Spotlight by CeFEO

Can emotional bonds and identity explain why family firms persist even when performance lags?

Could Emotional Attachments Be Stronger Than Profit Motives?

NONI SYMEONIDOU · DAWN R. DETIENNE · FRANCESCO CHIRICO

Published on May 10, 2021 *https://doi.org/10.68623/spotlight.2025.0w7*

In the world of business, survival often hinges on financial success. Yet family firms, which make up a significant portion of economies worldwide, seem to operate by a different playbook. Stories abound of family businesses persisting against the odds—weathering low profits, market shifts, and internal challenges.

Why do family firms sometimes choose to **hold on** even when business logic suggests it's time to **let go**?

This research by Symeonidou, DeTienne, and Chirico uncovers an important part of this puzzle: family firms are driven by emotional and identity-based factors that lead them to set lower thresholds for acceptable performance. As a result, they are **less likely to exit** compared to their non-family counterparts, even under similar economic conditions.

This insight is critical today, as family businesses navigate increasingly volatile markets and succession challenges across generations.

WHAT WE STUDIED

The study, titled *The Persistence of Family Firms: How Does Performance Threshold Affect Family Firm Exit?*, leverages two important theoretical perspectives:

- **Threshold Theory**: Exit decisions depend not just on actual performance, but on whether that performance meets a subjective threshold.
- **Socioemotional Wealth (SEW) Perspective**: Family firms are uniquely driven by non-financial goals, including maintaining family identity, control, emotional attachment, and a sense of legacy.

To test their hypotheses, the researchers analyzed a **longitudinal dataset** from the **Kauffman Firm Survey (KFS)**, covering **1,191 U.S. firms** between 2008 and 2011. The sample included young firms—between 4 and 8 years old on average—providing a valuable lens into how family influences take root early in a business's life cycle.

The study tested two central ideas:

- **Hypothesis 1**: Family firms have lower performance thresholds than non-family firms.
- **Hypothesis 2**: These lower thresholds mediate the relationship between family ownership and lower rates of business exit.

KEY INSIGHTS

1. Family Firms Define "Success" Differently

Family firms were found to **tolerate lower financial returns** before considering an exit. Rather than purely financial calculations, **non-financial goals**—like protecting family reputation or maintaining control—play a significant role in decision-making.

This redefinition of "success" underscores why family firms might continue operating even with modest or disappointing financial outcomes.

2. Emotional Ties and Identity Matter More Than Metrics

The research confirms that family firms prioritize **socioemotional wealth** over purely economic goals. Elements such as family influence, emotional attachment, and the desire to pass the business to future generations can outweigh short-term financial performance when making strategic decisions.

In essence, **the business becomes an extension of the family itself**—and preserving it is about much more than money.

3. Persistence Often Means Resisting Necessary Exit

Lower performance thresholds explain why family businesses **persist longer**, even when their financial performance suggests otherwise. While this persistence can foster resilience, it can also **increase risks**, such as resource depletion, missed opportunities, and weakened competitiveness.

Understanding these dynamics is crucial for family business leaders seeking to balance emotional investment with rational decision-making.

4. Emotional Logic Starts Early

The findings show that even **first-generation family firms** exhibit lower exit rates compared to non-family firms. Emotional investment and identity attachment occur **early in the firm's life**, suggesting that these dynamics are **not solely a function of long-term tradition** but emerge rapidly as families build their businesses.

TAKEAWAYS

For Family Business Leaders

- **Be Aware of Emotional Bias**: Recognize when emotional attachment might cloud objective decision-making.
- **Set Dual Thresholds**: Establish both financial and socioemotional performance metrics to guide strategy more holistically.
- **Encourage Honest Assessments**: Regularly evaluate business viability through independent advisors to counterbalance internal biases.
- **Plan for Strategic Exits**: Understand that exit is not a failure but can be a strategic decision to preserve family wealth and legacy.

For Advisors and Consultants

- **Address Emotional Dimensions**: Help family business owners navigate the emotional aspects of exit and succession discussions.
- **Facilitate Structured Decision-Making**: Introduce tools and processes that balance emotional goals with financial realities.
- **Frame Exit Positively**: Present strategic exits as a way to protect and honor family achievements, not just as a business decision.

IMPACT

The study's implications are wide-ranging. It challenges the conventional wisdom that business exit is simply a matter of poor financial performance. Instead, it shows that **emotions, family identity, and legacy concerns profoundly shape exit decisions**.

For family firms, this can be both a strength and a vulnerability. While emotional commitment drives perseverance, it can also lead to **overcommitment to struggling ventures**, inefficient use of resources, and missed opportunities for reinvention or growth.

In a broader sense, understanding performance thresholds could reshape how policymakers and investors support family businesses. Tailored interventions that recognize emotional as well as financial dimensions could help family firms make better strategic choices without losing the essence that makes them unique.

Future research could extend this work by examining:

- Differences across cultures and industries
- The role of non-family CEOs and professional boards in balancing emotional and financial goals
- Threshold differences in socially driven or mission-based family enterprises

RECOMMENDATIONS

Family business leaders should:

- **Integrate Financial and Emotional Goals**: Formalize both sets of objectives in business planning and governance.
- **Cultivate Open Family Dialogues**: Encourage honest conversations about performance, succession, and possible exit scenarios.
- **Engage External Experts Early**: Work with external advisors not only when a crisis hits but proactively as part of regular strategy reviews.
- **Prepare Next-Generation Leaders**: Train successors to value both the business's emotional legacy and the need for strategic adaptability.

By taking these steps, family businesses can protect what matters most—their family and business legacy—while ensuring long-term success.

Spotlight by CeFEO, Can emotional bonds and identity explain why family firms persist even when performance lags? Could Emotional Attachments Be Stronger Than Profit Motives? Downloaded on 10 November 2026 from https://doi.org/10.68623/spotlight.2025.0w7

CEFEO AUTHORS



Francesco Chirico

Professor

Jönköping International Business School

francesco.chirico@ju.se

PUBLISHED IN



Symeonidou, N., DeTienne, D. R., & Chirico, F. (2022). The persistence of family firms: How does performance threshold affect family firm exit? Small Business Economics, 59, 477–489.

https://doi.org/10.1007/s11187-021-00482-9

Spotlight is an online magazine that translates research from the Centre for Family Entrepreneurship and Ownership (CeFEO) at Jönköping International Business School, Jönköping University, into accessible insights for family business owners, practitioners, and policymakers.

Spotlight is supported by the WIFU Foundation. This partnership advances dialogue and education in responsible family entrepreneurship and ownership.

JÖNKÖPING UNIVERSITY
Jönköping International Business School

CeFEO
Centre for Family Entrepreneurship and Ownership

WIFU FOUNDATION