

## Chapter 12

# Emotional Capital and Sustainability in Family Businesses: Human Resource Management Perspective and Sustainability

**José Ignacio Elicegui-Reyes**  
*Universidad de Cádiz, Spain*

**Jesús Barrena-Martínez**  
*Universidad de Cádiz, Spain*

**Pedro M. Romero-Fernández**  
*Universidad de Cádiz, Spain*

### **ABSTRACT**

*Currently, family businesses are facing huge competition and economic difficulties aggravated further by the present crisis in which companies are immersed. Additionally, the lack of a specialized human resource management function in these kinds of firms makes an efficient process of generational change difficult, which represents a major challenge for the sustainability of these organizations. The links between family and their emotional ties are, in this regard, an important aspect to consider in human resource management. This chapter examines, in theoretical terms, how emotional capital can be a key factor, not only for attracting and retaining talent, but also for ensuring competitiveness in economic, social and environmental aspects, and therefore its sustainability, understood as a balance of economic, social and environmental performances.*

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## INTRODUCTION

In recent decades, a large number of studies have examined the implications of managing emotions in business (Goleman, Boyatzis, & McKee, 2013; Gunkel, Schlaegel, Rossteutscher, & Wolff, 2015; Murphy & Tyler, 2008). Several researchers have shown how emotions can significantly affect key performance variables in human resource management (HRM), such as the individual motivation of workers, teamwork, commitment, and organizational behaviour in general (Barsade & Gibson, 2007; Farh, Seo, & Tesluk, 2012; Kaplan, Bradley, Luchman, & Haynes 2009; Labaki, Michael-Tsabari, & Zachary, 2013). These variables represent highly outputs for organizations, and necessitate an HRM structure to facilitate their development.

Emotions are distinctively developed in family firms. A family business can be defined as “a unique form of business organization since it involves the overlap of a system structured on rational economic principles with a system organized and driven by emotions” (Kets-de-Vries et al., 2007, p. 26). The contribution made by Habbershon and Williams (1999, p. 11) must also be acknowledged; those authors coined the concept of ‘familiness’ as “the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business”. The interaction of these three units gives rise to a range of resources and capabilities that Habbershon, Williams and MacMillan (2003, p. 460) call family factors. This bundle of resources and capabilities represents an intangible value that the family brings to the business and it can be a competitive advantage. This highlights the importance of family influence in this type of business, which can in turn lead to a competitive advantage and, therefore, being a differentiator for the organization (Habbershon et al., 2003). Thus, it would be interesting to analyze the mediating role that HRM could play in a family business with the aim of determining what factors family influence contribute toward establishing a competitive advantage and long-term sustainability.

In this context, a factor is a source of competitive advantage when it has a number of features that differentiate it from non-family firms. Barney (1991) suggested that, in order to consider a factor a competitive advantage, it must be valuable, rare, or imperfectly imitable, among other features. At the same time, Wernerfelt (1984) emphasized that in order to identify sources of high yields, machine capacity, customer loyalty, or production experience can be considered as attractive resources.

In addition, emotional connotations are attributed to a system of values and beliefs rooted in the family and the ideas and principles of the business’s founder (Bee & Neubaum, 2014; Poza & Daugherty 2013). Emotional capital has been defined in many different ways over the years by researchers in different contexts (Gillies, 2006; Thompson, 2001). Huy and Shipilov (2012, p. 74) define emotional capital as “the aggregate feelings of goodwill towards the company and how it operates, thus representing a set of assets based on emotion that the organization has developed over time with their employees.” From this definition we can assume that the way in which the company operates determines the emotional status of employees and therefore the company is a key factor in the development of these emotions. Additionally, Huy and Shipilov (2012, p. 74) classified emotional capital as a specific dimension of social capital, “constituting an asset in which to invest resources to future expectations, though with uncertain results.”

Considering these social aspects, this chapter examines the implications of emotional capital in family firms based on a socially responsible human resource management (SRHRM). In order to achieve this goal, we reviewed the family business literature for variables involved in justifying a close relationship between CSR (corporate social responsibility) policies and practices in family-owned businesses and emotions stemming from these actions. Moreover, this chapter proposes a deeper study regarding how

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