Voting Rules in Boards of Family Firms

 

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This study explores the establishment of an active board of directors for a family business. The director's role enables family members to be active owners of a family business without actually working in it or serving in management positions. A director of a private family firm takes into consideration family tradition and values, long-term survival of the business under family control, and more. Nevertheless, differences among family members in their goals and visions regarding the business' future development may create conflicts, particularly between family members of different generations. We propose an economic model for setting voting rules on the board of directors, showing the rules that match the priorities and view of each director. The results of the model indicate that determining the voting rules set in advance affect control, continuity and management of the family business. The larger the required majority, the more difficult it will be to approve strategic changes in the future. Given the characteristics of family businesses, the results suggest a supermajority, not a simple majority, for some decisions in family businesses. Such decisions are, for example, sale of the business, distribution of dividends, engagements that may deprive the family of control, and raising capital or large debt, and taking on partners. The findings also indicate that an informed choice of voting rules is expected to reduce future conflicts among family members.

The Dark Side of Consumer Behavior: Gloating and Joy-of-Pain in Word-of-Mouth Communication towards Failure or Success of Commercial Entities

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Word of mouth (WOM) communication is everywhere! It always played an important role in disseminating commercial information through a social network, whether it is factual, false, or questionable. What drives consumers to share information, and why are some stories and information shared more than others? Research has presented conflicting results on the impact of positive versus negative WOM. In this paper we review recent research that demonstrates, first, the dominance of "negativity bias" in the diffusion of commercial information. Second, that much of the negative information uses malicious messages driven by "dark" feelings of "joy-of-pain" (Schadenfreude) and "joy-of-pain" (Gluckschmerz) following a commercial entity's failure or success. As pervasive counter-empathic emotions, we show the practical implications of using communication strategies in order to combat secondary negative WOM that might damage entities' reputation.