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Untangling non-economic objectives in family & non-family SMEs: A goal systems approach

Robert V. Randolph[a,*], Benjamin N. Alexander[b], Bart J. Debicki[c], Robert Zajkowski[d]

[a] Leven School of Management, Entrepreneurship, & Hospitality, Kennesaw State University, 560 Parliament Garden Way, Kennesaw, GA 30144, USA
[b] Management, Human Resources and Information Systems Area, Orfalea College of Business, California Polytechnic State University, 1 Grand Ave., San Luis Obispo, CA 93407, USA
[c] Department of Management, College of Business and Economics, Towson University, 8000 York Rd., Towson, MD 21252, USA
[d] Department of Banking, College of Economics, Maria Curie-Skłodowska University, pl. Marii Curie-Skłodowskiej 5, Lublin 20-031, Poland

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ABSTRACT

Although the study of non-economic objectives is particularly prominent in family business research, non-family firms set and pursue similar goals. Extant literature also explains why family firms pursue non-economic goals; however, less is understood regarding the ways in which family ownership impacts the outcomes associated with such objectives. Grounded in the ongoing study of family business strategy, this article explores two sets of non-economic goals – family and community objectives – in SMEs with varying levels of family ownership. Applying goal systems theory to analyze the configurations of goals and means among the SMEs in our sample, we find that family ownership interacts with the presence of non-economic objectives to influence firm performance.

1. Introduction

The salience of non-economic objectives is an important strategic idiosyncrasy of family firms. Accordingly, non-economic objectives and their impact on firm outcomes are core topics in family business research (Chrisman & Patel, 2012). This research intersects with other discourses on small and medium-sized enterprise (SME) strategy – most notably, social responsibility (Tang, Hull, & Rothenberg, 2012) and social entrepreneurship (Stevens, Moray, & Bruneel, 2015). While non-economic goals, in general, are not unique to family firms, enterprises typically classified as family businesses tend to pursue objectives specifically benefiting the owning family (Chrisman, Chua, Pearson, & Barnett, 2012). Often, the desire to maximize and preserve the socio-emotional wealth (SEW) – the affective endowments derived from firm ownership that benefit the owning family (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007) – is conceptualized as a catalyst for many practices, behaviors, and strategies in family firms.

The tendency in extant research to use family ownership as a proxy for non-economic family objectives obscures the complex interdependencies between ownership and various organizational goals, including, but not limited to those serving the family. Although SEW is presented as a key motivator in the non-economic pursuits of family firms, objectives serving the interests of an owner's family may exist in SMEs regardless of the extent of family ownership (Jiang, Kellermanns, Munyon, & Morris, 2018; Miller & Le Breton-Miller, 2014). Further, SMEs in general tend to address family and community interests alongside firm performance regardless of family ownership (e.g. Russo & Perrini, 2010). Despite the similarity of family firm non-economic goals to other strategic foci, family business scholars tend to interpret these constructs as wholly familial. This limitation is particularly noticeable when family firm constructs are contextualized in other literatures regarding non-economic goals in SMEs, such as studies of CSR and social entrepreneurship, which largely ignore the role and impact of SEW. Consequently, further research is required to clarify the role of family ownership within a firm's set of priorities, including economic and non-economic goals, and the means for their pursuit.

To address these limitations, we analyze non-economic objectives, family ownership, and firm performance using the perspective of goal systems – organizations' sets of means and goals (Kruglanski et al., 2002; Kruglanski, Chernikova, Babush, Dugas, & Schumpe, 2015) – and conceptualize family ownership as a means for the pursuit of a variety

* Corresponding author.
E-mail addresses: robertvrandolph@gmail.com (R.V. Randolph), balexa02@calpoly.edu (B.N. Alexander), bdebicki@towson.edu (B.J. Debicki), robert.zajkowski@umcs.lublin.pl (R. Zajkowski).

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of objectives. We distinguish two sets of non-economic goals – family objectives (FOs) and community objectives (COs).[1] FOs concern the affective interests of an owner's family, regardless of whether they own a substantial portion of the firm or not, while COs address the welfare of other interest groups in a firm's community. Both FOs and COs can be salient in SMEs with different levels of family ownership, including firms without a dominant family coalition. However, family ownership may constitute a means to pursue organizational objectives and interact with the presence of FOs and COs to shape performance outcomes. In particular, we argue that family ownership provides a means for pursuing multiple non-economic aims, while the practices through which they are pursued are in turn means for shaping firm performance.

Through analyzing goal systems in family and non-family firms, this study contributes to family firm research in multiple ways. First, we show that, even though family ownership is not necessary for firms to pursue FOs or COs, it may indeed influence *how* and to what effect they are pursued. Our findings also suggest that family ownership enables the coupling of FOs and COs for the benefit of firm performance. Furthermore, we add specificity to the continued study of family firms' non-economic objectives by distinguishing between FOs and COs and discussing how firms might utilize family ownership to find synergies between multiple objectives. Finally, our research helps link family business inquiry with the broader study of SMEs by disentangling family ownership from non-economic goals.

2. Goal systems, non-economic objectives, and family ownership

An organization's goal system is a mental representation of its objectives, means, and the interdependencies between them (Kruglanski et al., 2015; Unsworth, Yeo, & Beck, 2014). Goal systems manifest in numerous idiosyncratic configurations, or architectures, linking together the various means and ends relevant to a given organization. In this study, we examine the configuration of relationships between family ownership, FOs, COs, and firm performance. Within the varied architectures of organizations' complete goal systems, goal systems theory categorizes specific interdependencies between means and ends as unifinal, multifinal, equifinal, and counterfinal (Kruglanski et al., 2015). These relationships are summarized in Table 1 with examples from the family business context.

Unifinality is a simple linear arrangement where one means leads to one end. For instance, a family firm may hire qualified members of the owning family to enhance the family's SEW (Chrisman et al., 2012). In this case, the hiring of relatives is a means to address the goal of enhancing SEW. Multifinality exists where a single means facilitates the pursuit of multiple ends (Kruglanski et al., 2015). For example, a family firm's philanthropic contributions serve both the beneficiaries of the philanthropies and the owning family's SEW through reputational effects (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010). In multifinal structures, there is a possibility of dilution and constraint. Goal dilution occurs when a multifinal means is viewed as less useful because the multiplicity of its ends weakens its association with all of the ends (Anderson, 1983; Zhang, Fishbach, & Kruglanski, 2007). Constraint occurs when, with the activation of multiple goals, actors restrict their means to only those that support all of the activated goals (Kopetz, Faber, Fishbach, & Kruglanski, 2011).

Equifinality exists where multiple means can be used to pursue a single end. For instance, family SEW can be enhanced both through the employment of family members and through philanthropic contributions that strengthen the family's reputation. Equifinality enables actors to choose an alternative means to pursue a goal if one means is not available – an effect known as substitutability (Kruglanski et al., 2002). As in multifinal systems, dilution is possible where the availability of multiple means to attain a particular goal diminishes the perceived usefulness of the means by weakening their associations with that goal (Bélanger, Schori-Eyal, Pica, Kruglanski, & Lafrenière, 2015).

Counterfinality exists where a means to pursue one goal undermines the pursuit of another. For example, hiring an unqualified family member rather than an experienced professional may increase the family's SEW, while at the same time damaging firm performance (Le Breton-Miller & Miller, 2016). This is likely an example of goal shielding, or a situation in which actors are highly committed to particularly goals, such as family SEW, and actively avoid pursuing means that conflict with that focal goal even if selected means are counterfinal to other goals (Shah, Friedman, & Kruglanski, 2002).

These goal system configurations are useful for illuminating the interdependencies among the multiple objectives that can shape family firm strategies (Habbershon, Williams, & MacMillan, 2003; Zellweger & Nason, 2008) and the means for their pursuit. Extant research provides substantial evidence that family firms dedicate resources towards FOs (e.g., Berrone, Cruz, & Gómez-Mejía, 2012; Cruz, Justo, & De Castro, 2012; Kellermanns, Eddleston, & Zellweger, 2012; Miller & Le Breton-Miller, 2014; Naldi, Cennamo, Corbetta, & Gomez–Mejia, L., 2013). Often, family ownership is used as a primary proxy for a firm's strategic pursuit of FOs in both conceptual (e.g. Habbershon et al., 2003) and empirical research (Berrone et al., 2012; Miller & Le Breton-Miller, 2014).

Nevertheless, recent findings have questioned the synonymity of family ownership and FOs (e.g. Le Breton-Miller & Miller, 2016) and the extent to which FOs are unique to family firms. Literature illustrates the strategic heterogeneity of family firms and a plethora of diverse outcomes for firms pursuing SEW (Cennamo, Berrone, Cruz, & Gómez-Mejía, 2012; Kellermanns et al., 2012; Vardaman & Gondo, 2014). Commonly studied family-related practices, such as the prioritization of work-life balance by executives (White, Hill, McGovern, Mills, & Smeaton, 2003), nepotistic employment decisions (Lin & Hu, 2007), and the expropriation of organizational resources for the pursuit of family interests (Newman, Patterson, & Smith, 2005), have been identified in firms with and without significant family ownership. Indeed, officers in non-family businesses, who have considerable influence, but only marginal ownership, can pursue FOs through popularizing their family values and preferentially hiring family members (Chrisman, Memili, & Misra, 2014; Debicki, Kellermanns, Chrisman, Pearson, & Spencer, 2016). Hence, rather than being intrinsic to family ownership, a firm's capacity to pursue FOs can be attributed to leaders' decision-making power. This level of autonomy and privilege is characteristic of SMEs in general (Gorgievski, Ascalon, & Stephan, 2011) and family firms in particular (Pieper, Klein, & Jaskiewicz, 2008). While family ownership provides an effective means for the pursuit of FOs (Chrisman, Kellermanns, Chan, & Liano, 2010), equating family ownership with FOs limits the study of these phenomena, since FOs are neither unique to family firms, nor are they homogenously pursued by them.

Moreover, operationalizing FOs as an all-inclusive construct for family firms' non-economic objectives subsumes community stakeholders into the family, despite findings in other research streams (e.g., social entrepreneurship) that do not rely on family interests to explain the firms' COs (e.g. Stevens et al., 2015). SMEs may direct resources towards multiple stakeholders in the community, such as employees, various interest groups, society at-large, and the environment. While some practices related to COs may be multifinal with family SEW (e.g., a firm's charitable contributions satisfy community stakeholders and enhance the owning family's reputation; Berrone et al., 2012), the pursuit of COs is not inherently contingent upon affective benefits for the owner's family.

Consequently, we posit that FOs and COs interact with the means of family ownership to impact firm performance. In the following sections,

[1] While SMEs may pursue numerous other non-economic goals motivated by religiosity, sociopolitical ideology, or philanthropic desires, family and community stakeholders are widely recognized as salient across geographic and institutional contexts (Jamali, Zanhour, & Keshishian, 2009).

Table 1
Goal system configurations in family firms.

Goal system configuration[a]	Definition	Family firm example
Unifinality	A single means leads to a single end.	A family firm hires members of the owning family to enhance the owning family's SEW.
Multifinality	A single means leads to multiple ends.	A family firm's philanthropic activities benefit the recipients of these contributions and enhance the owning family's SEW.
Equifinality	Multiple means lead to a single end.	The SEW of an owning family is enhanced through multiple means including hiring family members and making philanthropic contributions, which increase the family's reputation.
Counterfinality	The means to pursue one end impedes the pursuit of other ends.	A family firm hires members of the owning family for positions for which they are not qualified, in effect enhancing the owning family's SEW and undermining firm performance.

[a] Based on Kruglanski et al. (2015).

we develop a framework regarding these goal systems and the relationships between their elements.

2.1. Family objectives and firm performance

Prior work addressing FOs[2] has predominately found that their pursuit positively impacts firm performance (Berrone et al., 2012; Stockmans, Lybaert, & Voordeckers, 2010). Broadly, this effect occurs because many practices associated with FOs are multifinal with both firm performance and family SEW, such that efforts aimed at addressing FOs also enhance performance. The decision to employ family members and use the firm as a means to convey family values not only serves the family, but also promotes trust, improves cooperation between employees, and increases their commitment to the firm (Carr & Ring, 2017). These relations create an environment in which a family can effectively work as a cohesive unit, make decisions together, and work towards convergent long-term goals for the family and the firm as a whole (Debicki et al., 2016). Familiarity, in turn, reduces information asymmetries, facilitates long-term strategic development, and increases firm performance (Brenes, Madrigal, & Requena, 2011). Hence, while the relationship between a firm's means and goals is often diluted in multifinal systems (Zhang et al., 2007), practices linked to FOs can enhance performance, even if they are not perceived as instrumental for that purpose. Thus, FO-related practices may serve as viable means within a constrained set of options that support multiple goals (Kopetz et al., 2011).

Although the multifinality of FO-related practices with family SEW and firm performance can partially explain findings that indicate that family firms outperform non-family firms (e.g., Anderson & Reeb, 2003; Martínez, Stöhr, & Quiroga, 2007), common FO-related practices do not uniquely depend on family ownership. Rather, many of the practices commonly studied in family firms, such as the employment of family members and perpetuation of founder values (Berrone et al., 2012; Cruz et al., 2012), depend on the motivation and power of individual decision-makers. Such power is not specific to family firms, but rather relates to the consolidated governance characteristic of SMEs (Gorgievski et al., 2011). Likewise, the multifinality of practices associated with FOs for both family SEW and performance can persist regardless of family ownership. For example, working with family members can enhance firm performance through commitment and team effectiveness (Aronoff, Astrachan, Mendoza, & Ward, 1997). Consequently, the same benefits to firm performance identified in family firms with certain FOs may be available to any SME with sufficiently powerful leadership.

In short, we posit that the practices associated with a firm's FOs are multifinal with firm performance and family SEW. In the case of firms without family ownership, a leader's capacity to prioritize FOs derives from that individual's decision-making power. Stated formally:

Hypothesis 1. The presence of FOs is positively related to firm performance.

While we generally expect firm performance to be enhanced by the presence of FOs, greater family ownership may undermine the positive interdependencies described above. Increasingly, family business scholars have recognized the heterogeneity of family firms with regard to their pursuit of FOs (Bird & Zellweger, 2018; Miller & Le Breton-Miller, 2014). As such, we eschew the notion that family firms, by their nature, pursue FOs. Rather, we posit that family ownership introduces a multifinal means to a goal system in which FOs and firm performance are objectives that are already activated. When multiple goals are highly similar in multifinal systems, they may be tightly coupled, meaning that the pursuit of one affects the other in the same direction (Kruglanski et al., 2015). In the case of FOs, increased family ownership tends to increase FOs' salience (e.g. Chrisman et al., 2012). Where goals are dissimilar in multifinal systems, on the other hand, less salient goals are more likely to suffer greater displacement due to a dilution effect (Zhang et al., 2007). Hence, firm performance may become displaced as the perceived instrumentality of FO-related practices for performance is diluted. For example, firms may direct their innovation strategies to support long-term survival in support of dynastic succession intentions, rather than maximizing profits (Chrisman & Patel, 2012; Gomez-Mejia, Cruz, Berrone, & De Castro, 2011).

Moreover, extant research has found that when actors view one goal as more salient than another, they may deploy means that are instrumental to the attainment of the relatively more salient goal, even at the expense of the other (Kopetz et al., 2011). In family firms, this tendency raises the potential for counterfinality, if FO-related practices divert resources towards fulfilling family obligations and away from performance-enhancing actions (Debicki et al., 2016). If FOs become more salient as family ownership increases, nepotistic hiring and the retention and entrenchment of unqualified family members become more probable (Chrisman et al., 2014; Schulze, Lubatkin, & Dino, 2003). While such practices may be equifinal for family SEW with other FO-related practices that build trust and cohesion, they privilege SEW at the expense of firm performance. Other performance-diminishing practices that enhance family SEW, such as wealth expropriation (Fernando, Schneible, & Suh, 2013) and actions designed to secure dynastic control (e.g., Zellweger, Kellermanns, Chrisman, & Chua, 2012), similarly serve SEW while harming firm performance. Although SME leaders with little discernable family ownership might still endeavor to influence FO-related practices counterfinal to firm performance, firm performance objectives are less likely to be diluted, absent the means of family ownership.

Thus, we suggest that, as family ownership increases, so does the salience of FOs. In turn, the instrumentality of FO-related practices for firm performance will decrease and firms will increasingly enact practices that serve family SEW at the expense of performance. Thus, family ownership is likely to constrain the firm's capacity to leverage FOs to achieve better performance.

Hypothesis 1a. Family ownership moderates the relationship between FOs and firm performance in such a way that the positive relationship weakens as family ownership increases.

[2] FOs, as discussed in this study, are viewed as a firm-level pursuit of objectives, values, and traditions of firm owner(s)' family or families, and not necessarily the individual-level goals of any particular owner.

2.2. Community objectives and firm performance

CO-related practices, such as contributing to local philanthropic organizations (Wang, Choi, & Li, 2008), obtaining environmental certifications (Stites & Michael, 2011; Tencati, Perrini, & Pogutz, 2004), and adopting enhanced measures to ensure the safety and well-being of employees (Zacharatos, Barling, & Iverson, 2005), are aimed at benefiting community stakeholders. While the pursuit of COs may be resource-intensive, CO-related practices can provide a variety of benefits to firm performance because they increase the firm's reputation and legitimacy (Matten & Crane, 2005), enhance employee attitudes and individual performance (Flammer, 2015), and increase the firm's access to capital (Cheng, Ioannou, & Serafeim, 2014). Broadly, these practices associated with COs operate as means for firm performance. These effects are further clarified in the meta-analytic evidence illustrating the positive links between social and financial performance (Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003).

This multifinality of CO-related practices for both COs and firm performance is especially pronounced in SMEs, which tend to be highly embedded in their local communities (Berrone et al., 2010). Embedded firms seek legitimacy by investing in COs (Marquis, Glynn, & Davis, 2007) and firms that pursue COs are better positioned to influence stakeholders (Barnett, 2007). Once firms accrue this influence, they enhance their ability to benefit financially from the pursuit of COs (Barnett, 2007; Barnett & Salomon, 2012). As a result of efforts to promote community welfare, SMEs enjoy the benefits of an enhanced reputation, including access to better contracts and business partners, as well as high quality job candidates by becoming a sought-after employer in the community – which positively influence firm performance. While dilution in the relationship between CO-related practices and firm performance can occur, it is less likely in multifinal systems, where goals are highly similar and instrumental for each other (Zhang et al., 2007). The characteristic embeddedness of SMEs should, therefore, enhance the complementarity of community welfare and firm performance goals, and help maintain the association between the CO-related practices and both sets of goals. Hence:

Hypothesis 2. The presence of COs is positively related to firm performance.

While we expect firm performance to generally benefit from the presence of COs, family ownership has the potential to alter the implications of this goal system. Although family ownership, in conjunction with FOs, may dilute the salience of firm performance by prioritizing SEW and enabling counterfinal FO-related practices, COs are unlikely to become more salient in the context of increased family ownership. In the absence of FOs, family ownership provides a unifinal means for COs by authorizing them and averting potential objections from other firm principals. Thus, family ownership enhances the complementarity between COs and firm performance because it enables their pursuit without affecting the strength of the relationship between CO-related practices and organizational performance objectives.

The shielding of a focal goal, in this case COs, can inhibit the pursuit of other objectives. Nevertheless, this effect is mitigated in situations where the goals are complementary (Shah et al., 2002). CO-related practices, including philanthropic contributions (Wang et al., 2008), environmental certifications (Stites & Michael, 2011; Tencati et al., 2004), and employee safety-related measures (Zacharatos et al., 2005), have the potential to foster firm performance, rather than substitute it. As a means for COs, family ownership strengthens a firm's capacity to incorporate such goals, the pursuit of which benefits the community and the firm. Whereas family ownership enables a specific subset of practices related to FOs that are counterfinal to firm performance, family ownership, in the absence of FOs, is a unifinal means for firms to incorporate COs, which in turn are a means for improving firm performance. Thus, we argue that the positive impact of COs on performance will be enhanced by family ownership.

Hypothesis 2a. Family ownership moderates the relationship between COs and firm performance in such a way that the positive relationship becomes stronger as family ownership increases.

Hypotheses 1a and 2a describe opposite implications for firm performance with regard to the interaction of family ownership with FOs versus COs. In the next section, we extend our conceptualization of goal systems and consider these effects in firms that pursue FOs and COs simultaneously. While FOs and COs are distinct non-economic objectives, they may, in practice, both be present in a given firm. Moreover, practices, through which both COs and FOs are pursued, can be equifinal. Therefore, an exhaustive theoretical analysis of the implications of family ownership for SMEs requires considering goal system architectures inclusive of both FOs and COs along with firm ownership and family ownership.

2.3. Paired effects of family objectives and community objectives on firm performance

The simultaneous presence of FOs and COs may elevate SME performance by providing additional means for the pursuit of these objectives. Specifically, when COs and FOs are simultaneously pursued, firms may treat related practices as equifinal. When goal systems include multiple objectives, a variety of means is preferable when goal pursuit is temporally proximate (Etkin & Ratner, 2013). Given firms' continuous imperative to generate financial returns, the variety of means instrumental to firm performance, made available through both FO and CO-related practices, may be advantageous. This variety enables firms to be adaptable in responding to the various demands of multiple external stakeholders. While a multitude of equifinal options may dilute the salience of a particular means (Zhang et al., 2007), firms can adopt any of the available means that serve both non-economic objectives and firm performance.

In addition, the tendency for either FOs or COs to be shielded at the expense of the other should be mitigated when the two are viewed as interdependent (Shah et al., 2002). Indeed, the complementarity of FOs and COs and their multifinal effects on firm outcomes have been well documented. For instance, strengthening community relationships can lead to enhanced firm performance while simultaneously instilling familial values in business conduct, contracting, and partnerships (Arregle, Hitt, Sirmon, & Very, 2007). Thus, the multifinality of CO– and FO-related practices serving interdependent goals should protect either of these goal sets from being shielded at the expense of the other, while providing the firm with equifinal means for performance. Hence:

Hypothesis 3. The simultaneous presence of FOs and COs is positively related to firm performance.

Family ownership has the potential to further enhance the positive interdependencies between FOs and COs for firm performance through their conditional indirect effects (e.g. Hayes, 2017). Rather than serving as the inherent predicate of FOs (e.g. Berrone et al., 2012), family ownership provides a multifinal means for FO and CO-related practices. As described in the arguments for Hypothesis 1a and Hypothesis 2a, family ownership enables the enactment of practices related to both sets of non-economic objectives. This view diverges from the role of family ownership in family business research because family ownership fundamentally changes the goal system's architecture. In essence, extant family business research views ownership as a sufficient multifinal means for FOs, COs, and firm performance. In accordance with the goal systems perspective, we argue that family ownership interacts with the means of attaining FOs and COs (i.e., the associated practices) by magnifying the facilitative relationship between these goals, while maintaining the diversity of equifinal means described earlier, in reference to Hypothesis 3. Concurrently, the simultaneous presence of FOs and COs limits the potential for counterfinality between FO-related practices and firm performance associated with increased family ownership (argued in support of Hypothesis 1a).

Particularly, as family ownership increases, the SEW benefits for the family, derived from the presence of COs, are strengthened because CO-related practices, the firm, and the family become more tightly linked. That is, the family is more strongly identified with the firm, when, for example, the firm shares the family name. Further, this linkage enhances the benefits to the firm from an elevated community status (Deephouse & Jaskiewicz, 2013) and reinforces family outcomes because of the cohesive shared identity between the family and the firm, as is characteristic of family-controlled SMEs. As such, family firms can allocate their resources more effectively in the simultaneous presence of FOs and COs, and thus increase their potential to realize positive outcomes, as compared to firms without family ownership (Berrone et al., 2010; Dyer & Whetten, 2006; Niehm, Swinney, & Miller, 2008).

Additionally, salient COs reduce the likelihood that family ownership will lead to the implementation of FO-related practices that are counterfinal to firm performance. While we argue that family ownership undermines the performance-enhancing effects of FOs in isolation, pursuing COs is expected to mitigate this weakening effect through two interrelated processes. First, by providing an equifinal means for enhancing family SEW, salient COs may dilute the relationship between other means and family SEW – including those that might damage firm performance. In other words, the relationship between any one means and a given goal is weakened where multiple means are available (Bélanger et al., 2015). Second, by introducing means that are multifinal for community outcomes, family SEW, and firm performance, COs provide an avenue to reduce goal conflict that might otherwise emerge from FO-related practices that undermine firm performance. Prior research at the individual level has found that when multiple goals are activated, the set of considered means is reduced to only those that benefit all of them (Kopetz et al., 2011). COs may also allow a firm to avoid the diversion of resources away from community welfare and firm performance by clarifying equifinal means for pursuing community outcomes in alignment with family values and SEW (e.g. Berrone et al., 2010).

Together, these arguments indicate that the simultaneous presence of FOs and COs interacts with family ownership to yield superior performance by enhancing multifinality while limiting the implementation of counterfinal means.

Hypothesis 3a. Family ownership moderates the relationship between the presence of FOs and COs and firm performance in such a way that the positive relationship becomes stronger as family ownership increases.

3. Methods

Data were collected from a primary survey of SME owners in Poland utilizing a Computer Assisted Telephone Interview (CATI) method, a common mechanism for surveying large populations. This approach is consistent with prior family business and SME research; while the objectives of large firms with dispersed ownership are less likely to reflect the goals of a single principal, smaller firms are closely linked with the imperatives of their principals (e.g. Aparicio, Basco, Iturralde, & Maseda, 2017; Gorgievski et al., 2011; Madison, Runyan, & Swinney, 2014; Pieper et al., 2008).

Of the initial 12,155 computer-assisted telephone calls, 5504 were refused, 4235 were discontinued before completion, and 1658 responses contained errors or otherwise failed data integrity tests. From the 758 completed surveys, we excluded responses with missing data or ambiguous responses regarding ownership (McGrath, Mitchell, Kim, & Hough, 2010). The above procedures yielded 343 usable surveys completed by the firms' principal manager. Responses not included in the final population owing to missing data were randomly divided into groups and validity tests were conducted across available partial responses (i.e. Armstrong & Overton, 1977). No significant differences between groups were found in measurement models suggesting that the final sample was representative of the surveyed population and missing data was not likely to be an artifact of response bias. A priori power analyses indicated that the sample was adequate for hypothesis testing (Cohen, 2013).

Data were collected from firms across industry sectors. 45.1% of responses came from manufacturing firms, 20.4% were retailers, 31.5% service providers, and 3% did not disclose the primary industry. Our sample included primarily small firms, with 75% of the firms having 20 or fewer employees. The firms in our sample were generally young and in their first generation of ownership; 50.4% had been in operation for less than 20 years. This sample characteristic, which limits our ability to analyze transgenerational effects, is likely related to the political and economic transformations in Eastern Europe in the 1980s and 1990s. Before this period, private business ownership in the region was rare.

3.1. Independent variables

There is limited research distinguishing FOs and COs, and there are limitations in existing measures of goals in family versus non-family firms (Aparicio et al., 2017), which in most empirical research have been assumed to differ (e.g., Thomsen & Pedersen, 2000). Therefore we relied on theoretical premises to adapt the measures of non-economic objectives. Since this study disentangles non-economic goals, including FOs, from family ownership, we focused the development of our measures on commonalities across firms regardless of ownership arrangements. Whereas various COs may be incorporated in family and non-family firms, some FOs may not be attainable in SMEs without a sufficient level of family control (for example, the intention to transfer of the enterprise to the next generation of family members). On the other hand, FOs related to providing employment for family members or the popularization of the values of an owner's or founder's family in the firm do not necessarily require substantial family ownership.

Consequently, we measure FOs using a scale comprising two items adapted from previous studies that investigated various aspects of non-economic objectives (e.g. Gómez-Mejía et al., 2007; Gómez-Mejía, Makri, & Kintana, 2010; Naldi et al., 2013). These items assess the importance of providing employment opportunities for the owner's family members and the popularization of the founder's family values and traditions ($\alpha = 0.703$). This approach is consistent with prior work in family business and SMEs, which assumes alignment between owner and firm goals based on firm size (e.g. Aparicio et al., 2017; Madison et al., 2014; Pieper et al., 2008), and with studies that argue the sharing of assumptions and values between the family and business systems (Craig, Dibrell, & Garrett, 2014; Fletcher, Melin, & Gimeno, 2012). The selection of items was reinforced by prior studies demonstrating the impact of an owner/founder on the mindsets, motives, values, attitudes, and goals that are at the core of the organization (Kelly, Athanassiou, & Crittenden, 2000; Madison et al., 2014; Runyan, Droge, & Swinney, 2008). Efforts to employ family members can, therefore, be especially prominent in the goal structure of SMEs, wherein founders or owners, and even powerful managers, may desire to instill the firm with their family values and establish a culture based on the relations and traditions of their family. As such, values and traditions are often noted together (e.g. Miller, Steier, & Le Breton-Miller, 2003).

COs are measured using a five-item scale adapted from content examined in social responsibility and social entrepreneurship research, and relevant to small, young SMEs in developing markets (e.g. Muller & Kolk, 2009; Sánchez & Benito-Hernández, 2015). The items address environmental protection, employee care and safety, and community-directed philanthropic activity ($\alpha = 0.807$). In general, they reflect firms' efforts to benefit community stakeholders in the SME context.

3.2. Moderating variable

Family Ownership is measured as a percentage of ownership held by members of a single family; in SMEs, this is most commonly the founding family. 54.6% of firms had at least 50% family ownership, 44.2% of firms were wholly owned by a single family, and 17.5% of firms reported having no family ownership. The high degree of family ownership in our sample reflects the context of the data collection – Eastern European SMEs – where family ownership is common (Gugler, Ivanova, & Zechner, 2014). In the focal analyses, family ownership is a continuous measure from 0% to 100%. In post-hoc robustness tests of our findings, we used a dichotomous variable that identified family firms as those in which a single family owned more than 50% of the business.

3.3. Dependent variable

Firm performance is measured using a six-item scale ($\alpha = 0.795$) that captures a firm's strategic orientation and relative profitability, investments, and competitive position compared to the industry in which the firm operates. These items address both financial (e.g. Wiklund, Patzelt, & Shepherd, 2009) and competitiveness (e.g. Rauch, Wiklund, Lumpkin, & Frese, 2009) indicators of SME performance. The multifaceted measure of performance is preferable in our study because narrow financial metrics are less relevant in small, young SMEs (Drnevich & Kriauciunas, 2011; Voss & Voss, 2013).

Since subjective performance indicators have limitations and perceived performance is not necessarily consistent with objective performance, we tested two alternative measurement models using purely financial and purely competitiveness-based performance indicators. In these robustness checks, the significance of hypothesized relationships remained similar. Furthermore, testing unconstrained models explained significantly more variance when compared to null models when the performance construct included both finance and competitiveness items.

3.4. Statistical procedures

Items were assessed to ensure their integrity and appropriateness for analysis. Table 2 includes descriptive and reliability statistics, as well as intercorrelations and average variance extracted of latent variables. Table 3 provides a list of items and their component loadings. Common method variance is a concern because data regarding both goals and outcomes were collected using the same instrument. To minimize the threat of this bias, the data collection included procedural controls in order to methodologically separate the measures of goals and outcomes (Craighead, Ketchen, Dunn, & Hult, 2011; Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). While we cannot eliminate the common method variance threat entirely, tests of the effectiveness of these controls (Podsakoff et al., 2003), including Harman's single-factor test, suggest that the method factor did not present a significant threat to the robustness of our data or the validity of our findings.

Measurement and predictive tests were conducted using structural equation modeling techniques (Mplus8; Muthén & Muthén, 2016). The measurement model was evaluated using CFA procedures, indicating that the data fit the model adequately ($\chi^2 = 230.71$; RMSEA = 0.082; CFI = 0.948; TLI = 0.936). Partialling out the industry sector and firm size (number of employees) as control variables had no impact on significance levels. The measurement model presented no concern for the discriminant validity of the items and possessed a superior fit compared to alternative null models, suggesting that our data was not prone to omitted variable or measurement biases (Antonakis, Bendahan, Jacquart, & Lalive, 2010; Bergh et al., 2016). While the model fit was hindered by a minor error term covariance between the two IVs, suggesting a potential multicollinearity threat, it was only marginally significant in the measurement model and was reconciled in the structural model. Altogether, the validity and reliability tests suggest that our measurement model is adequate for testing the hypotheses as presented.

4. Results

Hypotheses 1 and 2 were tested by modeling FOs and COs as predictors of firm performance. The results are summarized in Fig. 1. This initial model possesses an adequate fit, marginally superior to the CFA ($\chi^2 = 142.74$; RMSEA = 0.065; CFI = 0.970; TLI = 0.960) with FOs approaching significance in predicting performance (0.102; $p < .1$) and COs significantly and positively predicting performance (0.269; $p < .05$). While COs had a stronger effect, the model fit and path coefficients suggest that both FOs and COs are positively associated with firm performance, providing marginal support for Hypothesis 1 and supporting Hypothesis 2.

Hypotheses 1a and 2a address the moderating effect of family ownership and were tested using a two-stage moderation test (e.g. Little, Bovaird, & Widaman, 2006; Wu & Zumbo, 2008). When family ownership is entered into the model, the overall structural fit increases significantly ($\chi^2 = 93.69$; RMSEA = 0.034; CFI = 0.991; TLI = 0.988). These results are summarized in Fig. 2. Family ownership does not significantly moderate the relationship between FOs and performance (0.003; $p > .05$), failing to support Hypothesis 1a. Our findings indicate a positive moderation effect between family ownership and COs (0.165; $p < .05$) in support of Hypothesis 2a.

Secondary robustness tests using a dichotomous measure of family ownership (50% ownership cut-off) illustrate a marginally significant relationship between FOs and performance (0.164; $p < .1$), suggesting the need for further analysis. Post-hoc analyses indicate that the non-significant moderation effect in our primary analysis may be driven by the non-hypothesized significant direct relationship between family ownership and performance (0.338; $p < .05$). Hence, we re-tested Hypotheses 1 using a dichotomous family ownership cut-off and split samples of family and non-family firms. These secondary findings suggest that FOs are significantly and positively related to performance (0.363; $p < .05$) when considering non-family firms. However, when the focus shifts to family firms, FOs become unhinged from firm performance (0.021; $p > .1$). Re-testing Hypothesis 1a with a dichotomous moderator showed no change in significance. In other words, our findings indicate that the presence of FOs in non-family firms enhances performance, while the relationship for family firms is ambiguous.

Hypothesis 3 addresses the conditional indirect effects between FOs and COs (e.g. Hayes, 2017) and performance. The IV is estimated by the indirect covariance between the constructs within the measurement model (e.g. Chryssochoidis, 2018; Harring & Blozis, 2014). This model,

Table 2
Intercorrelations, reliability, and average variance extracted.

	Composite reliability	Descriptives	1	2	3	4
1. Family Ownership	–	37.898 (σ)	–			
2. Family Objectives	0.807	0.703 (α)	0.258***	**0.677**		
3. Community Objectives	0.861	0.807 (α)	−0.062	0.049	**0.743**	
4. Performance	0.854	0.795 (α)	−0.061	0.048	0.244**	**0.698**

***$p < .01$; **$p < .05$; *$p < .1$;
Aggregate intercorrelations for latent variables; AVE are in bold on the diagonal.

Table 3
Component items and loadings.

Annotated anonymized scale items	Component loadings C1	C2	C3
It's important that [*my organization*] serves as a source of employment for [*the owner's*] family	0.831		
It's important that [*my organization*] popularizes the values of [*the owner's*] family and maintains family traditions	0.814		
[*my organization*] is dedicated to the protection of our local environment		0.802	
[*my organization*] pursues environmental certifications above and beyond what is required in our regulatory environment		0.754	
[*my organization*] prioritizes the social care and wellbeing of our employees		0.680	
[*my organization*] prioritizes the safety of our employees at the workplace above and beyond what is required in our regulatory environment		0.803	
[*my organization*] particularly targets philanthropic efforts focused on our local community		0.675	
Rate the financial liquidity of [*my organization*] compared to the industry average			0.728
Rate the profitability of [*my organization*] compared to the industry average			0.748
Rate the extent of innovation investments (e.g. R&D) of [*my organization*] compared to the industry average			0.767
Rate the growth-outlook for [*my organization*] compared to the industry			0.793
Rate the risk-willingness of [*my organization*] when weighing investment opportunities compared to primary industry rivals			0.482
Rate the scale of overall investment activity of [*my organization*] compared to the industry average			0.671

Note: Orthogonal rotation

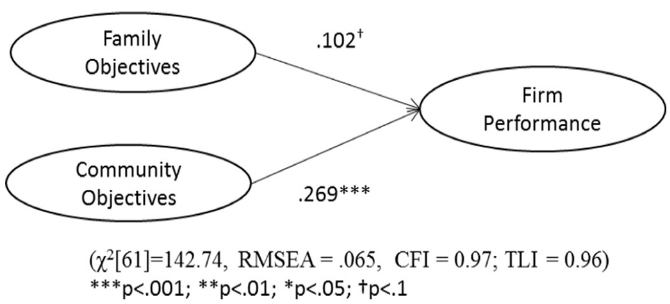

Fig. 1. Direct effects model.

summarized in Fig. 3, possesses an adequate fit and explains more variance than previous models (χ^2 = 184.88; RMSEA = 0.080; CFI = 0.954; TLI = 0.942), but there are no additional significant interactive effects that predict performance beyond the direct effects analyzed in the tests of Hypotheses 1 and 2. Although the findings indicate variance that was not accounted for, Hypothesis 3 is not supported.

Hypothesis 3a addresses the indirect moderating effects of family ownership on the relationship between the simultaneous presence of FOs and COs and firm performance (Fig. 4). In this final model, the structural fit increased substantially (χ^2 = 110.67; RMSEA = 0.043; CFI = 0.985; TLI = 0.981) and the moderating effect had a strong positive impact on performance (0.928; $p < .001$). These findings suggest that family ownership is conducive to realizing the complementary benefits of pursing FOs and COs simultaneously, providing strong support for Hypothesis 3a.

5. Discussion

Grounding our arguments in goal systems theory, we challenge the common assumptions equating family ownership to the presence of FOs, as well as FOs conceptual breadth. Instead, we conceptualize family ownership as a means for pursuing various organizational objectives. As such, we analyze the role of family ownership in firms' goal systems and test the interdependence of two sets of non-economic objectives (FOs and COs) and family ownership. Although family ownership is indeed associated with the presence of FOs, such goals also appear to be salient in firms without significant family ownership. This finding is aligned with recent studies exploring family-friendly policies that illustrate the potential benefits of non-family firms adopting family-like practices (Bagger & Li, 2014). These efforts suggest that FOs

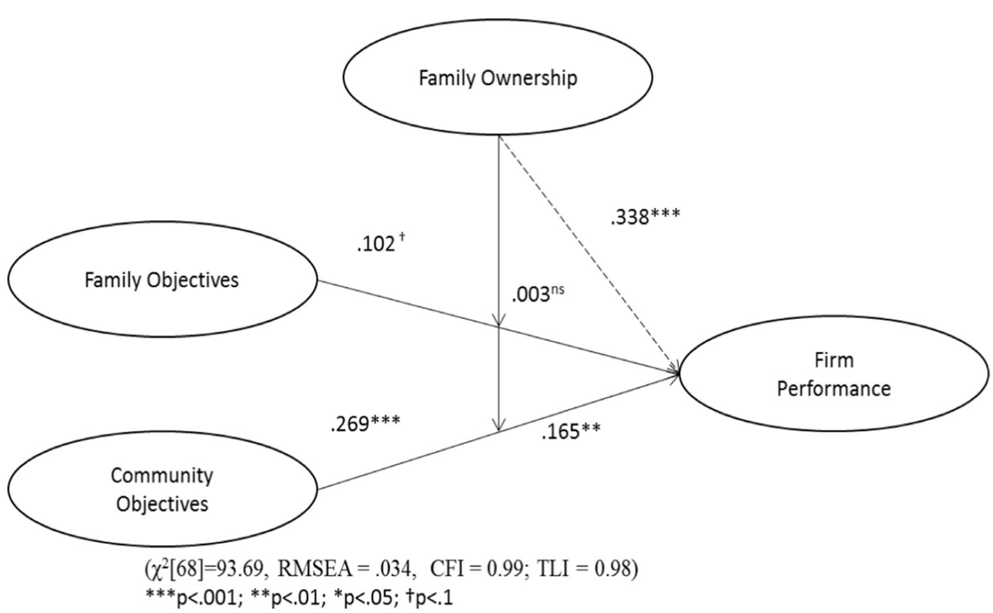

Fig. 2. Moderated effects model.

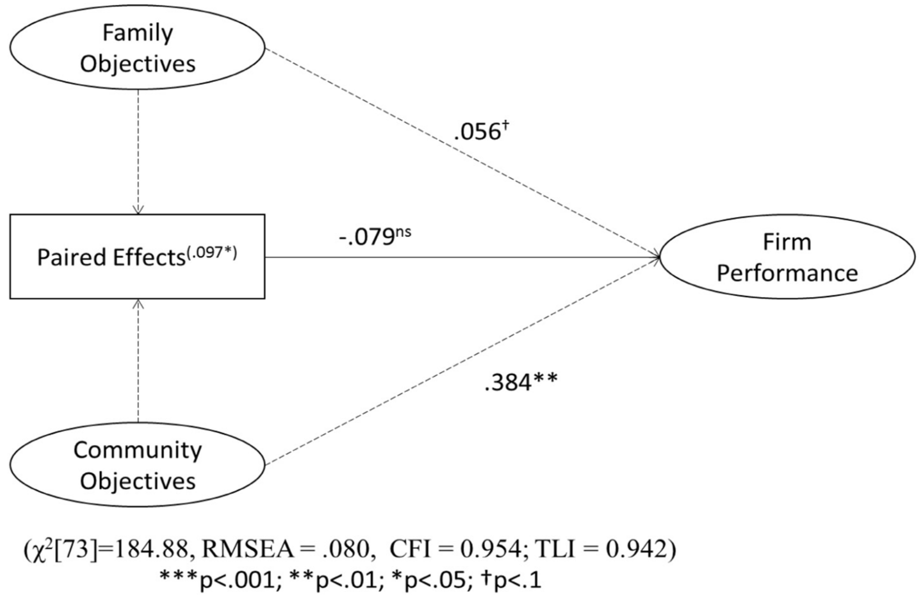

Fig. 3. Paired effects model.

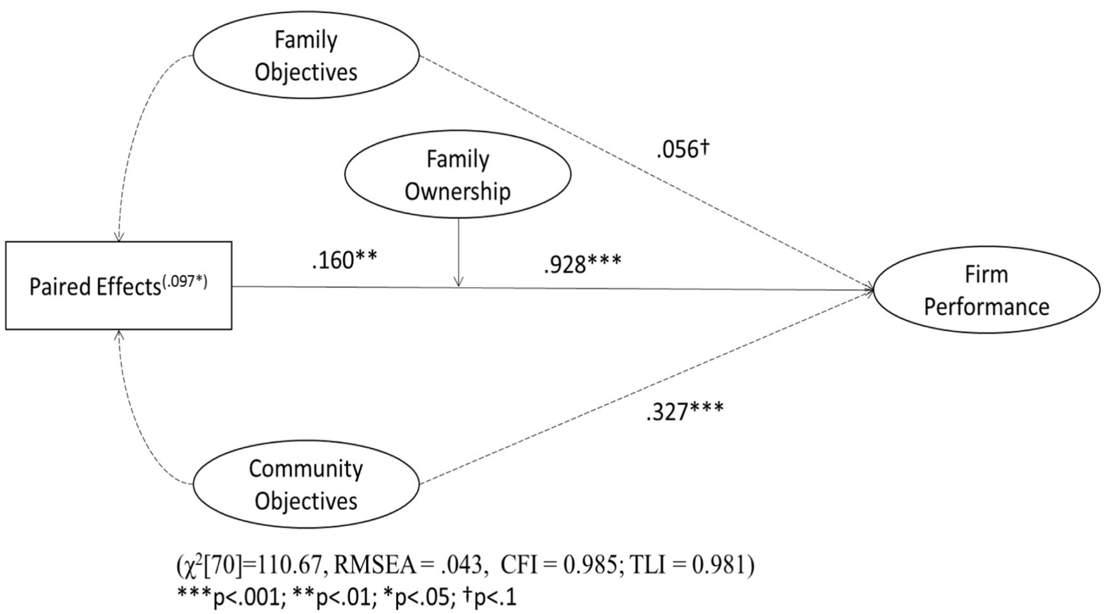

Fig. 4. Moderated paired effects model.

are not fundamentally tied to family ownership or control. Our findings expand the horizon of family business research to explore the impact of FOs in firms without substantial family ownership.

Nonetheless, family ownership does provide a means for the pursuit of non-economic organizational objectives (conceptualized herein in terms of FOs and COs). Whereas our findings show that family ownership enhances the capacity to increase firm performance with the presence of COs, the role of family ownership in connection with FOs is less clear. Our primary tests of the latter effect are non-significant, but post-hoc tests suggest that non-family firms excel when pursuing FOs, while firms with greater family ownership do not benefit from focusing on family-related goals. This discrepancy may be associated with the increased salience of FOs in firms with high family ownership and the related propensity to emphasize family-serving practices counterfinal to firm performance, including hiring unqualified family members, wealth expropriation, and forgoing short-term opportunities to preserve dynastic control (Chrisman et al., 2014; Fernando et al., 2013; Zellweger et al., 2012). Research should further clarify how and when family ownership enables practices that foster family SEW at the expense of firm performance. These findings also lend credence to our position that FOs and COs should be examined as distinct goals, contrary to the practice of subsuming of COs under the umbrella of SEW in much of the extant family business research.

Our findings regarding the paired effects of FOs and COs shed light on the relationship between multiple non-economic goals and the role of family ownership as a means for their pursuit. While the paired effects between FOs and COs on firm performance, beyond their direct impact, are not significant in general, they become significantly positive when family ownership is considered. We argued that the latter occurs because family ownership strengthens the facilitative link between family SEW and community welfare at the same time as salient COs – enabled by family ownership – constrain the leveraging of FO-related practices to avoid those that are counterfinal to COs and firm performance. Although the plurality of objectives and means in this architecture could stimulate dilution and shielding, multiple goals are more likely to remain activated when they are viewed as instrumental to other objectives (Shah et al., 2002) and the availability of multiple means is more beneficial when goal fulfillment is ongoing (Etkin & Ratner, 2013).

Prior studies point to the capacity of family firms to adopt unorthodox practices not clearly aligned with immediate or commensurate financial outcomes; such as nepotistic hiring (Chrisman et al., 2014), undervaluing innovation (Ingram, Lewis, Barton, & Gartner, 2016), or the prioritization of family SEW over financial outcomes (Berrone et al., 2010). Although our results affirm such varied strategic foci, the performance implications of pursuing COs and FOs simultaneously are positive. In essence, this study provides evidence that family ownership enhances performance when COs are salient by providing crucial means for the pursuit of COs – regardless of the presence of FOs. Future research should examine the possibility that the performance of family firms may decline when they pursue the affective interests of the family in ways that are counterfinal to community welfare.

Scholars in other areas that address non-economic goals (e.g., social entrepreneurship) can build on this approach to further explicate SMEs' goal systems. By distinguishing COs from FOs and examining them both, this research enables a more thorough consideration of how COs interact with FOs at different levels of family ownership. The incidence of conflict between community welfare and commercial concerns has been a key focus in social enterprise research (e.g., Battilana & Dorado, 2010). Our results indicate that family ownership provides a vehicle for firms to gain economic benefits from the pursuit of non-economic goals. The goal systems approach undertaken herein may aid social enterprise researchers examining the implications of family ownership for the integration of multiple objectives and the extent to which facilitation between FOs and COs is affected by the prioritization of various aims.

5.1. Implications for practice

In expanding the traditional view of non-economic goals in SMEs by considering FOs and COs at different levels of family ownership, this study has several implications for practice. By presenting evidence that the strategic tendencies of family firms may not be wholly determined by family ownership, we suggest an avenue through which the performance benefits attributed to family firms can be realized without family ownership.

While family ownership serves as a vehicle through which firms develop, pursue, and prioritize goals that embed the family in the community, leaders of firms without significant family ownership should consider how to best integrate the diverse practices associated with FOs and COs without the means of family ownership. Further, our post-hoc findings suggest that the leaders of family firms might be diligent in appropriately prioritizing firm performance to avoid family-serving practices that are counterfinal to performance. Our findings also suggest that family business leaders could consider the pursuit of COs as a safeguard against practices that enhance SEW at the expense of firm performance.

5.2. Limitations and future research

Beyond the future research avenues related to further theory development described earlier, we recognize several methodological limitations that should be addressed in subsequent studies. The measure of firm performance used herein, comprising financial and competitive indicators, is incomplete, given our emphasis on non-economic goals. Although we address the implications of different strategic objectives, we do not capture the effects of these predictors on non-economic outcomes (i.e., community welfare and family SEW), which limits our ability to discuss the full range of performance outcomes resulting from the interaction between strategic aims and family ownership. This limitation is also noteworthy because our sampling methodology assumes the coalescence of owner and firm goals. While this approach is common in SME studies (e.g. Aparicio et al., 2017), and family business research in particular (Pieper et al., 2008), we are not able to empirically validate whether the goals of our respondents are shared among other decision makers. Future studies that collect data from multiple decision-makers in a firm would enhance our understanding of goal system architectures, especially when decision makers represent different families and may prioritize divergent objectives. Similarly, the heterogeneity of non-economic goals across firms creates difficulty when developing generalized measures of FOs and COs. Our measurement was driven by the need to incorporate important components of both sets of non-economic goals that maintained their distinctiveness and relevance to sampled firms. Future research is also necessary to specify how different SMEs conceptualize FOs and COs, and to consider other potential components.

In addition, although the items comprising the FO scale showed sufficient reliability ($\alpha = 0.703$) and indicated the presence of FOs in firms across different levels of family ownership, they were more common in firms with higher family ownership. Constraining our sample to firms with majority family ownership substantially increased the reliability of these indicators ($\alpha = 0.854$), which potentially threatens the independence of the FO and family ownership constructs in the measurement model. While this limitation does not significantly impact our model or findings, future research with more sophisticated qualitative measures of family influence beyond that implied through ownership may provide greater depth to these relationships and the role of FOs in non-family firms.

This research is also limited in demonstrating the cognitive mechanisms underlying goal system configurations in family firms. Although extant goal systems research implicates the shielding of different priorities, constraints of means, and the dilution of means and ends in the goal systems studied herein, our data did not permit us to assess these effects directly. Future research should, therefore, examine the cognitive bases of goal systems using more in-depth qualitative methods and laboratory studies, which are common in goal systems research.

Finally, the high levels of family ownership in our sample may limit the generalizability of our findings to firms with more dispersed ownership than that characteristic of SMEs. That is, in our analysis, we were unable to capture the full potential impact of dispersed ownership. The capacity of the decision-maker to dedicate resources to idiosyncratic pursuits in this context should not, therefore, be viewed akin to minority shareholder wealth expropriation in large publicly traded firms. While our effort to disentangle FOs and COs from family ownership is relevant to non-economic goals in larger firms, future research should adopt our findings with sensitivity to the limitations of the sample used herein associated with firm size, ownership, and governance differences.

5.3. Conclusion

The architecture of goal systems with multiple strategic objectives constitutes an important avenue for future family business research. The present study sheds light on the nature and role of family ownership, FOs, and COs in affecting firm performance. The results show that many of the practices related to non-economic goals, often considered inherent to family firms, are also relevant to firms without significant family ownership. As such, the goal system approach guiding this study provides a bridge to further integrate family business research with studies of non-economic goals in other organizational contexts.

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Robert Randolph, Ph.D., is an Assistant Professor of Family Business Management at the Leven School of Management, Entrepreneurship, and Hospitality at Kennesaw State University and research director of the Cox Family Enterprise Center. His research primarily focuses on the strategic management of family businesses and other socially motivated firms.

Benjamin N. Alexander, Ph.D., is an Assistant Professor of Management at the Orfalea College of Business at California Polytechnic State University, San Luis Obispo. His research interests include social entrepreneurship, collective action, family firms, research methods, and stakeholder management.

Bart J. Debicki, Ph.D., is an Associate Professor of Management in the Department of Management at the College of Business and Economics at Towson University in Maryland. His research interests include family business management, internationalisation, management strategy, management history and management education.

Robert Zajkowski, Ph.D., is an Assistant Professor in the Department of Banking, Faculty of Economics, at the Maria Curie-Skłodowska University in Lublin, Poland. His main scientific interests encompass corporate finance, firm valuation, formation and establishing of entrepreneurship, and optimisation of managerial decisions in the area of economic and financial activities of firms.