

CALL FOR PAPERS

SMEs: Family Corporate Governance, Emotions and Financial Capital Dynamics

16th – 17th October 2017, UNIVERSITY PARIS NANTERRE & AUDENCIA BUSINESS SCHOOL

Deadlines: July 31st for intentions of submissions (extended abstract of 3 pages max)

Notification of acceptance: August 15th

Expected or possible formats: Power-point presentations for advanced work-in-progress papers or poster presentations for idea testing.

Keynote speakers:

- Torsten Piepper, Kennesaw University, USA
- Vijay Singal, Pamplin College of Business, Virginia Tech, USA
- Cristina Bettinelli, University of Bergamo, Italy

Organizing Committee

- Céline Barrédy
- Miruna Radu-Lefebvre

Aim of the Conference

The aim of this conference is to develop the understanding of the tensions between emotional and financial issues on SMEs, with a special focus on family businesses, business families, and family business groups.

Traditionally, emotions have been considered as opposed to logic (William James, cited in Dolan *et al.*, 2002: 1191), leading to less rational decision making (*idem*: 1194). Family business literature, strongly anchored in the agency and stewardship theory (Madison *et al.*, 2016) often considers emotions as detrimental to family firm performance and survival (La Porta *et al.*, 2002). This tradition sees the management of family firms as emotional and intuitive, whereas the management of non-family firms is rational and analytical (Stewart and Hitt, 2012; Zellweger and Astrachan, 2008) and argues that family firms should try to neutralize the effect of emotions on the family business, in particular relative to decisions such as governance and finance (Tagiuri and Davis, 1996).

More recently, we are witnessing an emerging focus on how emotions can actually be beneficial in any firm (Goleman, 1995, 1998), and even contribute to a better understanding of multi-generational family firm longevity and growth (Zellweger, 2014). But this approach is still over-simplified: indeed, emotions are “messy” (Brundin and Sharma, 2011) – a single event can often trigger several emotions simultaneously. Emotional ambivalence is potentially even more prevalent in the family business context, first because the three systems (family, business and ownership) overlap (Gersik *et al.*, 1997) meaning that individuals belong

simultaneously to at least two of the systems, and second because in multi-generational family firms, individuals are at the same time daughter/mother/grandmother or son/father/grandfather. The successful management of several identities and of ambivalent emotions emerging from role conflict situations can lead to more creative decisions (Gifford, 2002; Hui et al., 2009). The notion of “dialogical self” can be useful to help us understand, on the individual level, how these paradoxes can be effectively managed (Ingram et al., 2016; Hermanns et al., 1992). On the organizational level, the family business meta-identity (Shepherd and Haynie, 2009), or the collective mindfulness of the controlling family (Zellweger, 2014) can help us understand the resolution of such paradoxes.

Indeed, the literature shows that both economic and non-economic considerations affect diverse aspects of finance and governance in the family business context such as firm value, choice of investment, choice of financing, valuation, corporate governance, accounting behaviors, or failure processes. Returns and costs influence the *firm value* on the entrepreneurs, on the executive side (Astrachan and Jaskiewicz, 2008). Moreover, concerning the investor side, *the choice of investment* is not always rational and could be motivated by emotions like it is the case of family shareholders but also for any investor selecting investment through a psychology run by emotions (White and Koonce, 2016).

Therefore, the issue of potential rivalry between the maximization of those returns or an objective of trade-off between them, or specific contexts and mechanisms that leads to support one over the other needs to be addressed. The field of finance is particularly interesting concerning the role of emotions. As Pieper (2010) mentioned, the agency theory has played a very interesting role in understanding better family business governance and financing choice (Lubatkin et al., 2007; Lubatkin et al., 2005 ; Schulze et al., 2003b), but there is a need to go deeper in the family psychology to increase the power of our understanding of what pushes decisions in family businesses and business families. This is particularly the case in failure situations (Shepherd et al., 2009; Byrne and Shepherd, 2015). Therefore, the way families frame the organization(s) and the governance mechanisms to compensate or leverage on emotions (Abdullah et al., 2016) is an interesting avenue of research. The issue of emotions reveals also the choices made by the family at the time of raising funds. First, as the literature considers the financing needs of firms, the question arises about what for those funds are raised. In the case of business families, this question is particularly interesting because they can be used for the business itself or for the family, particularly in the case of ownership transmission. The consequences on the business in the second case need to be clarified. Then, although Leitterstorf and Rau (2014) show that in the context of an IPO, families tend to prefer to leaving more money on the table to preserve the family’s socioemotional wealth, the mechanism remains complex (Cirillo et al., 2017) and deserves further investigation. Moreover, considering the emotions coming from long term relations with historical partners of the firms, part of the social capital (Habbershon et al., 1999; 2003; Nahapiet and Goshal, 1998) like providers and customers for instance, the way the family deals with them and generates specific short term financial issues is of interest. How do these relations work? Are business families more cash dependent because they are very flexible with their partners or on the contrary, do they reinforce their bargaining power through long term relationships? Very little has been done concerning working capital management in family businesses (James, 1999). Last but not least, are the stock of family-controlled firms good investments? Anderson and Reeb (2003) found that family firms perform better than nonfamily ones. Any recent investigation of such a relationship would be welcome.

Therefore, more research is needed in understanding how business family members experience emotions and emotional ambivalence and how they resolve these contradictory emotions, roles and identities, as well as how emotions affect entrepreneurial behaviors at the individual, family and firm levels, and how emotions interfere positively or negatively in financial decisions on the long run and the short run, financial distress and business failure.

Given these assumptions, several aspects can be developed and investigated. Any empirical or theoretical paper on the conference topics is welcomed.

Papers submitted could consider for example:

- Emotions and emotional ambivalence in business families
- Mechanisms to resolve emotional ambivalence / role conflict (dialogical self, family business meta-identity, collective mindfulness, for example)
- Emotional response to financial information
- Emotions and family business failure
- Emotional skills of executives and shareholders in financial decision making
- Family governance issues and their impact on financial decisions and vice versa
- Governance issues between family and external investors
- Family business short term and long term financing issues
- Family firm's stocks risk and reward
- The quality of financial and extra financial reporting in family businesses
- Earnings management strategies in family businesses
- Voluntary disclosure policies in family businesses
- Tax behavior in family businesses and business families
- Audit of financial and extra financial information in family businesses

Submission and Registration

Organizing Committee

CEROS Research Center & Audencia Business School - Chair Family Entrepreneurship and Society.

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References

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Location 1st day

University Paris Nanterre main Campus.

Université Paris Nanterre
200, Avenue de la République
92001 Nanterre Cedex



The University Paris Nanterre, located in the west of Paris, near the business center "La Défense", is a multidisciplinary university that welcomes more than 30 000 students each year and covers the wide range of disciplines: Literature and Languages, Human and Social Sciences, Legal, Economics and Management Sciences, Technology, Culture and Arts, Information and Communication Sciences, and Physical and Sports Activities.

The university has a deep history that makes it one of the most famous in Europe. The location is one of the best in Paris: the campus of 32 ha offers cultural and sports equipment for students and faculty. The university also welcomes advanced training courses and international formations, all backed by research recognized globally and awarded many times in the most diverse fields. The university is also proud of its many partnerships, both with foreign higher education institutions, but also with French and foreign companies, attracted by the thousands of graduates from innovative and demanding training.

How to get to University Paris Nanterre

- **By the R.E.R.:** Line A, direction Saint-Germain-en-Laye, and disembark at the station "Nanterre-Université". It is 15 min from the center of Paris (Station Chatelet Les Halles).
- **By the train :** Ligne L from Saint-Lazare railway station, direction "Nanterre-Université" or "Cergy-le-haut", and disembark at "Nanterre-Université". It takes about 15 min.

The Campus Map



Location 2nd day

AUDENCIA Business school – PARIS CAMPUS

95 Rue Falguière

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By metro: Station Volontaires, Line 12; Station Pasteur, Line 6; Station Montparnasse, Lines 4, 6, 12, 13.



Founded in Nantes in 1900, Audencia Business School was first accredited by EQUIS in 1998 and is now ranked amongst the top European business schools. In 2015, Audencia was awarded reaccreditation by EQUIS, AACSB and AMBA for the maximum period of five years.

Audencia currently has 110 permanent professors (half of them are international) on four campuses in Nantes, a campus in Paris and a Cooperative Center for Studies in Beijing. Audencia is well known for its commitment to CSR (Corporate social responsibility) and its effort to developing leaders for a responsible world.

The Audencia Paris Campus and alumni space are located in the heart of the Montparnasse quarter of Paris, a lively district full of cafes and theatres with colourful literary, artistic, and political histories. Several Mastère Spécialisé® (specialised master's) programmes and Executive Education programmes are taught on Audencia's Paris Campus.

Details about the hosts

The research lab CEROS of the University Paris Nanterre counts a group of researchers dedicated to small and medium sized firms and particularly family businesses, concerning financing and governance issues.

Head of the research lab: Pr. Didier Folus

Team in Finance and governance of SMEs: Pr. Didier Folus, Pr. Florence Depoers, Dr. Béatrice de Séverac, Dr. Emmanuel Boutron, Pr. Céline Barrédy

The research lab Rn'B from Audencia Business school has 6 professors in entrepreneurship dedicated to research and teaching on SMEs and family firms, mainly on issues related to intrafamily succession, business support and networks, business models and corporate entrepreneurship. Audencia has a Chair in Family Entrepreneurship and Society (founded in 2013) who's mission is to conduct research on topics related to family entrepreneurship, along with organizing a vocational education program for family firms. Audencia became STEP member (pilot for France) in December 2016.

Head of the research lab and Head of the Chair in Family entrepreneurship and Society: Pr. Miruna Radu-Lefebvre

Team in Entrepreneurship and Family Entrepreneurship: Gilles Certhoux, Claire Champenois, Vincent Lefebvre, Kathleen Randerson, Sébastien Ronteau, Miruna Radu-Lefebvre.