

The Effectiveness of Supervisory Boards in Family Businesses: How Family Emotions and Supervisory Boards' Engagement Affect Supervisory Board Performance.

## **Master Thesis**

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#### Abstract

In family firms, emotions deriving from the family domain interfere with the business domain. This study focuses on the governance of family businesses by examining the role of family emotions in relation to supervisory board performance in family businesses. It was hypothesized that family emotions had a negative relation with supervisory board service task performance, which concerns the non-legal advisory task of the supervisory board. However, in family businesses, the owning family acts as a gatekeeper, and their emotions can interfere with their willingness to provide access to information and resources. Hence, it is proposed that the relation between family emotions and supervisory board's service task performance is mediated by access to information and resources. However, by being actively engaged, the supervisory board could overcome emotional turmoil and get access to the information and resources needed to perform their service tasks. Therefore, the relation between family emotions and information and resources is conditional upon the supervisory board's engagement. Analysis of questionnaire data of 82 supervisory board members working in family businesses showed that information and resources were a significant predictor of the supervisory board's service task performance. Moreover, engagement was found as a significant predictor of access to information and resources. However, no significant effects were found for the mediation or moderation hypotheses. Therefore, none of the hypotheses were confirmed. The results of this study contribute to the knowledge on the supervisory board's effectiveness in family businesses. Specifically, in order to perform, family businesses need to provide supervisory boards with the necessary information and resources.

Keywords: Family businesses; Family firms; Supervisory board; Family emotions; Service task performance; Engagement; Information and resources; Supervisory board performance; Socio-emotional wealth; Team empowerment.

## Introduction

This paper is about the effectiveness of supervisory boards in Dutch family businesses. Supervisory boards are small teams of non-executive directors, whose task is to control and advise the executive board (Heuvel, van Gils, & Voordeckersm 2006; MCCG, 2016). In family firms, one family has the majority of control, owns the majority of the shares (Allouche et al., 2008), and is actively involved in the management of the organization (CBS, 2017). The management of family businesses is often torn between making proper strategic decisions and considering the family's demands (Cromie, Stephenson, & Monteith, 2012), which may complicate the execution of the tasks of supervisory boards. For example, although maximizing business performance depends on employing the best performers, in a family business, jobs may be fulfilled by family members regardless of their competence. As a result, owning families have a great deal of influence on management, business operations, and business performance. Therefore, the effectiveness of the supervisory boards in family-owned and managed firms has been subjected to controversy. As the supervisory board will be selected by the shareholders (owners) of the company (MCCG, 2016), owning families in family businesses might have much power to influence the selection of supervisory board members. Moreover, the composition of the supervisory board could include both family and non-family members, which might lead to conflicts between shareholder groups (Vandebeek, Voordeckers, Lambrechts, & Huybrechts, 2016). Therefore, in this study, the focus lies on the role of the owning family on the effectiveness of the supervisory board in family businesses.

Supervisory board effectiveness can be measured by the execution and performance of their control and service tasks. The control tasks are the supervisory boards' legal role to monitor and control the executive board's business results, to protect the shareholder's interest and, therefore, will be held countable because it is their legal duty. The service task concerns the supervisory board's role in providing advice to the executive board in order to prevent them from managerial shortcomings (Forbes & Milliken, 1999). The focus of this study lies on the supervisory board's service task performance because, other than control task performance which is a legally mandatory, service task performance requires additional effort of the supervisory board to go beyond their formal tasks. Therefore, their

service task dependents on the discretionary behavior of the supervisory board, like putting effort into gaining the right information and resources. However, in family businesses, the dynamics of the owning family could have an enormous impact on the supervisory board's service task performance.

In family businesses, the identity of the business is affected by the identity of the family members (Gomez-Mejia, Cruz, Berrone, & de Castro, 2011). According to the socio-emotional wealth (SEW) theory (Berrone, Cruz, Gomez-Mejia, 2012), a family business does not only serves the financial performance of the business but also serves the owning family to the extent that they continue their need for authority, the joy of family influence, retention of family identity and the family dynasty. Owning families are motivated and committed to maintaining their control and ownership in the family business, even when this might result in reduced organizational outcomes. Families take losses and gains in SEW into consideration when making important strategic and policy choices, whereby emotions often tend to outweigh rationality (Berrone et al., 2012). In particular, family emotions can affect the performance and the running of the family business (Brundin & Härtel, 2014). This can affect the service task performance of the supervisory boards because family emotions can interfere with the provision of the information and resources that supervisory boards need to perform well.

Access to information and resources is a requirement for group performance (Spreitzer, 1995). Therefore, to gain more understanding about the relation between family emotions and supervisory board performance, this study will examine the possible mediating role of access to information and resources in this relation.

In addition, supervisory board teams can actively reach out for information and resources, even when family emotions are complicating this. In particular, engaged supervisory boards may be able to function well despite the presence of family emotions. Research suggests that engagement is an essential antecedent for gaining trust and information and resources (Gill, Boies, Finegan, & McNally, 2005; Aryee, Budhwar, & Chen, 2002). Therefore, this study tries to gain more understanding of the relation between family emotions, information and resources and service task performance. Moreover, this studies tries to gain understanding of the effect that supervisory boards engagement has on the

effectiveness of the supervisory board in family businesses. Based on this research aim, the following research question is stated:

"To what extent does supervisory board's engagement influence moderate effect of family emotions on supervisory board service task performance via the supervisory access to information and resources?"

Building on previous research about the influence of family emotions on decision-making (Berrone et al., 2012), the role of information and resources and engagement on performance (Gill, Boies, Finegan, & McNally, 2005; Aryee, Budhwar, & Chen, 2002), the contribution of this study is twofold. First, previous research on SEW has acknowledged the negative effect of family emotions on organizational performance, due to the decision-making process and relational conflicts (Beronne et al. 2012). However, less research is conducted on the influence of family emotions on the administrative bodies of the organization. Moreover, the importance of information and resources to conduct work effectively has been studied extensively (Peij, Bezemer, & Maassen, 2012; Peij, Bezemer, & Maassen 2012; Spreitzer, 1995). Yet, far less research has been conducted at the front into the role and influence of an owning family in providing information and resources to administrative bodies in family businesses. Therefore, this study strives to fill the research gap by explaining the relation between family emotions on supervisory service task performance by highlighting the importance of the supervisory board's access to information and resources as a mediating variable. Second, research is conducted on the influence of work and team engagement on performance (Costa, Passos & Bakker, 2014). However, the moderating role of engagement on the relation between family emotions and information and resources has not been studied before. Therefore, overarching previous contributions, this study contributes to the understanding of the supervisory board's engagement in this specific relation between family emotions and information and resources, and how this influences the engaged supervisory board's performance. Practically, the findings of the study can be used to improve the effectiveness of the supervisory board in family businesses.

## **Theoretical framework**

## Family emotions and supervisory board's service task performance

In this section, the focus lies on the relation between the influence of family emotions on the supervisory board's service task performance. By law, the supervisory board needs to guard the interest of the shareholders (Peij et al., 2012). To do so, the board is concerned with service tasks. Fulfilling these service tasks involves providing expert advice and insights on ongoing events or major events, such as analyzing strategic choices during board meetings or company restructuring (Forbes & Milliken, 1999). Therefore, the effectiveness of the supervisory board refers to the ability to perform these service tasks effectively (Forbes & Milliken, 1999). However, contrary to control tasks, the supervisory board is not legally liable for the performance of service tasks (Forbers & Milliken, 1999). Therefore, supervisory boards' service task performance depends on their discretionary behavior. The role of discretionary behavior by the supervisory board can be explained by the Social Exchange Theory (SET) (Blau, 1964). The theory acknowledges that a relation between two people depends on a process of a cost-benefit analysis (Cropanzano & Mitchell, 2005). In other words, people tend to count the pluses and minuses of a relationship, which can determine whether they put too much effort into their relationship. Therefore, engaging in a relationship depends on the calculation of profits and costs. Moreover, people tend to show goodwill and helpfulness towards those with whom they have a strong social exchange relation. These strong social exchange relations mostly evolve when both parties are committed to each other and feel personal obligation and trust, which engenders fair exchange transactions (Cropanzano & Mitchell, 2005). However, in this case, when there are negative family emotions, the willingness to reciprocate with discretionary service task performance may deteriorate.

Furthermore, according to the broaden-and-build theory of Fredrickson (2004), emotions broaden or narrows one's though-action repertoire. Moreover, a specific action as a result of the threatening situation is an outcome of a psychological process that narrows our momentary thought-action repertoire, and urge us to act in a particular way (e.g. fight or flight). In family businesses, negative family emotions could evoke from the feeling of losing control and authority in their own business. Hence, due to the presence of negative emotions among family members within the family

business, the family could hinder the supervisory board in carrying out its duties. Therefore, based on the SET and broaden-and-build theory, family emotions in the family may hinder the effectiveness with which a supervisory board can execute its service task effectively.

Family emotions refer to the emotional attachment and commitment of the family to the business (Berrone et al., 2012), and how emotions and how the emotions that result from this shape their information processing and strategic judgment (Stanley, 2010). According to the socio-emotional wealth (SEW) theory, the family business has several purposes for the owning family (Berrone et al., 2012). Not only does the business provide the family with financial returns, but it also satisfies their socio-emotional wealth (Gómez-Mejía Haynes, Nunez-Nickel, Jacobsen, & Moyano-Fuentes, 2007). SEW is based on one's self-concept of belonging to a social group, which includes the need for authority, fulfilling family obligations and preserving the family dynasty in family businesses (Brundin & Hartel, 2014). Moreover, the control of the family in a family business gives them the ability to exercise authority, gain joy out of their influence over their business, and identify with the business, which often carries the name of the owning family (Berrone et al., 2012). Therefore, the SEW theory refers to organizational aspects that are non-financial but meet these affective needs (e.g., identity and family influence) of the family (Goméz-Mejía et al., 2007).

SEW can have varied outcomes, both negative and positive, depending on the socio environment of the business (Mako, Csizmadia, & Heidrich, 2018). From the SEW perspective, family businesses are more likely to prioritize maintaining family authority due to strong family emotions, even when this results in increased risk and poor organizational performance (Berrone, Cruz, & Gomez-Mejia, 2012). These strong emotions mainly evolve from the emotional attachment to the family business (Berrone, Cruz, & Gomez-Mejia, 2012). This emotional attachment of the family seems to be the driving force behind the protective behavior aiming at sustainability and the potential of transferring the business to the next generation (Brundin & Hartel, 2014). Furthermore, family members are strongly bonded by emotions, which are the fundament of the affective attitudes in the family business (Brundin & Hartel, 2014). Previous research shows that, due to the SEW (e.g., emotions), owning families are willing to take more risky emotional decisions over rational decisions. Moreover, family decisions are

focused on gaining or retaining family control (e.g., staying independent), over gaining profitability or organizational financial sustainability, which would be contradictive with the interest of other shareholders and stakeholders (Barsade & Gibson, 2007; Gomez-Mejia et al., 2007). As the supervisory board needs to guard the interest of all shareholders, family emotions might be an enormous challenge for supervisory board performance. Moreover, due to a strong presence of family emotions, the urge to display the discretionary behavior, which is needed to perform its service tasks, will decrease, leading to lower levels of service task performance (Cropanzano & Mitchell, 2005). This leads to the following hypothesis:

Hypothesis 1: Family emotions are negatively related to supervisory boards' service task performance.

## Mediating effect of information and resources

The effect of family emotions and service task performance is likely to be indirect, through the withholding of the information and resources that the supervisory board needs to fulfill their service task well. Therefore, the focus in this paragraph lies in the mediating effect of access to information and resources. Information and resources refer to the access the supervisory board has to information and resources about organizational strategy and performance, in order to fulfill their tasks (Spreitzer, 1995). This includes information about organizational goals and resources to explore organizational plans. Information and resources (e.g., strategic plans) are an important antecedent for supervisory board performance (Payne, Benson, & Finegold, 2009). Research suggests that, like every group, supervisory boards need knowledge and information to fulfill their role in the corporate governance structure adequately (Peij, Bezemer, & Maassen 2012). Moreover, without information and resources, the supervisory board will likely be less committed to taking responsibility and lack purpose and the ability to influence the boards' decisions, thereby hindering service task performance (Spreitzer, 1995).

The role of information and resources in the relation between family emotions and supervisory board's service task performance can be explained by the resource dependence theory (Pfeffer &

Salancik, 1978). The theory predicts that the two actors depend on each other based on the power of exchange. In other words, the dependence of the supervisory board on the owning family is based on the control of resources (which are not available elsewhere) that the supervisory board needs to do their job (Davis & Cobb, 2009). Therefore, the autonomy and performance of the supervisory board depend on the supply of resources provided by the owning family.

The mediating role of access to information and resources can further be explained by the empowerment theory (Spreitzer, 1996). Empowerment theory explains how groups, such as a supervisory board, can perform as a team (Payne, Benson, & Finegold, 2009). According to the empowerment theory (Spreitzer, 1995), access to information and resources about the organization's mission, strategy, and performance is a prerequisite for team performance (Spreitzer, 1995). However, to experience this empowered state, the organization's management needs to provide these resources (Conger & Kanungo, 1988).

Previous research shows that there is often a lack of information about day-to-day operations provided by executive boards (Peij et al. 2012). Moreover, research by Hooghiemstra and van Manen (2004) shows that insufficient access to information and resources leads to information asymmetries and reduced performance through the inability to contribute and provide advice. Research on emotions suggests that emotions influence the business decision-making process (Barsade & Gibson, 2007). Furthermore, research by Baron (2008) suggests that emotions sometimes counterbalance rational decision-making, and therefore the decision to share information or not. Moreover, previous research on SEW shows that emotions influence organizational performance, as owning families are willing to take more risky decisions, to gain or retain family control (e.g., staying independent), over gaining profitability (Gomez-Mejia et al., 2007). It is plausible that in order to retain family control in the family business, the owning family might choose to not share necessary information and resources to non-family supervisory board members, which leads to the inability of non-family members to give effective advice (Hooghiemstra & van Manen, 2014).

Combining the results of this previous research, it seems reasonable to think that family emotions do influence the extent to which the family provides the necessary information and resources

to the supervisory board, and has possible consequences for supervisory board performance as they try to retain authority. Moreover, building on the empowerment theory (Spreitzer, 1996) and the resource dependence theory (Davis & Cobb, 2009), this study predicts that the supervisory boards may find it difficult to access information and resources that are needed for the effective execution of their service task when family emotions are in play. Therefore, the following hypothesis is proposed:

Hypothesis 2: The relation between family emotions and supervisory boards' service task performance is mediated by access to information and resources.

## The moderating effect of engagement

Although family emotions can complicate the service task performance, the supervisory board itself can counter this by showing active engagement with their task. Supervisory board engagement is defined as the active preparation and devotion of time to board meetings and availability of the board for doing work if so demanded (Zattoni, Gnan, & Huse, 2012). Engagement is characterized by dedication, which refers to active involvement in work (Wang, Lu, & Siu, 2015). Dedication is important as it is the willingness to engage to work and to act in the interests of others, which will result in trustworthy relationships (Gill, Boies, Finegan, & McNally, 2005). Therefore, members of the supervisory board which are engaged, are more willing to expand their effort for the organization (Costa et al., 2014). Moreover, well prepared and engaged supervisory boards can help and support the executive board when facing uncertain times, while passive boards have been associated with failure (Gabrielsson & Winlund, 2000).

The moderating role of engagement in the relationship between family emotions and information and resources can be explained in light through motivational theories. Fully engaged teams are likely to experience high levels of intrinsic motivation and commitment, and therefore have a strong sense of moral duty to contribute to organizational success (Gagné, 2014; Costa, Passos, & Bakker, 2014). Moreover, engagement is a predictor for adaptive behavior that intends to serve the organizational goals and protect the organization against organizational traits (Gagné, 2014; Costa,

Passos, & Bakker, 2014). Furthermore, engaged employees are intrinsically motivated to achieve higher levels of performance and invest more effort into achieving beyond formally described duties (Marinova, Peng, Lrinkova, Van Dyne, Chiaburu, 2015). Moreover, when engaged teams feel dissatisfied under circumstance (rather than satisfied), this leads to new ideas and suggestions for change because they look for options to change the disliked situation. Hence, teams who are engaged show more proactive work behavior and are determined to fulfill their tasks and go beyond (Gagné, 2014; Costa et al., 2014). By doing so, teams take more initiatives to create new circumstances that challenge the status quo, rather than adapting to present conditions, which comprises behavior such as personal initiatives and taking charge (Sonnentag, 2003). Therefore, it is likely that engaged teams put more effort in gaining access to information and resources to protect the organization from failing, even when this is opposed by family emotions.

Previous research shows that engagement is an essential antecedent of trust (Gill et al., 2005). Furthermore, earlier research evidence shows that trusty relationships support cooperation (Schoorman, Mayer, & Davis, 2007), leads to sharing information (Aryee, Budhwar, & Chen, 2002), and proactive behavior (Gagné, 2014; Costa et al, 2014; Marinova et al., 2015). Building on studies about team engagement and trust, it seems to be key to have an engaged supervisory board and build a trustworthy relationship with the owning family, which thereby influences the level of access to information and resources, which in turn will contribute to better service task performance. Therefore, the following hypothesis is stated:

Hypothesis 3: The mediated relation between owning family emotions and service task performance is moderated by supervisory boards' engagement. In particular, supervisory board engagement weakens the negative path between family emotions and access to information and resources.

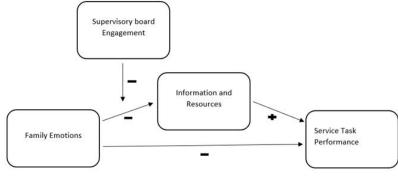


Figure 1: Conceptual Model

#### **Methods**

## Design

This research is part of an ongoing data collection project on supervisory boards in family businesses by the Tilburg Institute for Family Business. The project consists of an online survey aimed at individual supervisory board members, working in Dutch family businesses. It has a cross-sectional design as all data is collected at one point in time.

## Sample

To test the research model, this study examines a sample of supervisory board members from Dutch family businesses. In 2016, the Netherlands counted 245.475 family businesses, of which 35% (3.500) employs 50-250 workers, and 17% (410) employs over 250 workers (CBS, 2017). The average supervisory boards consist out of 5 members and have an average age of 56, of which 81% have an academic degree (Biesheuvel-Hoitinga, & Bootsma, 2012). A convenience sampling strategy was used for selecting participants out of the total population (Pallant, 2016). For each family business in the Netherlands with a supervisory board, one member of the supervisory board could participate. In total, 101 participants filled in the survey (N = 101), of whom 90 participants were a man (89,1%), and 11 participants were female (10,9%). Furthermore, 60 participants (59,4%) indicated that they were a member of the board, and 41 participants (40,6%) were holding the chair position. The average board size was 3,47, and the average firm size was 863. Due to missing values, a complete case analysis was performed with a sample size of 83 participants (N=83).

#### **Procedure**

In line with the Tilburg University ethical conduct code, the data collection of this study was collected anonymously, and the data was stored safely. Furthermore, the participants during this study had to sign a letter of consent before they could participate, which is in line with the ERB ethic research procedures (NVMO, 2018). For accessing the respondents, the ORBIS and the "Company Info" databases were used. The ORBIS database includes financial and business information about companies worldwide, including Dutch family businesses. However, the database does not indicate if a business is a family business. The following steps were taken to determine and distinguish family businesses from non-family businesses. First, all Dutch businesses with a supervisory board were selected. Second, the given businesses were checked on several points in order to determine if the business could be a family business. To indicate if businesses where family businesses, the company names were checked on family business indicators (e.g., and sons or family).

Furthermore, members of the board and supervisory board members were checked on resemblances. If resemblances in names of indicators in the business name were to be found, these businesses were identified as a potential family business. The name of the members of the board were birth names identified, which will be followed by a name search in the second database "Company info". LinkedIn is used to approach these individual board members for which was found an account. The names out of the databases do not always match the names used on LinkedIn, as people use different names than birth names. For example, Petrus Melchior Huibert van Dam (ORBIS), would be named Peter van Dam on LinkedIn. The board members receive an invite to connect with the researchers, after which will send the questionnaire so it can be filled out. The questionnaire does contain control variables to check if the respondents do indeed work at a family business. This study aimed to collect 108 questionnaires from respondents, operating in Dutch family businesses. The initial list exists out of 892 individuals, of which 454 individuals were approached. To extend the dataset, several strategies will be used. First, the ORBIS and "Company Info" databases will be used to search for new possible respondents, as the list might not yet be complete. Second, the network of the supervisor (Dr. Kroon) and PWC were used to find missing contact details of previously found names and were contacted for

collaboration. Third, to extend the dataset, own contacts within family businesses were used to find possible new respondents.

#### Measures

The measures used in this study are based on existing scales from previous studies which helped to contribute to the validity of this study. Scales are adapted to fit the context of supervisory boards. To check the construct validity, factor analyses were performed for each variable, followed by assessing the scree plot shows one factor. The reliability of the scales was measured using Cronbach's alpha ( $\alpha$ ), which needed to be at least .7. Values above .7 were considered good, and items with a Cronbach's alpha higher than .9 were excellent (Pallant, 2016). Scales were checked using 'alpha if item deleted', and removed if the alpha increased substantially.

**Supervisory board service task performance** is measured with five items from van den Heuvel, van Gils and Voordeckers (2006). All items proceed with the question: "How well do you assess the functioning of this supervisory board on the following tasks". An example item is: "Advising the executive board". Supervisory board service task performance was measured on a five-point Likert scale. The answer options were 1= Insufficient, 2= Moderate, 3= Sufficient, 4= Good, and 5= very good. The Cronbach's alpha is .776 (N=101).

**Information and Resources** are measured with six items from Spreitzer (1996). All items proceed with the same question: "To what extent do you agree with the following statements?". An example item is: "The supervisory board has access to the strategic information that is needed to perform its control and advisory tasks." The items of information and resources are measured on a five-point Likert scale. The answer option was 1= "Totally disagree" to 5= totally agree. The Cronbach's alpha is .865 (N=101).

**Family emotions** are measured with three items from Berrone et al. (2012). All items proceed with the question:" To what extent do you agree with the following typifications about the family behind this venture?". An example item is: "Feelings-based considerations are often just as important as financial-economic considerations for the family". Family Emotions were measured on a five-point

Liker scale. The answer options were 1= ''totally disagree" to 5= ''totally agree". The Cronbach's alpha is .778 (N=83).

**Supervisory board engagement**. Supervisory board engagement is measured with two items from Zattoni, Gnan, and Huse (2015). An example item is: "All members of the supervisory board are always available if the activities require so". The items of engagement were measured on a 5-point Likert scale and proceed with the question: "To what extent do you agree with the following statements?". The answer options were 1= "totally disagree" to 5= "totally agree". The Cronbach's alpha is .840 (N=101).

Control variables. In this study, control variables are used to examine the model on possible spurious relations. According to previous research, the following variables could be potential factors for a spurious relation: Whether the supervisory board member is also a member of the owning family (Yes/No), firm size, and the size of the supervisory board. Demographics of the supervisory board, such as the board size and the number of family members in the supervisory board, are likely to influence the access to information and resources (Forbes & Milliken, 1999; Vandebeek et al., 2016). Furthermore, family members in supervisory boards might be more committed, as family members are more loyal and intrinsic motivated to promote the well-being of the firm (Zattoni et al., 2012). Last, the size of the firm seems to determine the effect of family emotions because, as organizations grow substantially, the emotional preference point of decision-making seems to decrease (Gomez-Mejia et al., 2011).

## **Analysis**

The collected data were analyzed with the statistical program SPSS by IBM. Before the model was tested, the data was being analyzed for outliers and missing values with histogram and frequencies tables. After examining the validity and reliability of the measures using factor analyses and reliability analyses, scale scores were computed, taking the average of the items per variable. Before conducting a regression analysis, the mean scores, standard deviations and Pearson's correlation (*r*) were calculated for all variables. In addition, all variables were checked on correlations exceeding .60 in the correlation matric, as this might imply multi-collinearity. To test the conceptual model, the process application of

Hayes (2013) was performed in SPSS, since the model involves a moderated mediation. PROCESS templates 4 and 7 (Hayes, 2013) were explicitly used to test the total model. The predictor variables in the interaction are mean-centered (Aiken, West, Pitts, Baraldi, & Wurpts, 2012). Bootstrap resamples where set at 5000. By using the bootstrap method, the analysis can be run on new samples within the obtained sample (Preacher, Rucker, & Hayes, 2007). In other words, because examining the total population is not an option, bootstrapping helps to handle this rather small sample as a population and then extracting several different samples from it, obtaining in a higher confidence interval of 95%. Control variables were added as covariates on all predictor variables. During the regression analyses, missing values were listwise excluded, as there is a reasonable possibility that participants did not finish their questionnaire as their company does not meet the family companies' criteria.

#### **Results**

## **Descriptive statistics**

In table 1, the means, standard deviations, scale ranges, and Pearsons correlations (r) of variables used during this study were provided. First, no significant correlation was found between family emotions and service task performance and family emotions and information and resources. However, because of the small sample size, a negative relation between family emotions and information and resources were found at the more lenient .10 level of significance (r = -.209, p < .1). Moreover, a significant negative correlation between family emotions and the firm size was found (r = -.332, p < 0.05). Furthermore, a significant positive correlation between information and resources and service task performance (r = .561, p < 0.01), engagement (r = .472, p < 0.01), and a negative significant correlation with firm size (r = -.218, p < 0.05) were found. Furthermore, a significant positive relation was found between engagement and service task performance (r = .535, p < 0.01), and family member (r = .314, p < 0.01). However, a significant negative relation with a board size (r = .343, p < 0.01) was found.

**Table 1** *Means, standard deviations, scale range and Pearsons correlations* 

		Mean	SD	Scale range	1.	2.	3.	4.	5.	6.	7.
1.	Family emotions	2.73	.918	1-5							
2.	Information and resources	4.13	.569	1-5	209†						
3.	Engagement	4.48	.754	1-5	036	.472**					
4.	Service Task Performance	3.73	.558	1-5	005	.561**	.535**				
5.	Board size	3.47	1.22	-	.136	218*	343**	219*			
6.	Family member	.14	-	1-2	.070	.117	.314**	.098	340**		
7.	Firm size	862.98	1472.75	-	332*	.035	.023	.028	.312**	.062	

<sup>\*\*</sup> Correlation is significant at the 0.01 level (2-tailed) Note: family member (1 = yes / 0 = no)

#### Model test

Table 2 shows the results of the simple mediation analysis using template 4 of PROCESS (Hayes, 2013), examining a direct and indirect effect of family emotions on service task performance. The results in model 1, model 2, and model 3 are indicative for hypotheses 1 and 2. The first hypothesis states that family emotions are negatively related to supervisory board service task performance. No significant results were found for the relation between family emotions and the supervisory board's service task performance (Model 1). Therefore, hypothesis 1 is not supported. However, testing against a more lenient significance level of .10, model 1 reveals a significant negative relation between board size and service task performance (B = -.131, p = .094). For the second hypothesis, which stated the relation between family emotions and service task performance, the results are presented in model 2 and model 3. Model 2 shows no significant relation between family emotions and information and resources (B = -.107, p = .178). Model 3 shows a positive significant relation between information and resources (B = -.723, p < .01). Therefore, hypothesis 2 is not supported.

<sup>\*</sup> Correlation is significant at the 0.05 level (2-tailed)

<sup>†</sup> Correlation is significant at the 0.1 level (2-tailed)

**Table 2**Simple mediation model: direct and indirect effect of Family Emotions on Service Task Performance, mediated by Information and Resources.

Predictor Variable	В	SE	t	P
Model 1: Direct effect of Family Emotions on				
Service Task Performance.				
$DV = Service \ task \ performance$				
F(4,72) = 1.153				
Constant	3.972	.289	13.730	.000
Family Emotions	.047	.089	.532	.596
Board Size	131†	.077	-1.692	.094
Family Member	039	.245	161	.872
Firm Size	.000	.000	1.459	.148
$R^2$	.064			
Model 2: Effect of Family Emotions on Information				
and Resources				
F(4,72) = 3.541*				
Constant	4.943	.254	19.442	.000
Family Emotions	107	.079	-1.360	.178
Board Size	174†	.068	-2.556	.012
Family Member	053	.215	249	.903
Firm Size	.000	.000	.556	.579
$R^2$	.164			
Model 3: Effect of Information and Resources in				
Service Task Performance				
$DV = Service \ task \ performance$				
F(5,710) = 11.17**				
Constant	.394	.562	.701	.485
Information and Resources	.723**	.104	6.946	.000
Family Emotions	.125†	.070	1.775	.080
Board Size	005	.063	081	.935
Family Member	000	.190	003	.997
Firm Size	.000	.000	1.419	.160
$R^2$	.440			

## Simple mediation analyses

Bootstrap results of the direct effect of Family Emotions on Service Task Performance

<b>Effect</b>	SE	LLCI	ULCI
.125	.070	015	.266

Bootstrap results of the indirect effect of Family Emotions on Service Task Performance

	<b>Effect</b>	Boot	Boot	Boot
		SE	LLCI	ULCI
Information and Resources	077	065	210	.051

Notes: N= 83. \*\*Correlation is significant at 0.01 level (2-tailed). \*Correlation is significant at 0.01 level (2-tailed). † Correlation is significant at the 0.10 level (2-tailed). The number of bootstraps resamples 5000. LLCI = Lower Level Confidence Interval, ULCI = Upper Level Confidence Interval

Table 3 shows the results of the moderated mediation analyses, using template 7 of PROCESS (Hayes, 2013). The results in models 3 and 4 are indicative for hypothesis 3. The third hypothesis states that the mediated relationship between family emotions and service task performance is moderated by engagement. To test the entire moderated mediation model, first, the relation between information and resources was tested (Model 4). A significant relation between information and resources and service task performance was found (B = .723, p < .01). Second, the conditional effect of engagement on the relation between family emotions and information was tested (Model 5). No significant conditional effect was found. Therefore, hypothesis 3 was not supported. However, a significant effect of engagement on information and resources was found (B = .850, p < .01). Moreover, testing against a more lenient significance level of .10, model 5 reveals a significant effect of family emotions on information and resources (B = 767, p = .099), and a significant effect of conditional effect of engagement (B = .192, p = .057).

**Table 3** *Moderated mediation model: a conditional direct and indirect effect of Family Emotion on Service Task Performance moderated by Engagement.* 

Predictor Variable	В	SE	t	P
Model 4: Main effect on dependent variable  DV = Service task performance				
F(5,710) = 11.178**				
Constant	.394	.562	.701	.485
Information and Resources	.723**	.104	6.946	.000
Family Emotions	.125†	.070	1.775	.080
Board Size	005	.063	081	.935
Family Member	000	.190	003	.997
Firm Size	.000	.000	1.419	.160
$R^2$	.440			

Model 5: Conditional effect of engagement on				_
mediation variable				
DV = Information and Resources				
F(6,70) = 6.783**				
Constant	1.320	1.238	1.066	.289
Family Emotions	.767†	.459	1.669	.099
Engagement	.850**	.276	3.073	.003
Family EmotionsXEngagement	192†	.099	-1.993	.057
Board Size	098	.062	-1.578	.119
Family Member	257	.204	-1.260	.211
Firm Size	.000	.000	.572	.568
$R^2$	.367			

## Moderated mediation analyses

Information and Resources

The conditional indirect effect of Family Emotions on Information and resources at the value of Engagement

33 3	3		2 0 0		
	<b>Effect</b>	<b>Boot SE</b>	<b>Boot LLCI</b>	<b>Boot ULCI</b>	
	139	.109	334	.068	
The conditional indirect effect of family emotions on sea	rvice task perf	ormance at val	ues of the mode	erator	
	<b>Effect</b>	<b>Boot SE</b>	<b>Boot LLCI</b>	<b>Boot ULCI</b>	
Information and Resources	.040	.117	193	.245	
Information and Resources	069	.055	182	.038	

Notes: N= 83. \*\*Correlation is significant at 0.01 level (2-tailed). \*Correlation is significant at 0.01 level (2-tailed). † Correlation is significant at the 0.10 level (2-tailed). The number of bootstraps resamples 5000. LLCI = Lower Level Confidence Interval, ULCI = Upper Level Confidence Interval

-.140

.063

-.307

-.043

#### **Discussion and conclusion**

Considering the growing interest to understand the dynamics and effectiveness of supervisory boards within family businesses, this study examined the relationship between family emotions and supervisory board's service task performance, using a sample of 83 supervisory board members of Dutch family businesses. Moreover, building on previous research on SEW (Berrone et al., 2012; Gómez-Mejía et al., 2007), engagement (Gagné, 2014; Costa, Passos, & Bakker, 2014), and group empowerment (Spreitzer, 1996), this study tried to identify if this relation is mediated by the necessary information and resources for the supervisory board and whether this relationship was influenced by the conditional effect of the supervisory boards engagement. There were weak indications that family emotions relate to the supervisory board's service task performance, which will be discussed below.

## **Main findings**

Based on the results of the regression analyses, there is no direct relation found between family emotions and service task performance. This is contradictory to previous research on family SEW (Berrone et al., 2012; Gómez-Mejía et al., 2007), which show that family emotions are counterproductive to performance. The theoretical perspective of SEW could help to explain these results. That is, the concept of SEW is multidimensional and, therefore, does not just depend on the strong presence of family emotions, to predict counterproductive behavior (Berrone et al., 2012). Therefore, it seems short-sighted to think that family emotions only have a direct impact on the effectiveness of the supervisory board. Moreover, the concept of family control, which refers to the extent to which the owning family exerts control over strategic decisions, seems to be inextricably linked within the relation to performance and therefore is equally important as family emotions (Berrone et al., 2012), which, therefore, could explain this non-significant relation.

For the second hypothesis, the results show no relation between family emotions and service task performance, mediated by access to information and resources. However, a clear finding is that the supervisory board's service task performance improves significantly when the supervisory boards do have access to necessary information and resources. This confirms, in line with empowerment theory (Spreitzer, 1996), that the executive board needs to empower the supervisory board to do their job effectively by providing this information and resources about the organization's strategy, direction, and performance. Equally important, the effectiveness of the supervisory board, therefore, depends on the willingness of the executive board to provide necessary information and resources. Then again, the question arises to what extent the family influences the sharing process, and to what extent the diversity and ratio of family members and non-family members represented in the board of directs influences this process of information sharing. It appears that the ratio of family members in the executive board and the willingness to share information to the board are inextricably linked. Research by Vandebeek, Voordeckers, Lambrechts, and Huybrechts (2016) shows that boards composed out of both family

members and non-family members influence the roles and behavior of both parties due to diverging viewpoints and interests and as such, the extent to which information and resources are provided.

For the third proposed hypothesis, the regression analyses do not provide any evidence for the proposed conditional effect of engagement on the relation between family emotions and information sharing. To explain this finding we could consider group cohesion as an important facet in team engagement and achieving shared goals (Costa et al, 2014). Moreover, cohesion reflects the shared commitment of team members to pursue and reach the same valuable goals. However, as the supervisory boards in family businesses consist out of both family members and non-family members, there might be a lack of goal congruence between board members (Vandebeek et al., 2016). As the effectiveness of team engagement depends on individual actions and interaction for creating a shared pattern of behavior (Costa et al., 2014), a lack of goal congruence could lead to unsynchronized actions. Therefore, goal incongruence could be detrimental to the effectiveness of team engagement in gathering information and resources. However, the results of the regression analyses and correlation matrix do confirm that higher levels of engagement lead to more information and resources. In other words, despite the insignificant moderated relation, more engaged supervisory boards gain more access to information and resources, and evidently, higher levels of engagement lead to higher levels of performance. Therefore, proactive behavior and determination to serve the companies interests, both benefits the supervisory board and the organizational performance (Gagné, 2014; Costa et al, 2014) and helps building supportive and trustworthy relations between the supervisory board and the owning family (Schoorman, Mayer, & Davis, 2007; Aryee, Budhwar, & Chen, 2002).

Additionally, the results show a noteworthy significant negative correlation between supervisory board performance and the supervisory board size (Table 1), and a significant negative relation testing against a more lenient significance level (Table 2). Moreover, although larger supervisory boards are likely to have more knowledge, it seems that a large board has a negative impact on the board's performance. Instead, they might experience difficulties in coordinating these different skills effectively, eventually leading to less strong interpersonal relationships and cohesiveness (Forbes & Milliken, 1999).

## Limitations

By examining the relationship between family emotions and supervisory board performance, this study filled a gap in the literature about supervisory board effectiveness in family businesses. However, this study has certain limitations. First, related to the design of this study, this research used a convenience sampling method (Pallant, 2016), by using LinkedIn to reach for contact with supervisory board members of family businesses. The average age of supervisory board members in the Netherlands is 61 (Dohmen, 2017), which is not reflected in this study (average age of 56). This is mainly due to the fact that many older supervisory board members do not have a LinkedIn profile. Although this research has tried to overcome this limitation by sending hardcopy letters and questionnaires addressed to these board members, it needs to be taken into consideration that the results regarding this study do not represent the entire population. Furthermore, the construct of engagement was measured with two items, which is considered rather small. However, the inter-item correlation is high (r = .929), whereby it can be concluded that the items explain sufficient variance (Pallant, 2016).

Second, this study is built on existing scales, which were adapted to fit the context of supervisory boards. However, scales were mostly based on five-point Likert-scales, leaving no room for additional or deviating answers, leading to common method variance (Lindell & Whitney, 2001). Therefore, participants of this study had to answer questions that might not apply to them, because these tasks are being carried out differently of not being carried out at al. As a result, the nature of one's answer is unknown and leads to a distorted picture of the results or missing values.

Third, examining the effectiveness of supervisory boards in family businesses, this study was conducted among supervisory board members within these family businesses. Therefore, the insights obtained through this study are based on the experience and opinions of supervisory board members. Moreover, by doing so, these board members were asked to reflect on their own performance and effectiveness, which is possibly influenced by self-serving biases (Sedikides, Campbell, Reeder, & Elloit, 1998). When people are asked to evaluate themselves, these evaluations are often more favorable to place them in the best light (Dunning, Meyerowitz, & Holzberg, 1989). As a result, it is possible that

the results of this study benefit the supervisory board (e.g., overcoming the negative influence of family emotions), and detriment to the owning family (e.g., speculation of high family emotions). Therefore, for future research, it is recommended to include different perspectives in investigating the effectiveness of the supervisory board.

Lastly, the results of this study are based on a relatively small sample size (N=83). This mainly lies in the fact that supervisory board members are a difficult-to-reach population. Adding to this, as 37% of the respondents did not finish the questionnaire, it is questionable whether the content questionnaire is structured correctly. Questions about the influence of the owning family on the business processes were asked last and are most often skipped. It seems plausible that these participants did not belong to family businesses. For this reason, it is questionable whether the use of the databases (e.g., Orbis and Company info) provides correct information.

#### **Future research**

Building on this study and its results, further research could consider a broader concept of SEW, to examine the effect on supervisory board performance. The multidimensional concept of SEW considers, in addition to family emotions, family control as a significant predictor in which owning families exert their power over strategic and business decisions (Berrone et al., 2012; Gómez-Mejía et al., 2007). Moreover, the ability to actually exercise control on business decisions is vested in being a family member and emerges from a strong ownership position (Berrone et al., 2012). It is not uncommon that family members exert their control on business decisions, both formal and informal. Therefore, it seems worthwhile to examine the effect of family control on supervisory board performance.

Furthermore, future research could pay closer attention to the total concept of the supervisory board's effectiveness by examining the concept of the supervisory board's control task (Forbes & Milliken, 1999). The supervisory board is legally entrusted with the task to control and monitor the strategic decisions and policies, to ensure and protect the interests of all shareholders (Forbes & Milliken, 1999). In other words, the supervisory board in the family business operates as a safeguard

for the owning family's interest, which might have a positive effect on family emotions and access to information and resources. In the same vein, as the results of this study provide a possible moderated mediation using a higher significance level, it is recommended to examine the former variables with a bigger sample size and explicitly include family members (e.g., non-supervisory board member), in order to create a clearer picture of supervisory board performance, and gain better understanding of the role of owning families in family businesses. In addition, this research shows a negative correlation between supervisory board size and engagement and service task performance. According to Forbes and Milliken (1999), large boards are more likely to have more knowledge and skills. However, a board with many board members is likely to encounter difficulties in using their knowledge and skills effectively. Therefore, it could be interesting to assess whether board size has a moderating effect on the relation between information and resources and service task performance.

Lastly, given that information and resources were found to influence supervisory board performance positively, further research could pay attention to the composition of the executive board. As the supervisory board is entrusted with controlling the executive board (Frobes & Milliken, 1999), examining the composition of the executive board could provide a better understanding of how the owning family is intertwined in setting strategic policies and therefore influence supervisory board performance.

## **Practical implications**

Based on the results of this study, there are several practical implications. The results of this study do not confirm a negative relationship between family emotions and the supervisory board's service task performance. Hence, a high degree of family emotions has no negative consequence for the extent to which the supervisory performs its service task. However, this study confirms that information and resources are positively related to the supervisory board's service task performance (Hooghiemstra & van Manen, 2014; Barsade & Gibson, 2007; Spreitzer, 1996). In other words, the supervisory board depends on the extent to which they are provided with information and resources to enable them to

perform their service tasks as an official corporate body. Therefore, in family businesses, the executive board is responsible for providing the right information and resources in a consistent manner.

Nevertheless, it is noteworthy for organizations to understand how engagement relates to information and resources. The positive relationship between engagement and information and resources predicts that if the supervisory board shows high levels of involvement by preparing sufficiently and perform their duties when it is needed, they will have greater access to information and resources, which leads to higher service task performance. Therefore, the supervisory board takes an important and responsible role when it comes to their own performance. Moreover, supervisory board members should bear in mind that their performance is mainly under their own control and to take an active role in acquiring the information and resources. An interaction between the supervisory board and the executive board seems to be of great value in this regard. Therefore, companies will have to focus on excellent and efficient collaborations between both bodies for optimum performance

## Conclusion

This study examined the research question: ''To what extent does supervisory board's engagement influence the effect of family emotions on supervisory board's access to information and resources and on supervisory board service task performance?''. The results of this study reveal that, although there is no direct relation between family emotions and service task performance, access to information and resources is indeed a significant predictor for the supervisory board's service task performance. Moreover, supervisory board members themselves take an important and responsible role when it comes to acquiring this information and resources and their own performance. These findings contribute to the empowerment theory (Spreitzer, 1995) and theory about engagement (Gagné, 2014; Costa et al., 2014). This study does not provide evidence for the proposed hypotheses and research question. However, this research offers a reasonable basis for further research into the supposed moderated mediation relation between SEW (Berrone et al., 2012; Gómez-Mejía et al., 2007), and the effectiveness of supervisory boards in family businesses.

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# Appendix

# Appendix I: Items per variable (questionnaire)

Family Emotions	Helemaa oneens	Oneens	Niet eens/ niet oneens		Helemaa eens
In hoeverre bent u het eens met volgende typeringen over de familie achter deze onderneming?	iaal s	ัช	ens/ neens	Eens	la <u>al</u>
<ol> <li>Emoties en gevoeligheden in de familie hebben invloed op besluitvormingsprocessen in het bedrijf</li> <li>Het welbevinden van</li> </ol>					
familieleden staat voorop en gaat boven het persoonlijk functioneren in het bedrijf					
<ol> <li>Overwegingen gebaseerd op gevoel zijn vaak even belangrijk als financieel- economische overwegingen</li> </ol>					
Information and Resources	Helemaal oneens	Oneens	Niet eens/ niet oneens	т	Helemaal eens
In hoeverre bent u het eens met de volgende stellingen?			ns /	Eens	
<ol> <li>De RvC kan de nodige middelen verkrijgen om ideeën/plannen uit te zoeken</li> </ol>					
<ol> <li>Wanneer de RvC extra middelen nodig heeft om haar taken uit te voeren, kunnen we deze meestal krijgen</li> </ol>					
<ol> <li>De RvC heeft toegang tot benodigde middelen voor een goede uitvoering van haar taken</li> </ol>					
<ol> <li>De raad van commissarissen heeft informatie over de strategieën en doelen van het bedrijf</li> </ol>					
De raad van     commissarissen heeft     inzicht in de visie van de     bestuurders op het bedrijf					
<ol> <li>De raad van commissarissen heeft toegang tot de strategische informatie die nodig is om</li> </ol>					

haar controle- en adviestaken uit te kunnen voeren

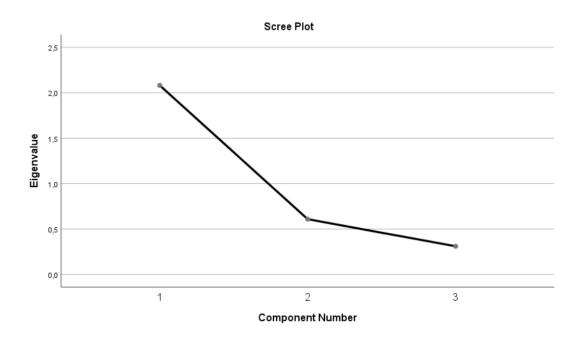
	ice Task Performance	Onvoldoende		Voldoende		Zeer
funct	goed beoordeelt u het ioneren van deze raad van missarissen op de volgende n:	ende	Matig	ende	Goed	Zeer goed
10.	Het versterken van de reputatie van de onderneming					
11.	Inzetten van netwerken en relaties ten gunste van de onderneming					
12.	Het adviseren van de raad van bestuur					
13.	Het adviseren over de organisatiestrategie					
14.	Het zorgen voor toegang tot extra resources voor de onderneming					
Enga	ngement	Helemaal oneens	Oneens	Niet eens/ niet oneens	Φ	Helemaal eens
	peverre bent u het eens met de ende stellingen?			ns	eens	
15.	Alle leden van de raad van commissarissen bestuderen zorgvuldig de informatie die voorafgaand aan de vergaderingen door de raad van bestuur is aangeleverd					
16.	Alle leden van raad van commissarissen zijn altijd beschikbaar als de werkzaamheden daar om vragen					
Apper	ndix II: Control Variables					
17.	Hoeveel leden in de raad van cor	nmissarissen :	zijn familiele	den?		
18.	Hoe groot is de onderneming uitg	gedrukt in het a	aantal werkn	emers?		
19.	Uit hoeveel leden bestaat de raad	d van commiss	sarissen?	1		

# **Apendix III: Factor Analyses**

## **Family Emotions**

Family	emotions	Factor
		loadings
1.	Emoties en gevoeligheden in de familie hebben invloed op	.889
	besluitvormingsprocessen in het bedrijf	
2.	Het welbevinden van familieleden staat voorop en gaat boven het persoonlijk	.852
	functioneren in het bedrijf	
3.	Overwegingen gebaseerd op gevoel zijn vaak even belangrijk als financieel-	.752
	economische overwegingen	
Eigenv	alue	2.081
Cronba	ach's alpha	.778

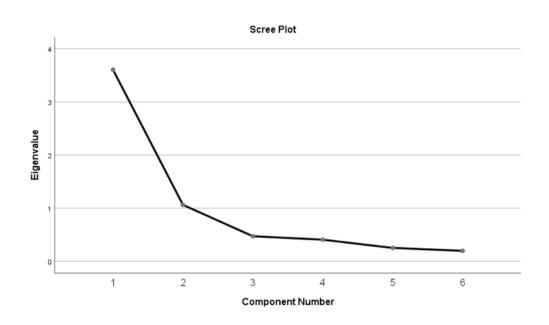
Extraction Method: Principal Component Analysis



## **Information and Resources**

Inform	ation and resources	Factor
		loadings
4.	De RvC kan de nodige middelen verkrijgen om ideeën/plannen uit te zoeken	.881
5.	Wanneer de RvC extra middelen nodig heeft om haar taken uit te voeren,	.809
	kunnen we deze meestal krijgen	
6.	De RvC heeft toegang tot benodigde middelen voor een goede uitvoering van	.762
	haar taken	
7.	De raad van commissarissen heeft informatie over de strategieën en doelen van	.760
	het bedrijf	
8.	De raad van commissarissen heeft inzicht in de visie van de bestuurders op het	.758
	bedrijf	
9.	De raad van commissarissen heeft toegang tot de strategische informatie die	.750
	nodig is om haar controle- en adviestaken uit te kunnen voeren	
Eigenv	alue	3.607
Cronba	ach's alpha	.865

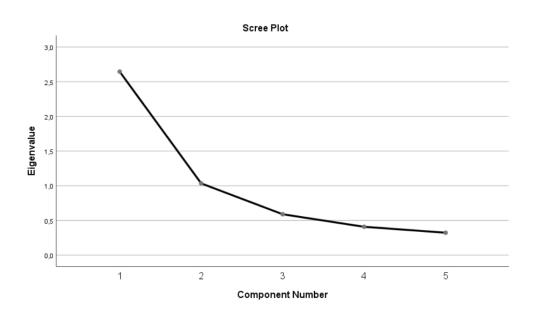
Extraction Method: Principal Component Analysis



## Service task performance

Service task performance	Factor
	loadings
10. Het versterken van de reputatie van de onderneming	.766
11. Inzetten van netwerken en relaties ten gunste van de onderneming	.744
12. Het adviseren van de raad van bestuur	.741
13. Het adviseren over de organisatiestrategie	.692
14. Het zorgen voor toegang tot extra resources voor de onderneming	.690
igenvalue	2.646
Cronbach's alpha	.776

Extraction Method: Principal Component Analysis



# Engagement

Engagement	Factor
	loadings
15. Alle leden van de raad van commissarissen bestuderen zorgvuldig de informatie die	.929
voorafgaand aan de vergaderingen door de raad van bestuur is aangeleverd	
16. Alle leden van raad van commissarissen zijn altijd beschikbaar als de	.929
werkzaamheden daar om vragen	
Eigenvalue	1.728
Cronbach's alpha	.840

Extraction Method: Principal Component Analysis