Spotlight
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What drives high growth in family SMEs?

Can strong emotions drive sustained business growth in family firms?

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Family-owned SMEs represent the backbone of many economies—but their growth trajectories vary widely. While some expand rapidly, others remain stable, even when they claim to have growth ambitions. This inconsistency has puzzled both scholars and practitioners. Conventional explanations point to access to resources, market dynamics, or governance structures. Yet these factors don't tell the full story.

This article unpacks a new perspective based on *behavioral theory of the firm*, emphasizing the role of *emotions, intentions, and context* in shaping business outcomes. Especially in family businesses—where decision-making is deeply intertwined with family legacy, identity, and emotional bonds—understanding growth requires more than analyzing spreadsheets or strategy decks.

The study summarized here makes a compelling case: unless a family SME's intention to grow is matched by a strong emotional attitude toward growth, real expansion is unlikely. Even more interestingly, the effectiveness of this alignment is affected by the firm's age and the degree of family involvement in ownership and governance.

WHAT WE STUDIED

This study by Tomaselli, Minola, De Massis, and DeTienne investigates the behavioral factors that lead to high-growth outcomes in family SMEs. Drawing from *behavioral theory of the firm*, the researchers argue that growth is not solely driven by rational planning but also by emotional and cognitive factors. Their focus lies on two key variables:

- **Growth Intention**: The strategic decision or cognitive desire to grow.
- **Growth Attitude**: The emotional valuation or preference for growth—how *excited*, *motivated*, or *committed* decision-makers feel about scaling up.

The study tests whether a strong growth attitude enhances the link between intention and actual high-growth performance.

Methodology in Brief

The authors analyzed data from **1,368 Italian family SMEs**, sourced from the *Global Entrepreneurship Monitor (GEM)* dataset. They employed regression analyses to understand how growth intentions and attitudes interact and how these relationships are influenced by:

- **Firm Age**: Older firms tend to be more structured and potentially resistant to change.
- **Family Involvement in Ownership and Governance**: High involvement could foster cohesion—or conservatism.

The outcome variable was actual growth in firm performance, assessed over time. This allowed the authors to move beyond stated intentions and measure tangible business outcomes.

KEY INSIGHTS

1. Declaring Growth Intent Is Not Enough

While many family SMEs express the desire to grow, these intentions often do not result in actual performance improvements. This "intention-performance gap" underscores a key behavioral insight: wanting something does not always lead to doing it—especially when uncertainty, risk, and legacy are involved.

2. Emotional Alignment Supercharges Strategy

Firms that combine a desire to grow with a *positive emotional attitude* toward growth are far more likely to

experience real expansion. Growth attitude acts as an emotional catalyst—it energizes the intention and sustains action through uncertainty. This is particularly important in family firms where emotional dynamics often dominate decision-making.

3. Organizational Age Alters the Equation

In older family firms, the link between growth intention and actual growth is weaker. Long-standing routines, embedded culture, and historical governance practices can act as inertia. Younger firms, by contrast, show a stronger alignment between intentions and outcomes. This finding suggests that aging firms may require *cultural refreshment* or structural flexibility to stay agile.

4. Family Control Can Be a Double-Edged Sword

When family involvement in both ownership and governance is high, a strong growth attitude becomes even more critical. On one hand, cohesive families with aligned values and a shared vision can act decisively and mobilize resources effectively. On the other hand, if emotional alignment is lacking, family control may lead to stagnation, risk aversion, and strategic conservatism.

TAKEAWAYS FOR FAMILY BUSINESS LEADERS AND ADVISORS

Check the Temperature, Not Just the Strategy

A well-written growth plan means little if the leadership doesn't feel emotionally committed. Advisors should assess both the *strategic content* and *emotional context* of growth ambitions. Is there excitement? Anxiety? Indifference? These emotional cues matter.

Revisit Legacy Systems in Older Firms

Older family firms may have strong growth intentions, but legacy systems can stifle execution. These firms should periodically reassess governance routines, culture, and decision-making norms to make room for change.

Use Family Unity as a Launchpad, Not a Brake

High family involvement can accelerate growth—when emotional alignment is strong. Building shared values and fostering open dialogue across generations can help unleash this potential. However, if the family is internally divided or ambivalent about growth, high involvement can slow progress.

Foster a Growth-Positive Culture

Organizations need more than a plan—they need a culture that values innovation, experimentation, and risk-taking. Family leaders play a crucial role in modeling and embedding these values, particularly across generational transitions.

IMPACT

This study offers a new lens through which to understand family business growth: not as a purely strategic or structural decision, but as a *behavioral phenomenon* shaped by emotions, traditions, and context. It challenges the assumption that family firms are universally risk-averse or growth-hungry and instead shows that internal alignment is the real determinant of success.

The implications go beyond theory. Policymakers should consider behavioral triggers when designing SME support programs. Educators and consultants should emphasize emotional diagnostics alongside business analysis. And family firms themselves must learn to see emotions not as distractions, but as drivers of strategy.

RECOMMENDATIONS

- **Family Business Owners**: Don't just ask, "Do we want to grow?" Ask, "How do we feel about growing?" Use this emotional audit to align decisions across the leadership team.
- **Family Business Advisors**: Introduce behavioral diagnostics in your growth planning processes. Explore how leadership attitudes, generational dynamics, and governance practices interact.
- **Policymakers**: Create programs that encourage not only strategic planning but emotional readiness for growth—through mentorship, peer support, and psychological resources.

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