

Can family control and emotional attachments really change how businesses handle cash?

How do emotions, control, and governance shape the way family businesses manage their money?

DOMENICO ROCCO CAMBREA · YULIYA PONOMAREVA · DANIEL PITTINO · ALESSANDRO MINICHILLI

Published on October 26, 2021

Cash is often referred to as “king” in the world of corporate finance, but what happens when the crown is shared between financial logic and family legacy? In family businesses, where long-term vision and emotional ties often intertwine with strategic decisions, the management of cash can serve both practical and symbolic purposes. Unlike nonfamily firms, where maximizing shareholder value is the dominant narrative, family firms operate with a dual mission—economic performance and socioemotional wealth (SEW).

This study investigates how family involvement in ownership and control influences the value and cost of corporate cash holdings. It reveals that family firms don't just think differently—they *value* differently, especially when it comes to decisions at the heart of business continuity. In doing so, the study addresses a crucial gap in family business literature: how financial decisions are influenced by emotional goals and relational dynamics.

WHAT WE STUDIED

To uncover how family firms make cash decisions, the researchers analyzed data from **195 Italian publicly listed firms** on the **Milan Stock Exchange**, covering the years **2003 to 2015**. Italy provides an ideal context: family-controlled firms dominate its business landscape, yet operate within a strong legal and institutional environment that holds managers accountable.

The authors introduced the concept of “**socioemotional wealth mixed gambles**”—a

theoretical framework derived from behavioral economics and family business literature. In this view, cash holdings aren't evaluated solely based on financial gains or losses but are seen as “mixed gambles” where decisions weigh both **financial outcomes and socioemotional consequences**.

This framework allows for a richer interpretation of how families—especially those with substantial control and involvement—might view cash as more than a financial resource. It could be a cushion for legacy preservation, a strategic reserve for future generations, or even a source of internal family stability.

The methodology included:

- Panel data regression models
- A detailed set of robustness checks
- Moderating variables such as CEO duality and board independence
- Controls for industry, size, leverage, growth, and more

KEY INSIGHTS

1. Family Firms Derive More Value from Cash Holdings

The study found that **family-controlled firms** enjoy **higher value** and **lower cost** when increasing their cash reserves, compared to nonfamily firms. This means that while excess cash can lead to value destruction in traditional firms (due to agency problems or inefficient investments), in family firms, it often has the opposite effect.

Why? Family owners tend to adopt **long-term perspectives**, favoring prudence and stability. Cash reserves offer not only a financial buffer but also peace of mind—preserving control, ensuring continuity, and avoiding reliance on external capital markets.

2. Family Control Deepens the Emotional Stakes

The benefits of holding cash are **amplified when families exert strong control** over the firm—either directly (through voting rights) or indirectly (via board influence). This finding supports the idea that cash decisions are influenced by **restricted SEW**—those benefits that accrue specifically to the family, such as influence and status.

This also reflects a **risk-averse mindset**. Families often prefer to avoid external dependence or shareholder conflict by maintaining greater cash flexibility, even if it means forgoing short-term returns.

3. Governance Structure Can Strengthen—or Weaken—the Effect

One particularly important finding is that **CEO duality (when the CEO is also board chair)** moderates the relationship between family control and cash value. **When the roles are separated**, the positive effects of family involvement on cash value become stronger.

This suggests that **strong governance structures enhance the positive aspects of family control** by curbing overreach or emotional bias. Conversely, when governance is weak, emotional motivations may lead to excessive conservatism or even entrenchment, undermining potential value.

4. Mixed Gambles Reflect Strategic Ambiguity

The concept of “**mixed gambles**” sheds light on the unique trade-offs faced by family firms. For example:

- In **uncertain or risky environments**, family firms may increase cash holdings to safeguard the firm (aligning both SEW and financial logic).
- In **stable or predictable markets**, emotional motivations may dominate, and cash may be used as a means of reinforcing family identity or avoiding dilution.

This dynamic perspective helps explain why some family firms are risk-averse while others are aggressive—it depends not only on context, but on how family goals are prioritized.

TAKEAWAYS FOR PRACTICE

1. Reconsider Liquidity as Strategic Capital

For family business owners, cash should not be treated merely as a buffer or idle asset. It can serve multiple functions:

- Protecting the firm from market volatility

- Ensuring internal flexibility for family-driven initiatives
- Preserving legacy without external interference

The decision to hold cash should factor in not just financial needs but also **family objectives, risk preferences, and generational transitions**.

2. Embrace Strong Governance for Better Outcomes

While family involvement can enhance the value of cash holdings, **sound governance is key** to unlocking this value. Boards should consider:

- Separating the roles of CEO and board chair
- Including independent directors
- Implementing structured decision-making processes to counteract emotional bias

Such mechanisms help ensure that family influence aligns with firm performance—not just personal legacy.

3. Align Strategy with Ownership Vision

There is no one-size-fits-all rule for how much cash a family firm should hold. Instead, owners and boards should **explicitly articulate the firm’s socioemotional and financial goals**, and align their cash strategy accordingly.

For example:

- If succession is a top priority, cash can support training programs or ownership restructuring.
- If innovation is key, reserves may fund R&D or strategic acquisitions without diluting control.

IMPACT

This research offers a new lens through which to view financial decision-making in family firms. By integrating behavioral economics with family business theory, the study elevates the role of **emotions, identity, and control** in shaping what appears to be a cold financial variable: cash.

The findings challenge the assumption that family ownership is always conservative or inefficient. Instead, they reveal that **when matched with the right governance, family influence can create real value**.

In a policy context, these insights suggest that external pressures (like shareholder activism or regulatory calls for cash repatriation) should be **tempered with an understanding of ownership structures**. For advisors and consultants, it emphasizes the importance of tailoring financial strategies to the unique motivations of family businesses.

RECOMMENDATIONS

For Family Business Owners

- Treat cash as part of your **legacy management**—not just liquidity. Ask how your cash strategy supports your long-term family vision.
- Use periods of strong performance to build reserves that align with family goals, such as succession planning, expansion, or philanthropy.

For Board Members and Advisors

- **Encourage clarity** around SEW-related motivations. Are cash decisions being driven by risk, control, or emotion? Make it transparent.

- Strengthen governance mechanisms to ensure strategic decisions aren't clouded by familial bias—especially when leadership is concentrated.

For Policymakers and Regulators

- Recognize that family firms may hold cash not to hoard wealth but to **preserve independence and fulfill emotional objectives**.
- Consider offering flexibility in financial reporting and taxation for long-term family enterprises whose strategies differ from short-term shareholder norms.

Spotlight by CeFEO, *Can family control and emotional attachments really change how businesses handle cash? How do emotions, control, and governance shape the way family businesses manage their money?.* Downloaded on 31 May 2026 from <https://spotlight.cefeo.se>

CEFEO AUTHORS



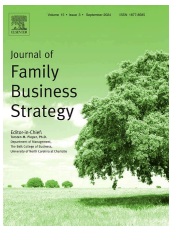
Daniel Pittino

Professor

Jönköping International Business School

daniel.pittino@ju.se

PUBLISHED IN



Cambrea, D. R., Ponomareva, Y., Pittino, D., & Minichilli, A. (2022). Strings attached: Socioemotional wealth mixed gambles in the cash management choices of family firms. *Journal of Family Business Strategy*, 13, 100466

<https://doi.org/10.1016/j.jfbs.2021.100466>

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.
