentary extends the research of Kotlar and De Massis (2013) by suggesting the following: (1) the impact of CCFG on family firm economic and noneconomic performance; (2) a new construct to the family firm literature of positive OPC of family firms, which may play a critical role in the link between CCFG and family firm economic and noneconomic performance; and (3) both the reinforcing and limiting effects of OPC of family firms. On one hand, family firms with higher levels of both CCFG and OPC may be the ones outperforming other family firms in terms of noneconomic performance through capabilities attained from psychological strengths, which can be more valuable than other strengths (e.g., financial) in attainment of such goals. On the other hand, family firms with moderate levels of both CCFG and OPC may be the ones financially outperforming other family firms since excessive levels of CCFG and OPC combined may rather be harmful to financial performance through generating overestimation of capabilities (i.e., hubris) and inaccurate evaluation of financial well-being of the family firm. Therefore, future research needs to examine our propositions and address other unique family firm factors influencing the development of OPC and its impact on various important family firm behaviors and outcomes. OPC can be also explored within the context of different organizational cultures of family firms. Owing to the potential critical role of family business leaders on the development of OPC, as we suggested earlier, future research can explore this phenomenon through the lens of leader–member exchange (LMX) theory in family firms (Pearson & Marler, 2010). Additionally, family size, firm size, business life cycles, and generational differences (Chrisman et al., 2013) can play a role in shaping the OPC of family firms. All these suggest future research avenues for OPC of family firms.

We hope this commentary draws attention to the importance of managing the OPC of family firms for the economic and noneconomic successes just like that of any other strategic resource. If family firms can capitalize on the positive impact of OPC and restrict its potential negative effects, family firms can attain both economic and noneconomic successes and exemplify sustained effective business practices throughout subsequent generations.

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