

Emotional Returns and Emotional Costs in Privately Held Family Businesses: Advancing Traditional Business Valuation

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This article introduces a formula to assess the total value of privately held family businesses from the owner's perspective. It is argued that the total value of a business is not only composed of its financial worth and private benefits, as is usually assumed by traditional financial theory, but that emotional components also have an impact on valuation. In particular, it is assumed that emotional returns (ER) positively affect total value, whereas emotional costs (EC) negatively affect total value. Even though every stakeholder faces emotional costs and returns, it is solely the family business owner who ultimately decides on the worth of a business and consequently factors ER-EC into his or her valuation. The presented formula provides a better understanding of investment decisions in family businesses and a more accurate valuation of these businesses.

Introduction

To date, the research in this area has largely applied neoclassical models and theories, which solely consider economic (financial) issues and exclude nonfinancial concerns (Lubatkin, 2005). In other words, the research so far has regarded privately held businesses characterized by concentrated ownership and owner-manager duality from the same perspective as anonymously held, quoted businesses with dispersed shareholdings. This one-sided perspective risks ignoring important issues. This article offers an expanded definition of what "value" is to a family business owner by arguing that it includes both financial and nonfinancial (emotional) components and that like financial components, nonfinancial considerations can both add to and detract from the business's value from the owner's perspective.

Therefore, this article seeks to understand how the total value of a business can be determined for family business owners who view their businesses as something greater than solely a "financial tool for profit maximization."

The literature shows that entrepreneurs and owners of privately held businesses (LeCornu, Richard, McMahon, Forsaith, & Stanger, 1996) often have both financial and nonfinancial goals for their businesses and consequently have a different utility function that comprises financial and nonfinancial components (Aghion & Bolton, 1992; Anderson & Reeb, 2003; Demsetz & Lehn, 1985; Fama & Jensen, 1983a, 1983b; Gomez-Mejia, Nunez-Nickel, & Gutierrez, 2001). Apart from financial goals, which include increases in equity value, dividends, and financial private benefits, a privately held business owner's utility from a business can also comprise nonfinancial goals,

which can relate to the business (e.g., to offer the highest-quality products) (Abdel-Maksoud, Dugdale, & Luther, 2005), to the family (e.g., to employ family members regardless of their qualifications) (Chrisman, Chua, & Zahra, 2003), or to himself or herself (to have a positive and favorable reputation within the community) (Khatri & Ng, 2000). Solely nonfinancial business goals are often discussed, particularly in the context of management systems (Grunert, Norden, & Weber, 2005; Kaplan & Norton, 1992). In contrast, nonfinancial family and private goals that are established by family business owners are rarely analyzed (Zellweger, 2006). Even less attention is paid to how achieving or not achieving nonfinancial goals affects family business owner utility and the respective business valuation. However, the recognition of such (non)financial components is crucial to understanding the total business value from a family business owner's perspective, especially when there is a tradeoff between achieving financial and nonfinancial goals (LeCornu et al., 1996; Wright, & Ferris, 1997). Therefore, we present a new valuation formula that addresses, from an owner's perspective, financial and nonfinancial (emotional) returns and how they affect total business value, which we consider an expression of business utility for the owner.

This article is structured as follows. The next section deals with financial business value and distinguishes between business value and financial private benefits stemming from business ownership. We follow this with a discussion of the basis of nonfinancial goals in privately held businesses and make reference to agency theory and, more specifically, to nonfinancial private benefits of control (Demsetz & Lehn, 1985). The total value formula is presented in the next section, including both financial and nonfinancial (emotional) returns that a business provides to its family owners. The applicability and relevance of the presented formula to management theory and practice is discussed next, and then we conclude with a summary of the main findings, a discussion of the shortcomings of this article, and suggestions for future research.

The Privately Held Business Owner's Utility, Nonfinancial Goals, and Private Benefits

The Utility of Privately Held Family Business Owners

Family business research has received increasing attention because family dynamics impact the business and influence business behavior (Zahra & Sharma, 2004). The family business owner often pursues nonfinancial business goals within the business that do not benefit the business system (Pollak, 1985). Family business owner utility is gained, for example, by the accomplishment of security, emotional well-being, health, and/or family cohesion (Pieper, 2007). These components are only partially grounded in economic or financial needs, even though traditional economic theory suggests that the understanding of human interactions and institutions is all "economic" in character (Ekelund, 1998). Economists view utility, in its most basic form, through the lens of self-interested decision making, independent of time and place. However, Jules Dupuit (1853), for example, wrote "the domain utility exists not only over material objects susceptible to exchange, but over natural wealth, over the pleasures of the mind and heart, which also have the property of satisfying our desires even at a higher degree and, consequently, of being useful. . . . If political economy aims to explain social phenomena, it must necessarily understand all that causes them. Now, it is a mistake to believe that man attaches a price only to material things." Contemporary economists, such as Becker (1974), have taken Dupuit's insights a step beyond the individual and have applied the tools of modern microeconomics to family behavior. Becker (1974, p. 1078) explains how the head of a family "maximizes a utility function that depends on the consumption of all family members subject to a budget constraint determined by family income and family consumption. . . ." In this context, a family business can be thought of as a vehicle enabling a family to achieve its financial and nonfinancial goals and thus to maximize owner utility. The paradigm of pure financial utility does not seem appropriate for such businesses even though

an imperative for a family business is to “maintain” the vehicle through which the family’s goals and aspirations are achieved. Examples of financial and nonfinancial total value components of owners of privately held family business are presented below.

Total Financial Value

Financial business value comprises discounted expected cash flows as well as the value of financial private benefits that are consumed by family business owners to the detriment of business value (Demsetz & Lehn, 1985).

Financial business value. Financial theory assesses the value of business equity by discounting expected future cash flows with the appropriate discount rate. The weighted average cost of capital (WACC) generally calculates the discount rate by considering equity cost of capital and business leverage (debt costs), as well as the tax rate. The equity cost of capital is usually calculated by the capital asset pricing model (CAPM). CAPM assumes diversified investors according to portfolio theory (Markowitz, 1952) and calculates the cost of equity based on the risk-free interest rate and the stock’s sensitivity to the market portfolio (beta) (see, e.g., Brealey & Myers, 2000). However, for privately held businesses, this approach offers several problems: (1) there is no beta for private businesses; (2) family business owners are usually not diversified investors (Wright, Ferris, Sarin, & Awasthi, 1996) as their wealth is usually tied up in one business; and (3) nonfinancial goals are not considered in valuation. Therefore, it is questionable if such an approach can adequately reflect a family business owner’s perspective and be used for his or her decision making or business valuation.

Agency theory and financial private benefits of control. Jensen and Meckling (1976), Fama and Jensen (1983a, 1983b), and Demsetz and Lehn (1985) lay the foundations of agency theory and describe that diverging owner and manager goals can result in opportunistic manager behavior to the detriment of business value. Business

owners must incur bonding and monitoring costs—so-called agency costs—in order to align manager goals with their own goals. In this context, the “private benefits of control” theory describes the (owner-) managers’ opportunistic behavior to the detriment of other external, minority shareholders (Boyer & Roth, 1978; Demsetz & Lehn, 1985; Jensen & Meckling, 1976).

Ehrhardt and Nowak (2003) subclassify the different types of private benefits along the axis of “financial” and “nonfinancial” and by doing so they acknowledge the relevance of both types. Below, we discuss nonfinancial private benefits. In the following, we focus on financial private benefits. Despite numerous studies, there is no consistent methodology for approximating financial private benefits. Most often, financial private benefits are estimated by control premiums in share block sales (Barclay & Holderness, 1989), differences within control premiums between majority and minority shareholders (Hanouna, Sarin, & Shapiro, 2001), or control premiums for equity shares (Nenova, 2003; Zingales, 1994).

However, financial private benefits are crucial as both family business owners and potential investors will consider these components in their business valuation. For the owner, ownership allows him or her to consume perks and therefore the owner will have to give them up when selling the business. The potential investor can stop the use of financial private benefits after buying a controlling ownership stake and thus can increase the financial value of the business by that value. Even though a potential buyer of a majority voting block of a business can only estimate how much additional cash flow will be generated by stopping the use of former family-business-owner-related financial private benefits, the buyer might still wrongly price the value of the business from an owner’s point of view if he or she does not consider nonfinancial private benefits, since the seller would like a compensation for the use of all private benefits.

Nonfinancial Values

Nonfinancial private benefits. Most of the private benefit literature focuses on financial

private benefits (“self-dealing” and “dilution”); only some studies also regard nonfinancial “amenities” (Nagar, Petroni, & Wolfenzon, 2002; O’Neal & Thompson, 1985). Demsetz and Lehn (1985) point to high nonfinancial private benefits with respect to the reputation of businesses in the media and sports sectors. Ehrhardt and Nowak (2003) show that reputation, as a kind of private benefit, plays an important role in privately held businesses for business decisions; however, for measuring private benefits with existing methods, only measurable, financial private benefits are considered.

Nonfinancial private benefits in privately held (family) businesses can, for example, refer to (1) an investment in a long-range project enhancing opportunities for future family generations that may not make sense from a purely financial perspective, but that serves to increase the family’s overall utility (Fama & Jensen, 1983a); (2) investments diversifying business activities in order to lower total risk, but that are at the same time not value driven (Demsetz & Villalonga, 2001; Denis, Denis, & Sarin, 1997; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Maug, 1998); (3) investments in brands or sectors that bring a high reputation to the family (Demsetz & Lehn, 1985); (4) family business owners who hold steadfast in their reluctance to divest the business portfolio of a particular business unit/segment because, for example, the founding grandfather or great-grandfather started the company in this line of business, expressing legacy value (Sharma & Manikutty, 2005); and (5) family business owners who continue to employ workers in a certain community even though “outsourcing” would be more financially beneficial (Astrachan, 1988; Wright et al., 1996).

All examples emphasize that in addition to a financial appraisal, there often seems to be a nonfinancial valuation of investments and assets. In the last case, the nonfinancial, emotional returns might outweigh the lower financial returns to the family business owners because, for example, the company was founded in a particular community to which the family may have

an emotional attachment (Belk, 1992; Oswald, Mossholder, & Harris, 1994) and provides jobs to descendants of the original workers with whom the owning family may have a deep and personal connection.

Whereas previous literature has analyzed financial private benefits and shown their relevance (Barclay & Holderness, 1989; Nenova, 2003), nonfinancial (private) benefits are difficult to measure and have thus received less attention despite their potentially strong impact on business value (Demsetz & Lehn, 1985) and, more generally, decision taking in family businesses.

Nonfinancial Costs for Family Business Owners

In addition to the positive nonfinancial (private) benefits, family business owners can be confronted with negative nonfinancial issues and thus nonfinancial emotional costs. Negative feelings/emotions can be due to, for example, family conflicts (Levinson, 1971), rivalry (Grote, 2003), and stress (Narayanan, Menon, & Spector, 1999). They can negatively affect business processes, group dynamics, and/or performance (Pelled, Eisenhardt, & Xin, 1999). Negative emotions can also result from not achieving goals. In privately held family businesses, such emotional costs can consequently be created because, for example, nonfinancial family goals are not achieved within the business. Examples of such negative emotions might include jealousies or conflicts that emphasize a lack of satisfaction of family or individual needs and consequently would be reflected by negative emotional results. As a consequence, we assume that family business owners, realizing such emotional costs from business ownership, also consider this in their total business valuation.

After having presented the components of financial value (FV)—discounted cash flow and discounted financial private benefit—and the components of emotional value (EV)—nonfinancial benefits and nonfinancial costs—we now present and explain the total value formula that integrates both FV and EV for business valuation.

The Total Value Formula Summarizing Financial as Well as Nonfinancial Returns and Costs

The Total Value Formula

Adams, Manners, Astrachan, and Mazzola (2004) argue that the cost of capital in a family business is unique to that particular set of shareholders. Family owners, while understandably mindful of reinvesting in the business due to competitive imperatives, affect the cost of capital through their own nonfinancial aspirations. Based on preliminary work, we propose that the total economic value of a business can be expressed through the business owner's aspirations for dividends, other financial withdrawals, and growth in wealth. In addition, we believe that nonfinancial aspirations of family business owners and their families impact the total value of a business for the family business owners. In summary, both financial and nonfinancial returns and costs can be expressed in the so-called total value (TV) formula, as follows:

$$TV = FV + EV$$

$$TV = DCF + DFPB + (EV - EC),$$

where:

TV = Total value of the business to the owner. TV corresponds to the value of equity for family business owners and adds financial value (FV) and emotional value (EV) from ownership; total value is a financial term to be expressed in monetary units; total value may be considered idiosyncratic to the owner based on his or her utilities and disutilities for various combinations of financial and nonfinancial benefits and costs.

FV = Financial value of the business, for example, including the value of discounted cash flows (DCF) and the value of discounted financial private benefits (DFPB).

DCF = Discounted (expected) cash flows from business operations reflecting basic financial value of a business without the consideration of potential cash flow synergies by ceasing the consumption of financial private benefits (FPB). The respective discount factor can reflect systematic and un-

systematic risk components as, for example, family business owners usually have invested most of their wealth in the business and are consequently undiversified (Wright et al., 1996).

DFPB = (Sum of) discounted financial private benefits—quantifying the gains available to business owners/family members by virtue of ownership typically not available to employees or “traditional” shareholders in publicly traded businesses.

EV = Emotional value stemming from the business to its owners. Emotional value reflects the sum of emotional returns (ER) and emotional costs (EC) that are related to business ownership; ER and EC reflect the particularistic value owners realize from the combination of nonfinancial costs and benefits.

ER = Emotional return of the business to the business owner. Examples include the result of achieving financial and nonfinancial business, family, and individual goals (e.g., pride, self-worth, educational opportunities, family involvement/togetherness, opportunities for self/offspring, community recognition, and independence).

EC = Emotional cost of the business to the owners. Examples include the result of not achieving financial and nonfinancial goals, as well as, for example, family tension, the clash of differing value systems, conflicts, obligations, dependence, sibling rivalry, and the reduction of leisure time. The relevance of the total value formula will be discussed below.

Family Business Cases Based on ER-EC Differences

As the financial valuation of businesses is standardized and well known (e.g., Brealey & Myers, 2000), in the following we only focus on the EV part (respectively, ER and EC). ER - EC can be a tremendous opportunity, but also a burden, to businesses with a high ER-EC salience. The following two cases can occur.

ER - EC > 0 and thus TV > FV. If ER - EC is positive in a privately held business, then the total

value to the family business owners exceeds the pure financial value of the business. Additionally, a positive ER – EC can lower the cost of financial capital for the business, providing the family business owner with a higher flexibility in initiating business projects that benefit him or her from a financial and a nonfinancial perspective. For example, the employment of inefficient family members can have a positive emotional return for the owners and, consequently, owners might accept lower profit margins in the business. In total, the owner's total value might still be higher than in the case of having external managers in the business. The external persons might have maximized financial performance but family members increase emotional returns for the owners. When the owners know the emotional returns from a project, they can decide on sacrificing some financial return to realize these projects. A traditional business valuation approach would neglect the ER – EC component and possibly misinterpret business value (according to the owner).

ER – EC < 0 and thus TV < FV. However, it might also be that ER – EC has a negative value. In such case, for example, where sibling rivalry and family conflict can plague the business and the family business owner bears related emotional costs from the business that surpass emotional returns. In this situation, traditional finance theory would overestimate business value to an owner. If ER – EC is negative, it lowers the perceived total business value of the family business to the owner and increases the probability of business sale or liquidation. A negative value of ER – EEC can lead to shareholder complaints, demands for liquidity, lawsuits, and/or the quick and financially disadvantageous sale of the business. A negative ER – EEEEC value can also result in investments, allowing a rapid "total value" turnaround. The sale of the business or splitting up the business can improve ER – EC in the case of prevalent family conflicts. Another option concerning a negative ER – EC value relates to making highly profitable emotional investments, which do not necessarily improve financial business value but raise total value. The decision, for

example, to build a museum that focuses on the owning family would consume large initial financial resources and, later, constant maintenance costs. Nevertheless, at the same time, it can represent a highly positive ER – EC value for the owning family and consequently improve TV (Jensen & Murphy, 1990). As negative EV can also affect family owner motivation and commitment, a negative effect on FV is probable. In contrast, if FV is greater than a comparable equity investment in a publicly listed company (e.g., due to superior financial performance), the financial returns may offset some negative emotional burden. In this way, EV cannot be considered frame independent (cf. Shafir, Diamond, & Tversky, 1997).

In conclusion, both examples reflect the opportunities that appear when considering the ER – EC formula for both nonfinancial and financial aspects of a business from the owner's perspective at one point in time. Such snapshots can be used for, for example, a more precise valuation of privately held family businesses or for better understanding of decision making in family-owned businesses.

Conclusion

Summary

The major idea of the introduced TV formula refers to offering a way to combine financial and emotional value to the family business owner's total business valuation. This approach helps one better understand investment or sale decisions, business diversification plans, or successor choices in privately held family businesses. It is believed that such a concept is crucial for a better understanding of decisions in privately held businesses, as these are often based on both financial and emotional (i.e., nonfinancial) goals. Whereas neoclassical finance theories solely account for economic, rational, and market-efficient behavior, numerous studies have already confirmed the existence of nonfinancial, emotional goals, returns, and nonfinancially driven decisions (LeCornu et al., 1996; Wright & Ferris, 1997). Financial value and the ER – EC value can, for example, influence the decision of whether

to go public or to sell the company (or a part of it); they may also be one reason for a relatively concentrated shareholding structure or the distinct position of the business-owning family after going public.

Consequently, a benefit of this approach is that it offers a framework for making family business value from the owner's perspective more transparent. In practice, our formula can assist in determining acceptable offer price ranges in acquisitions or sales. Perhaps more importantly, the formula helps clarify the acceptable returns that family business owners desire from new ventures or acquisitions and it allows associated service providers to better comprehend the behavior of business owners. Particularly, the formula can help consultants to classify family businesses into different categories and to derive respective strategies for the related consulting of these owner or business categories. Furthermore, the ER – EC concept can represent a relevant tool for a family business owner, which might help him or her to better explain decisions to family members and, more generally, stakeholders. With respect to theory, the presented concept represents a cornerstone for more research in pursuit of developing a theory that focuses on decision making and/or cost of capital in privately held family businesses.

Limitations and Outlook

The article offers several limitations and opportunities for further research. First of all, the influence of owning families on businesses adds a "softer," emotional component to the business. However, in most privately held businesses, financial profits form the basis for the overall utility of the owners. Only after considering financial profits, are changes to financial business value with respect to emotional returns and emotional costs made. In the current article, we regard both financial/nonfinancial benefits and costs as similarly important. Future research is needed in order to distinguish between privately held business types where financial components are more important than nonfinancial components and vice

versa. In this context, the number and power of family shareholders and their kinship ties, as well as the family generation, might be of great relevance as they provide evidence about decision-making power and decision-process complexity that are probably also likely to affect ER – EC. Furthermore, the power of EV is based on the shared utility for components of EV experienced by the owner group. The more common the utility of members of this group, the more likely they are to experience EV similarly. Factors that affect shared EV need to be explored further. These can include family conflict and dynamics, the family generation (e.g., controlling owner, sibling partnership, cousin consortium stage) (see Gersick, Davis, Hampton, & Lansberg, 1997), degree of shared values, geographic proximity, frequency of interaction, number of owners, and the like.

Second, when we focus on EV, one other nonanswered question is how emotional returns and costs can be added, how financial value and emotional value can be added, and how the latter two might effect each other (Surysekar, 2003; Wright & Ferris, 1997). FV and EV are not independent and such an assumption would be an oversimplification (Hoque, 2005). Based on established interdisciplinary research, positive FV can increase EV, whereas negative FV can lower EV. In contrast, positive EV is not expected to have an influence on FV, whereas highly negative EV might have a negative impact on FV (Wang, Keswani, & Taylor, 2006). More research is necessary for building the theoretical framework of the total value concept and to analyze the associated tradeoffs more closely. As a first step, it is believed that the formula reflects an important snapshot of the family business owner's total value from the business at one point in time. In the future, there needs to be more research into the goals of privately held businesses and business-owning families, as well as how family business owners value the achievement and nonachievement of set goals. In addition to this, researchers should gain more knowledge about the "costs" of conflict for business owners and their families, such as divorce, rivalry, or stress. If we understand the emotional returns and emotional costs in addition to the financial values

in privately held family businesses, we will be able to better analyze the tradeoffs owners make between these issues (LeCornu et al., 1996; Wright & Ferris, 1997) and how these tradeoffs affect an owner's business valuation. The analysis of these tradeoffs represents a key for a better understanding of privately held family businesses and for the development of a distinct theory (LeCornu et al., 1996) with respect to the cost of capital in privately held family businesses. To reach this goal, more interdisciplinary research is required. In particular, researchers in the fields of sociology and psychology need to analyze the "emotional" performance of privately held (family) businesses. In the management research domain, there is a need to regard the underpinnings and implications of concepts related to ER – EC more closely. Examples include a more profound analysis of psychological ownership (Pierce, Kostova, & Dirks, 2001), intrinsic motivation (Compte & Postlewaite, 2004; Kreps, 1997; Lambert, 1991), and stewardship behavior (Davis, Schoorman, & Donaldson, 1997; Donaldson & Davis, 1991), to mention but a few. Furthermore, on the family side, extant research on emotional investments in familial or romantic relationships (e.g., Rusbult, 1980) can provide an adequate means to assess and evaluate the nonfinancial investments made by family owners. From the overlap with behavioral finance, finally, the integration of the willingness to pay (WTP) and willingness to accept (WTA) concepts is promising. Hanemann (1991) and Shogren, Shin, Hayes, and Kliebenstein (1994) show that persons value assets that they possess more than assets that they do not possess. According to the authors, the price difference can be partly explained by property rights theory and, in particular, loss aversion.

Third, one of the challenges for future studies is the operationalization of the TV formula. Measuring ER and EC requires a cardinal measure of utility. The vast majority of mainstream economists contend that it is difficult to make interpersonal utility comparisons and therefore default to an ordinal measure of utility. Wright et al. (1996, p. 459) summarize the problem: "although personal benefits or costs may be important determi-

nants of insider decisions, these factors are not readily quantifiable. In particular, non-financial factors and their potential influence on decision are difficult to measure explicitly." However, Ng (1997, p. 1853) states that he has "developed and actually applied a method of happiness measurement that is fully cardinal and interpersonally comparable." Referring to multidisciplinary and interdisciplinary research is crucial for developing a questionnaire to measure ER – EC. Overall, emotions are measured in psychology, economics, and marketing research (e.g., Arvey, Renz, & Watson, 1998; Nofsinger, 2005; Kidwell, McFarland, & Avila, 2007; Pawle & Cooper, 2006). Qualitative and quantitative techniques have been developed to account for different emotions and to relate them to product preference (Desmet, Hekkert, & Jacobs, 2000), decision making (Connolly & Butler, 2006), job performance (Arvey et al., 1998), or, more generally, to behavior (Engelberg & Sjöberg, 2006). The currently rapidly developing studies in the area of neuroeconomics (Bosman & van Winden, 2002; Hansen & Christensen, 2007), as well as reviews of emotional analyses, discuss ways on how to measure emotions most appropriately (for an overview, see, e.g., Poels & Dewitte, 2006).

Emotions have also been measured and related to monetary issues. This stream of literature is particularly relevant to the ER – EC research. Yamauchi and Templer (1982) constructed the money attitude scale (MAS), which was empirically tested and validated. Related studies (e.g., Engelberg & Sjöberg, 2006) show that income on its own is a poor predictor of monetary and behavioral attitudes and decisions (Roberts & Sepulveda, 1999). In fact, the results emphasize the need to consider emotions in order to better understand decision making in businesses, supporting the relevance of the ER – EC formula. Engelberg and Sjöberg (2006), for example, apply the MAS to analyze the relationship between emotional intelligence (EI) and money orientation, as well as family/work balance. Their findings reflect that higher EI results in a lower focus on money and that lower EI results in higher conflicts in the work/life balance. The authors show that emotions have a significant impact on decision making and

individual behavior that encompasses work and monetary issues. In the context of ER – EC, Zellweger (2006) deducts financial business value from the sale price of family businesses. He stresses that the market price for a family business is often different from the financial value of the business and explains this difference in the context of emotional value.

Based on this foundation, future studies can develop a questionnaire to address ER – EC and to test its reliability for the estimation of total value in family business. Different total value will reflect varying combinations of emotions and financial value and help understanding decisions in family business. Engelberg and Sjöberg (2006, p. 1029) summarize: "Our review . . . strongly suggests that attitudes about money seem to be determined by the ability to manage emotion-related issues, as encountered both in the social and professional realms."

In conclusion, the literature shows that: (1) emotions can be measured with high reliability and that (2) emotions play the major role in determining (monetary) decisions. In this context, the ER – EC concept offers a framework to determine how emotions and monetary issues affect business value and decision making in family business. In the future, the integration of various research streams will prove useful to further our understanding of the ER – EC concept and to develop a new framework for the valuation of privately held family businesses.

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