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Ethical Problems in Family Firms

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Abstract

Various articles suggest that particular ethical problems occur in family firms, but until now, no attempt has been made to collect and structure available information on them. Based on the systematic review of 110 articles from peer-reviewed academic journals, we show that family firms face a set of unique ethical dilemmas and define those. They can either be family-based or business-based and we uncover the antecedents and outcomes of the processes that family firms employ to solve them. When family firms manage to deal with ethical problems appropriately, they will be rewarded for that in various ways, including improved financial performance and the preservation of potentially all SEW dimensions.

Keywords: Family firms; Business ethics; Socioemotional wealth.

1. Introduction

1.1. Problem and Relevance

Family firms are the most prominent form of organizations worldwide (La Porta, Lopez-De-Silanes, & Shleifer, 1999). They can be considered as the “backbone of corporate life, across nations, remaining a cornerstone of socio economic development” (Poutziouris, Smyrnios, & Klein, 2008, p. 1). They account for up to 85% of businesses in OECD countries, and 70-80% of all businesses in Europe (Kraus, Pohjola, & Koponen, 2012). They are even more common in Germany, where 94% of all corporations are family firms (Wolter & Sauer, 2017). Given their economic importance, it is somewhat surprising that family firms have remained relatively understudied for quite some time (Steier, Chrisman, & Chua, 2004) and various scholarly fields have only in the past decades since the late 1980s started to dedicate scientific work to studying them. Family business research has rapidly gained importance since then (Rovelli, Ferasso, De Massis, & Kraus, 2021). Family firms are unique because of the interplay of the three interconnected systems of family, ownership, and business that exist within them and can overlap

to varying degrees in different family firms (Davis, Hampton, & Lansberg, 1997). A family firm is special because a family is involved in its ownership and management, and this family typically has the intention to pass the business on to the next generation (Litz, 1995; Lubatkin, Schulze, Ling, & Dino, 2005). Some traditional ideas from business and management studies may not hold entirely true for family businesses because of distinct family firm characteristics like their constantly present inclination to preserve socioemotional wealth (SEW) (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010) along with particular goals (Basco, 2017) and strategies (Gudmundson, Hartman, & Tower, 1999). It often remains unclear which theories are appropriate to examine and describe family firms. Contradicting beliefs exist, for example, regarding whether stewardship, stating that family firm managers will serve the greater good of the organization, or agency theory, stating that family firm managers will exclusively maximize the utility of the owning family, is better suited to explain their behavior (Azizi, Bidgoli, Maley, & Dabiç, 2022; Le Breton-Miller & Miller, 2009; Madison, Kellermanns, & Munyon, 2017).

Another emerging field in academics is business ethics (Drucker, 1981). Especially with the many recent scandals of companies like Enron, Wirecard, and VW that have been covered in tremendous amounts of negative headlines, the topic of business ethics has rapidly gained prominence (Blodgett, Dumas, & Zanzi, 2011). Since, as stated previously, many

I would like to thank the Chair of Family Business at WHU for the opportunity to write my Bachelor thesis about this interesting topic. Additionally, I would like to thank my supervisors Assistant Professor Dr. Julia de Groote and Yasin Yilmaz for continuously providing me with guidance, critique and suggestions during my research.

classical research approaches from non-family firms cannot simply be transferred and applied to family businesses, the question of what business ethics look like in family firms arises.

The field connecting the academic research streams of family businesses and business ethics is even less developed than the two are individually, and many of its aspects are yet to be investigated (Sharma & Sharma, 2011; Van Gils, Dibrell, Neubaum, & Craig, 2014; Vazquez, 2018). However, especially in recent years, quite some work has happened there, and Vazquez (2018) systematically structured and synthesized other scholars' work about ethical differences between family and non-family firms. The picture of ethics in family firms is not solely positive as, for example, their social performance is often found to be worse than that of their non-family counterparts (Cruz, Larraza-Kintana, Garcés-Galdeano, & Berrone, 2014; Cuadrado-Ballesteros, Rodríguez-Ariza, García-Sánchez, & Martínez-Ferrero, 2017; El Ghouli, Guedhami, Wang, & Kwok, 2016) and many scholars suggest that some unique business ethics dynamics come into play in family firms (Blodgett et al., 2011; Mitchell, Agle, Chrisman, & Spence, 2011). These can introduce family- and business-based ethical problems that will severely harm the performance and longevity of family firms when they fail to solve them. This thesis will provide structured information to understand those problems which is essential for making them manageable. That is in turn crucial for the global economy's well-being because of the critical role that family firms play there.

1.2. Objective

To shed further light on family business ethics, we will tackle one of the limitations and future research avenues from Vazquez's (2018) study with this thesis. After comparing family and non-family firms from an ethical point of view, he acknowledged that a separate study is required to examine ethical dilemmas faced by family firms based on the existing literature. Various articles suggest that particular ethical problems occur in family firms, but until now, no attempt has been made to collect and structure available information on them. Accordingly, neither have the processes that family firms employ to solve ethical problems been properly investigated, but some of their antecedents and outcomes can nevertheless be found in available empirical and conceptual research.

Therefore, the objective of this thesis is to answer the following two research questions regarding family business ethics by consolidating the existing literature published in various fields like management and economics but also sociology and psychology:

- How can the ethical problems encountered by family firms be categorized?
- What are the antecedents and outcomes of family firms' endeavors to deal with ethical issues?

We found out that the ethical problems occurring in family firms are manifold and can be either family- or business-based. In order for family firms to deal with them, aspects like family involvement and values are essential. Furthermore, some mediating factors come into play within family firms' processes to solve ethical problems, translating their efforts or omissions regarding ethics into financial and social performance.

Our insights regarding what particular ethical problems occur in family firms and what measures they currently employ to solve them could be crucial for family firms in order to gain the ability to mitigate such issues appropriately. This is notably interesting for family firm owner-managers, employees, and advisors. It will provide them with the information they require to detect ethical problems in their firms and suggest some starting points to successfully manage them. Many family businesses fail (Aronoff, 1999) and the probability of failure is much higher for family firms because they sometimes make decisions that enhance SEW and benefit the family but harm the business (Gómez-Mejía, Haynes, Núñez Nickel, Jacobson, & Moyano-Fuentes, 2007). Some of the ethical dilemmas we examine in this thesis can be regarded as so drastic that they might be a cause for a family firm's failure if they are not handled appropriately. Our findings are also relevant to business ethics and family business scholars as we provide them with an overview of the current status of research around family business ethics; we additionally make suggestions regarding which areas of their fields should be further examined in the future.

The remainder of this thesis is structured as follows: We will continue by explaining the methodology we employed to derive our sample of 110 articles from peer-reviewed academic journals. Subsequently, we will answer our research questions based on an analysis of the sample. The chapter containing our results starts with definitions and descriptive statistics. This part will be followed by an elaboration of our synthesized findings regarding which diverse ethical problems family firms face and what is known about the processes they employ to solve them. Finally, we will present our findings' theoretical and practical implications and describe this study's limitations and avenues for future research before finishing this thesis with a short conclusion.

2. Methodology

In line with Vazquez's (2018) suggestion that the ethical problems in family firms can and should be studied this way, we decided to conduct a systematic review to answer our research questions. Since various journals have already published articles dealing with family firm ethics that are relevant to our topic, but this research had not been consolidated previously, we believe that a structured review was the appropriate method for us to use. The existent research is somewhat fragmented and somehow had to be tied together in a way that would be replicable. We, therefore, needed to find a possibility to collect relevant literature for our topic while assuring not to miss anything important here before we could

turn to evaluating and analyzing our sources. Altogether, this is in line with the aspects that, according to Cooper (1982) and Tranfield, Denyer, and Smart (2003) make it rational and demand for a research question to be answered through a structured review. This review can then pave the way for further empirical research since it creates some kind of a joint starting base for that. An empirical approach would not have been suitable to answer our research questions because our goal was to introduce broad and general new concepts; collecting sufficient information for that in a single study of this scope is not possible.

In our review, we followed the process defined by Xiao and Watson (2019) which consists of formulating the problem to be solved, developing a review protocol, conducting the literature search, deciding which sources should be included in the final sample, and extracting, analyzing and synthesizing data from them; the process ends with the creation of a report presenting the systematic review. It is very similar to the processes outlined by Cooper (1982), Denyer and Tranfield (2009) and Tranfield et al. (2003).

Before starting our literature search, we decided to only search for relevant sources online. The fields that are relevant to our research have only emerged in the past years, and we, therefore, believed that vital information from them should be available online in a digitized format. Additionally, we wanted our results to be relevant and hold true for current times, so it did not make much sense for us to rely on sources that were too old to have been published online.

We then decided to conduct our search in multiple databases to ensure that we would find as many high-quality sources that are relevant to us as possible. At first, we used the EBSCO Discovery Service to search for relevant literature. This search was complemented by another one that we conducted in Scopus. EBSCO and Scopus are both reliable databases that contain immense amounts of academic literature from various research fields. To identify relevant literature, we combined the aspects of a corporation being a family firm and an ethics component being present there to develop our search term. We came up with the following search string that includes Boolean operators and also accounts for scholars using synonyms for the words "family firm" and "ethics" in their research:

("family firm*" OR „family business“ OR „family compan*" OR „family enterprise“ OR „family manag*" OR „family control*" OR „family owne*" OR „founding family“ OR „family influence*" OR „family govern*" OR „family-led“ OR "privately held" OR "privately-led" OR "private firm" OR "private enterprise" OR "private company") AND (ethic* OR moral)

We used this search string to search in the title, abstract, and keywords of documents and conducted our searches at the beginning of April 2022. The search in EBSCO initially yielded 3050 results. Further filtering criteria were applied to ensure that only high-quality ones would be considered later on. We chose to screen only articles from English peer-reviewed academic journals for their relevance. We exclusively considered journals here that received a ranking score

of at least 3 in the CABS Academic Journal Guide. For journals that were not ranked there, we checked their score in the VHB journal guide and admitted those that received a ranking score of B or better. Only for articles that focused very specifically on the topics of our research questions, journals with a ranking of 2 or C were accepted. We defined a period from 1960 until March 2022 and only included articles that were published within that time frame. We did not set filters regarding the geographic settings or methods used in the studies and therefore admitted qualitative, quantitative, and conceptual ones from all over the world.

Applying our filters reduced the number of results to 826. EBSCO then automatically deleted some duplicates, reducing the sample to a size of 256. From that, we found 55 further duplicates, which we eliminated. We read the titles and abstracts of the 202 leftover articles and decided to keep 69 for full-text screening. After obtaining and reading the full text of these articles, those that did not focus on family firms were excluded, just as some that were not related to ethics or morality in any regard. We then arrived at a final amount of 55 articles from EBSCO that we deemed relevant for our later analysis.

We used the identical search string for a subsequent search in Scopus. Initially, this search generated 4377 results. We then applied the same inclusion and exclusion criteria as we did for the EBSCO search to this one and decided to only include journals from the fields of Business, Management & Accounting; Social Sciences; Economics, Econometrics & Finance; Psychology and Decision Sciences, which reduced our results to an amount of 583. We then excluded duplicates that were already obtained through the EBSCO search and ended up with 476 articles. After scrutinizing their titles and abstracts for relevance, we reduced our sample to 42 articles. Thirty-five of those were regarded as relevant for our analysis after we obtained the full texts of all 42 articles and read them.

As suggested by Denyer and Tranfield (2009), we also searched for relevant working papers because of the nascent character of research on family business ethics in both databases to complement our searches. However, this yielded no additional relevant results.

To further ensure that we would obtain all relevant sources, we conducted a backward search, which Cooper (1982) calls the ancestry approach, and could find 18 further articles. Through a forward search, which is classified as the descendancy approach by Cooper (1982), we finally discovered two additional articles that we deemed essential for our research. Using these techniques to identify relevant literature was also suggested by Webster and Watson (2002). Our whole literature search process is visualized in Table 1.

In total, we ended up with 110 relevant articles that were subsequently analyzed, we have included an overview of their main findings in Table 7 in the Appendix. We used End-Note to store and organize our literature as recommended by Denyer and Tranfield (2009). We collected our key findings in an Excel table and a corresponding word document, based on which we then synthesized them and created this report.

Table 1: Methodological Approach

Results	EBSCO	Scopus	Total
After Search in title, abstract and key words	3050	4377	7427
After applying inclusion and exclusion criteria	826	583	1409
Duplicates	625	107	731
After deleting duplicates	202	476	678
After screening article titles and abstracts	69	42	111
After reading complete articles	55	35	89
Articles found through backward search	17	1	19
Articles found through forward search	2	//	2
Final sample size	72	38	110

Source: Own illustration.

3. Results

3.1. Key Definitions

3.1.1. Family Firm

There is little clarity and consensus among scholars regarding what criteria an organization must meet to classify as a family firm (Vazquez, 2018) and interestingly, not all firms that researchers sometimes classify as family firms view themselves as such (Zellweger, Kellermanns, Eddleston, & Memili, 2012). However, there are some attributes on which almost all researchers agree. There must be an overlap between a family and a business, meaning that this family has some level of control over the firm (Zellweger, 2017). It must be involved in the firm's management and has to have a major stake in its ownership (Davis et al., 1997; Litz, 1995). Many, but not all, definitions require that at least two family members, if not more, must be present in a firm's management team for it to be regarded as a family firm (Campopiano & De Massis, 2015). Since the relevant literature on our topic is still relatively scarce and evolving, we have decided to use a rather broad definition of family firms in our work. For a corporation to be considered by us as a family firm, it is therefore sufficient that a single family holds a majority of its ownership so that it receives controlling power. Researchers work with different thresholds regarding what percentage of ownership must be in the hands of a single family here; such a difference is observable between the work of Campopiano and De Massis (2015) (10%) and Dick, Wagner, and Pernsteiner (2021) (50%) for example. In line with the definitions used by Kim, Haider, Wu, and Dou (2020) and Lamb and Butler (2018), we have decided that in large publicly traded corporations, even 5% could suffice.

3.1.2. Business Ethics and Ethical Problems

Just as the concept of family firms, also that of business ethics can be difficult to grasp, and scholars have employed many different ways of defining it (Egels, 2005; Joyner & Payne, 2002). Lewis (1985, p. 382) approximated a broad definition for business ethics stating that this topic covers "moral rules, standards, codes, or principles which provide

guidelines for right and truthful behavior in specific situations."

For the purpose of this thesis, we use it as an umbrella term that spans various categories that came up in the articles we analyzed. These include stakeholder management (Bingham, Gibb Dyer, Smith, & Adams, 2011; Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012; Mitchell et al., 2011), sustainable development (Delmas & Gergaud, 2014), corporate social responsibility (CSR) (Campopiano & De Massis, 2015; Déniz & Suárez, 2005; El Ghouli et al., 2016) and corporate social performance (CSP) (Dyer & Whetten, 2006; Kim et al., 2020; Labelle, Hafsi, Francoeur, & Ben Amar, 2015) for example. In general, we view such situations as ethical issues and problems where a violation of ethical principles or values like integrity, honesty, or fairness is present or could arise, resulting in immoral actions (Fernando, 2010; Jacobs, 2004). Ethical dilemmas are situations where a moral question comes up that decoys family firms in a tradeoff regarding what they should do. They are frequently torn between a financially and an ethically or socially intriguing option here, and there are often no specific legal regulations in place to shape their behavior (Hartman & Desjardins, 2006). We do not utilize a specific philosophical ethics perspective or moral guideline like Utilitarianism or Deontology in this thesis to evaluate our findings.

3.1.3. SEW

Finally, we want to define socioemotional wealth because this concept will come up multiple times during our later analysis and is of great importance there. Something unique about family firms is that, in parallel to striving for financial wealth, they also have the non-financial goal of maximizing their SEW (Chua, Chrisman, & De Massis, 2015; Zellweger, Kellermanns, Chrisman, & Chua, 2012). The relationship between family involvement and the adoption of such non-economic goals as SEW preservation is mediated by family influence (Chrisman, Chua, Pearson, & Barnett, 2012). SEW is a broad concept that has many facets. It was first classified and introduced by Gómez-Mejía et al. (2007) as an extension of the behavioral agency model. According to them, family firms often use SEW as a reference point to decide

which actions to undertake. They describe it as “*non-financial aspects of the firm that meet the family’s affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty. Using a socioemotional reference point, family firms are likely to prioritize maintaining family control even if this means accepting an increased risk of poor firm performance. Yet, because they must keep the firm from failing, they may also act more conservatively by avoiding business decisions that may increase performance variability*” (Gómez-Mejía et al., 2007, p. 106). SEW was further defined by Berrone, Cruz, and Gomez-Mejia (2012) who introduced their FIBER scale to grasp its different dimensions. F stands for „Family control and influence“, I means „Family members’ identification with the firm“, B stands for „Binding social ties“, E is short for „Emotional attachment“, and R means „Renewal of family bonds through dynastic succession“ (Berrone et al., 2012, pp. 262-264). In recent years, scholars like Cruz et al. (2014) have started to acknowledge that SEW preservation can also translate to adverse outcomes; it, therefore, has a dark side to it as well. This becomes evident when the demands of different SEW dimensions are in conflict with each other and family firms have to prioritize one. They will then act responsible with regard to that dimension and irresponsible with regard to the other one at the same time.

3.2. Descriptive Results

An analysis of the 110 articles we derived our results from showed that the topic of family firm ethics is predominantly investigated with a quantitative approach, mainly using cross-sectional data, but 37% of the quantitative studies also used longitudinal data. Thirty-three percent of the articles we chose to work with are purely conceptual. Further details on the methodologies that the studies relied on can be found in Table 2 in the Appendix.

The number of papers that were relevant to our topic has drastically increased over the past years. Before 2000, only two articles were published that we could use, while only in the roughly three years from 2019 until 2022, 38 of the 110 articles we analyzed were published. As Table 3 in the Appendix shows, the research area of family business ethics seems to have gained importance and momentum only since the early 2000s.

Most of the studies we investigated were published in the Journal of Business Ethics (33%), followed by the journals Family Business Review (19%) and Entrepreneurship Theory and Practice (15%). The other articles were typically derived from journals that only included one or two relevant articles for our analysis. We have provided an overview of the journals that published our articles in Table 4 in the Appendix.

We have also determined upon which theories the articles we analyzed were built. Most of them covered or focused on agency (18%) and stewardship theory (13%) to varying degrees, which signals the ongoing discussion among scholars about which theory is appropriate to investigate family firms in the academic literature. Next to those theories, stakeholder theory is frequently employed; it was used in 8% of the articles we investigated. Apparently, these theories lay

much of the groundwork for studying family firm ethics. The remainder of the articles shows much heterogeneity when it comes to utilized theories, and while, for example, identity theories were also used by multiple articles, most of them relied on theories that no other article used. However, 31% of the articles were not based on any particular theory. This proportion is relatively high because we had to include many articles in that count which focus on topics like CSR or SEW or include them as a perspective without providing readers with more concrete specifications or theories of those. We graphically depicted details on the statistics regarding which theories the articles we studied used in Table 5 in the Appendix.

We also examined which geographic regions the 110 papers focused on. It became evident that predominantly single countries in Western economies were studied as 26% of the studies we analyzed relied on samples from Northern America and 16% on samples from Europe. The data from only 8% of them were collected in Asia. Additionally, 12% of all studies accounted for multiple countries in their sampling procedures. We have summarized more insights on the country contexts in which family firms were explored in Table 6 in the Appendix.

Finally, due to the heterogeneity present there, it did not make sense to visualize the various definitions that the studies used to define family firms in a table, but we still want to elaborate on our findings in that regard. Thirty-six studies did not clearly state how they defined the term “family firm,” which is somewhat concerning and in line with the characteristics of the papers that Vazquez (2018) investigated for his systematic review. Apart from that, many studies employ their own definitions that they often derived, at least in parts, from other studies. Nevertheless, there seems to be a consensus among many scholars that Chua, Chrisman, and Sharma (1999) found an appropriate way to define family firms since 15% of the articles we studied used their definition. This definition captures, just like the one formulated by Astrachan and Shanker (2003), that some kind of intention must be present to get different generations of the owning family involved in the business, for example, through transgenerational succession. Additionally, the definition by Chua et al. (1999) states that not only family involvement in a business but also pursuing a family vision makes a firm a family firm.

3.3. Ethical Problems

While Adams, Taschian, and Shore (1996) found no difference in the ethical dilemmas faced by family and non-family firms, we argue that there are unique ethical problems to be found in family firms next to the ones that all types of firms face. These typically arise due to the unique interplay between the family, the business, and the ownership system and tradeoffs between economic or financial and SEW considerations inherent to family firms. However, an ethical dilemma can also arise when a tradeoff between internal and external SEW considerations exists (Vardaman & Gondo, 2014). As implied in Vazquez’s (2018) article, we have categorized ethical problems in family firms according

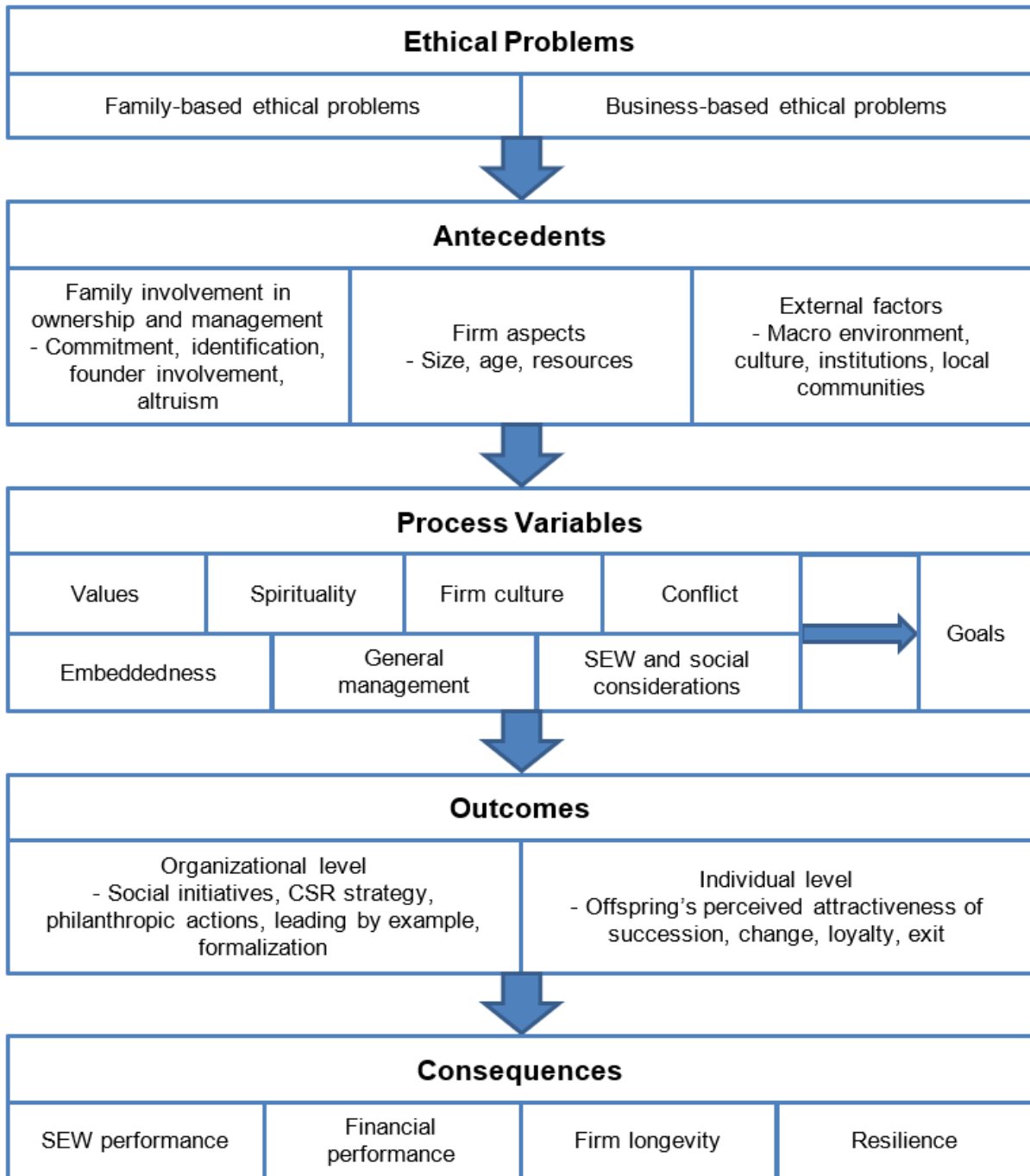


Figure 1: Ethical Problems in Family Firms and Antecedents and Outcomes of Solving them.

Source: Own illustration.

to their origin as either family-based or business-based. This broad separation was then supplemented by introducing further subcategories containing specific problems and dilemmas. There is hardly any extant literature on processes employed by family firms to mitigate ethical problems; however, some defining aspects of those like their antecedents and outcomes could be identified. We connected and synthesized the findings of this structured review in the framework shown

as Figure 1, which depicts the connections between ethical issues and the antecedents and outcomes of processes that family firms employ to deal with them that have been established in the literature. In the following section, we will turn towards explaining these and their detailed effects, which must not always be positive. These building blocks are highly intertwined and jointly come into play at different times after moral questions arise in a family firm. Interestingly, some-

times the antecedents of ethical behavior in family firms are what problems result from, and occasionally ethical problems can be turned from challenges into opportunities through appropriate management.

3.3.1. Family-Based Ethical Problems in Family Firms

Succession-Related Dilemmas

The first kind of ethical problems arising from the owning family is succession-related dilemmas. They compose one of the biggest groups of ethical problems in family firms and are manifold. One of those problems that is also among the most frequently occurring ethical problems in family firms is that the succession process gets delayed (Gallo, 1998). It is oftentimes difficult for predecessors to let go of their power when the time to do so has come since they want to retain their status, which can be detrimental to firm performance and the motivation of successors. Delaying the succession process can put the further existence of the company at risk through several levers since the business bears its expenses (Gallo, 1998; Schulze, Lubatkin, & Dino, 2002).

Another major ethical problem that predecessors can face is that when they want to pass the family firm on to the next generation, the children whom they want to become their successors are not willing to accept that position (McMullen & Warnick, 2015). The children's commitment levels might be low, leaving their parents in a difficult situation where they have to find appropriate actions to reach their goal of finding a family successor without forcing their children (Bloemen-Bekx, Van Gils, Lambrechts, & Sharma, 2021). This situation can trap parents in various ethical dilemmas depending on what alternative successors are available next to the non-committed child. They will typically prefer a committed child who is not very capable of leading the family firm over a hardly committed one that is very capable, but this preference changes as the firm grows in size; in general, family successors are preferred over outsiders who might be committed and capable (Richards, Kammerlander, & Zellweger, 2019).

The treatment of their children and the altruism levels displayed towards them can become a relatively big ethical problem for parents from business families. When the children's education lets some children feel like they are ingroup and others feel like they are outgroup members, the latter kind is likely to engage in deviant behavior at their workplace in the family firm, for example, because those children believe that they were treated unfairly and have developed feelings of entitlement (Eddleston & Kidwell, 2012).

One dangerous parenting style is also "grooming" children too much. This is somewhat authoritarian and goes in the direction of emotional manipulation, which is an ethical problem. Grooming prepares children for having a role in the family business one day without leaving room for the children to decide whether they even want to accept that role leaving them in a challenging situation where they have to

decide between pursuing their own goals and pleasing their parents (McMullen & Warnick, 2015).

The existence of another succession-related ethical problem became evident in the work of Akhmedova, Cavallotti, Marimon, and Campopiano (2020) who investigated the role of female family members, precisely daughters, in family firms. They often face higher barriers to success than their male pendants and are underrepresented in the top management teams of many family firms. Such barriers can be external or internal. They include but are not limited to business sector masculinity, primogeniture, role incongruity, low family support levels, and non-family stakeholders questioning daughters' legitimacy.

Reputational Concerns

Family reputation is a SEW dimension, but it has earned so much prominence as a topic in family business literature that considerations around it can be classified as their own type of ethical issue. It is astonishing what lengths family firms will go to protect their reputation, potentially even hurting some stakeholders (Kim et al., 2020; Martin, Campbell, & Gomez-Mejia, 2016; Vardaman & Gondo, 2014). It can therefore become an ethical problem, and different dilemmas arise from it, like the one to decide whether a connection between the family name and the firm name should even be established since this will enhance reputational concerns (Kashmiri & Mahajan, 2014).

Extraction of Personal Gains

Another major ethical problem in family firms is that the owning family might expropriate their firm and take personal gains and benefits away from it (El Ghouli et al., 2016; Gallo, 2004). Deciding whether and to what degree that should be done is yet another ethical dilemma because while it enriches the family, it can severely harm the family firm (Breuer & Knetsch, 2022). Further insights into this issue are provided in the section about agency problems.

Family Spirituality Issues

Determining to what degree the owning family's religion should influence their business can prove to be a real ethical dilemma (Barbera, Shi, Agarwal, & Edwards, 2020). While it may yield significant benefits for the family firm, it can also introduce ethical problems like the discrimination against stakeholders who belong to a different religion; and sometimes religious values can negatively interfere with business expansion, product pricing or get in the way of family firms pursuing promising business opportunities because they come with increased risk levels (Fathallah, Sidani, & Khalil, 2020). Like tradition, religiosity and a business family's religious identity can conflict with and hold back strategic renewal, which is necessary to ensure a family firm's longevity, as Abdelgawad and Zahra (2020) found out. Therefore, spiritual capital in family firms is a double-edged

sword. Religious identity can be a resource to family firms since it aligns the family and can manage conflicts, but it might potentially also become a burden by limiting openness towards and adoption of innovation.

Heritage- and Tradition-Related Disputes

While tradition is often highly valued and prescribed many positive effects in family firms, it can also become the root cause of an ethical problem. Family firms might be so inclined to stick to tradition that their innovation processes become far less dynamic than those of non-family firms (Duh, Belak, & Milfelner, 2010). They can experience being truly torn between sticking to their tradition and keeping their business model up-to-date (Brinkerink, Rondi, Benedetti, & Arzubaga, 2020). This might even go so far that old and influential business families use their power to interfere with politics in order to protect themselves and their companies from innovative trends (Morck & Yeung, 2003).

Similarly, also family heritage does not only have positive facets. Instead, it can impose ethical problems on successors that are unique to family firms. In this regard, Kidwell, Eddleston, and Kellermanns (2018) have examined the topic of negative imprinting through which the owning family can basically become a continuous burden to all other stakeholders of their family firm. It may lead successors to adopt particular ways of viewing the family firm and its relationship with it, encouraging them to copy and continue to employ unethical business practices from their predecessors. When a very high sense of entitlement, injustice or parental altruism is imprinted, for example, human resource (HR) practices in family firms will be less formalized and fair, and therefore they will probably be manipulated (Kidwell et al., 2018). However, when preceding generations built the firm utilizing unethical means or techniques, and their successors recognize and acknowledge this, they will be left with the dilemma of finding the right way to deal with that (Adams et al., 1996). Such inherited ethical dilemmas can arise based on one's parents' actions and based on those of earlier generations. (Litz & Turner, 2013). People tend to look up to those people and share their values. Therefore, it can be really challenging for successors to find appropriate ways to deal with it when they uncover previous generations' actions of unethical business conduct, and further problems can arise when successors just copy those actions and continue to employ them. Family ties are also likely to hinder whistleblowing in family firms (Litz & Turner, 2013). However, when successors realize and accept that their ancestors behaved in unethical ways, they can feel vicarious guilt which induces vicarious responsibility, and they might take responsibility for those behaviors even though they were not the ones showing them (Bernhard & Labaki, 2021).

Family CEO Complications

When a company's CEO features negative personality traits, this can become detrimental to all of its stakehold-

ers and to that company's success (Zona, Minoja, & Coda, 2013). Chandler, Petrenko, Hill, and Hayes (2021) have investigated how the harmful effects of a CEO showing the dark triad trait Machiavellianism are enhanced in a family firm setting. Machiavellian CEOs will form more strategic alliances with partners to enlarge their pool of targets to control and manipulate, but therefore, these alliances will be less sustainable. However, family involvement can signal the firm's partners that someone responsible (the family) is ready to intervene when partnerships become unethical. That is why those partners are more likely to form such alliances and keep them for longer when an owning family is present (Chandler et al., 2021). This raises the moral question of whether family firms (or their owning families) have a responsibility to protect partners trusting a business because of the family involvement from being exploited by its Machiavellian CEO.

Systems Conflict Between Family and Business

As we have already shown, family involvement in family firms comes with some downsides; it can, for example, also become dysfunctional when it magnifies the intensity of conflicts between family members (Sharma & Sharma, 2011). However, there is still another type of conflict that can introduce ethical dilemma situations in family firms. When the family and the business system require different actions in the face of challenges or opportunities, it will be difficult for family firms to determine which system's demands they should follow (Shepherd & Haynie, 2009). They often have to decide whether they want to prioritize SEW or exclusively economic concerns (Lamb & Butler, 2018). Interestingly, they are, however, often inclined to choose the, in a business sense, riskier option in order to secure and increase their SEW (Gómez-Mejía et al., 2007; Shepherd & Haynie, 2009). This may sometimes become very dangerous to them from an economic point of view when financial considerations get neglected to a great extent. This can, for example, happen when family firms have to decide whether they want to retain family control or economic security (Gómez-Mejía et al., 2007).

3.3.2. Business-Based Ethical Problems in Family Firms

Social Responsibilities

Since the 1980s, at the latest, it has become clear that not only governments and public institutions are responsible for solving the grand challenges faced by humanity like climate change, hunger, and most recently, the pandemic. Corporations also need to take action in that regard, and in recent years it has become evident that even small- and medium-sized enterprises, which are often family firms, are not excluded from that responsibility (Randerson, 2022; Van Gils et al., 2014). They have a social function and must take care of the common good beyond the mere maximization of their own profits (Gallo, 2004). This is the essence of

the CSR concept, and sometimes CSR activities are seen as signs of ethical behavior (Van Gils et al., 2014). An ethical problem here is that many scholars find family firms' social and CSR performance to be worse than that of non-family firms (Cruz et al., 2014; Cuadrado-Ballesteros et al., 2017; El Ghouli et al., 2016). Family firms are tasked with solving the ethical dilemma of finding the proper measures to contribute to solving social issues or at least reducing their adverse consequences (Labelle et al., 2015; Niehm, Swinney, & Miller, 2008). They must find a balance between leading the firm to economic (financial) prosperity that can be sustained in the future ("doing well") and helping others, for example, through displaying altruistic and philanthropic behavior ("doing good") (Bingham et al., 2011; Campopiano, De Massis, & Chirico, 2014; Dekker & Hasso, 2016). They have what Randerson (2022) conceptualized as "Family Business Social Responsibility" (FBSR). Family firms are closely connected to society and responsible for any harm they cause to society; they must be held responsible for the social costs they create and have to focus on all stakeholders and not exclusively on shareholders when making decisions (Van Gils et al., 2014). However, it is commonly believed that family firms are predominantly used to maximize the utility of the owning family (Gallo, 2004). Examples of tradeoffs emerging in the field of social responsibility are environmental-focused (Dou, Su, & Wang, 2019), product-related (Delmas & Gergaud, 2014; Kashmiri & Mahajan, 2014) or employee-focused (Kim et al., 2020) ethical behaviors where family firms have to determine whether they want to invest into going beyond the standards required by law. In family firms, it can be challenging to manage the salience of various stakeholders fairly and transparently (Signori & Fassini, 2021). Additionally, it can be an ethically challenging situation for family firms to decide what they want to disclose in their CSR reports (Campopiano & De Massis, 2015).

Organizational Justice Difficulties

Retaining organizational justice and keeping the fairness perceptions of stakeholders at high levels can prove difficult in family firms. One repeatedly occurring ethical problem related to this is loyalty buying which frequently lays the groundwork for organizational building in those companies (Gallo, 1998). Further reasons for justice difficulties are the negative sides of altruism, agency problems, and little formalization in HR management (Barnett & Kellermanns, 2006).

The most frequently hurt fairness perceptions are probably those of non-family employees. It is an ethical challenge for family firms to foster justice (potentially regarding HR processes) between family and non-family employees and enhance their fairness perceptions. These can, for example, be challenged when employees are rewarded for contributing to SEW rather than economic wealth, which others do not recognize and therefore consider these rewards to be unfair (Samara & Paul, 2019).

Possibly the central ethical problem introducing organi-

zational justice difficulties is nepotism, the hiring of family members (Déniz & Suárez, 2005). Family firms frequently employ it and thereby discriminate against non-family members (Jaskiewicz, Uhlenbruck, Balkin, & Reay, 2013). Nepotism is sometimes based exclusively on people's family member status without their competency being taken into account. The intensity of employed nepotism in family firms depends on which SEW dimensions family firms focus on. When family control and dynastic succession are prioritized, high levels of nepotism result from that, which are lower when family firms focus on family identification (Firfiray, Cruz, Neacsu, & Gomez-Mejia, 2018). Nepotism can become a true dilemma for family firms because they may sometimes be trapped in a tradeoff between the family and SEW goal to help a family member and the business goal to hire the best people possible (Adams et al., 1996; Karra, Tracey, & Phillips, 2006) or between the goals resulting from different SEW dimensions (Firfiray et al., 2018). High perceived nepotism will also scare away qualified new applicants (Burhan, van Leeuwen, & Scheepers, 2020). The hiring of family members will foster procedural and distributive unfairness perceptions of non-family employees because they always view it as nepotism regardless of the hired family member's competencies and perceive it to be even more unfair than cronyism (Burhan et al., 2020). Especially when it comes to intrafamily succession, this will typically be viewed as unfair by non-family employees (Barnett, Long, & Marler, 2012). However, nepotism can sometimes also be something positive. When it is reciprocal and occurs within a generalized exchange system rather than being based on entitlement and occurring in a restricted one, nepotism can be used to manage tacit knowledge and thereby become a competitive advantage (Jaskiewicz et al., 2013). We must also mention that nepotism will not be viewed as a problem in some cultures, especially in those from the Eastern world shaped by a Confucian rather than Aristotelean view of ethics. It can be highly regarded and expected there because people feel a strong moral duty to help out their families, which everyone understands (Sison, Ferrero, & Redín, 2020).

Unfairness perceptions of employees are further enhanced by the existence of a bifurcation bias regarding compensation in family firms where family and non-family employees receive different treatments. Family firms might strongly desire to give family employees more compensation than non-family employees in collectivist cultures (Samara, Jamali, & Parada, 2021). However, this bias must not always disadvantage non-family employees; sometimes also, family employees are the group receiving lower compensation levels (Waterwall & Alipour, 2021), especially in individualist cultures (Samara et al., 2021).

Agency Problems

Agency issues are a source of ethical problems that trouble many family firms. Classical agency theory suggests that agency problems arise when ownership and control are separated and given to principals and agents. This pro-

vides agents with an incentive and the possibility to display opportunistic behavior driving up agency costs. In theory, such problems should not exist in family firms since ownership and control jointly lay in the hands of the controlling family there (Dyer, 2006; Fama & Jensen, 1983; Jensen & Meckling, 1976). However, various scholars have shown that, especially when a restricted exchange system prevails (Long & Mathews, 2011), distinct types of agency issues arise in family firms (Schulze et al., 2002; Schulze, Lubatkin, Dino, & Buchholtz, 2001). These can potentially even be considered more severe in harming stakeholder value than those in non-family firms (Lubatkin et al., 2005; Madison et al., 2017; Morck & Yeung, 2003; Purkayastha, Veliyath, & George, 2019). A dangerous effect interfering with that is that ties between family members loosen as family firms grow and age which induces changes in the exchange system, making it likely that a generalized exchange system will turn into a restricted one. Divorce or the death of a prominent family member can have similar consequences (Long & Mathews, 2011). Also, Karra et al. (2006) found that the severity of agency problems grows with the firm size. In family firms, the risk that individuals will misuse their power is omnipresent since the ownership and management responsibility lay in the hands of the same family, or that family at least determines who manages the firm (Gallo, 1998). Only because kinship exists in family firms rational or ethical behavior cannot be assumed to always be apparent (Chrisman, Chua, Kellermanns, & Chang, 2007). Agency conflicts in family firms can potentially occur between firm owners and managers (principal and owner) or majority and minority shareholders (principal and principal) (Krishnan & Peytcheva, 2019; Martin et al., 2016; Purkayastha et al., 2019). However, also classical principal-agent problems exist there (Chrisman, Chua, & Litz, 2004). Even a non-family manager might act primarily in favor of the owning family and thereby disregard the needs of other stakeholders as principals (Morck & Yeung, 2003). Agency conflicts in family firms include moral hazard behaviors like shirking or freeriding, holdup problems, and adverse selection when recruitment happens based on ethnicity and kinship rather than competence (Karra et al., 2006; Schulze et al., 2002).

Many agency issues in family firms result from low levels of self-control displayed by their owner-managers; self-control levels are also a determining factor for whether a sibling partnership can become a cousin consortium which is in some regards the better organizational structure for a family firm (Lubatkin et al., 2005).

One major ethical issue that can also result from self-control problems is asymmetric altruism which emerges from a lack of transparency and behavior controlling mechanisms in family firms (Chrisman et al., 2007; Dyer, 2006; Long & Mathews, 2011). Altruism can be beneficial to a family firm, especially when it is still in an early stage (Karra et al., 2006) but it might just as well endanger that same firm. It can foster strategic inertia and make the ratio between family consumption and business investment of financial resources become too high (Schulze et al., 2002). A significant ethical prob-

lem that can occur in family firms as a result of preferential treatment is the so-called Fredo effect which was further explored by Kidwell, Kellermanns, and Eddleston (2012). It arises when family successors start to show little discipline and opportunistic and unethical behaviors. They become less competent impediments than others and only have their job because they are part of the owning family. They become an actual burden to the family firm and leave other employees and family members with the ethical dilemma of finding an appropriate way to deal with them.

Disputes in Routine Business Operations

Family firms might, for various reasons, be intrigued to and frequently do display corporate misconduct (Randerson, 2022). They are often not publicly traded and need to disclose less information. Therefore, information asymmetries will arise between family and non-family stakeholders, which can lead to opportunistic manager behavior that will manifest in unethical business practices like earnings management (Randerson, 2022). CFOs in family firms are especially intrigued to misreport financials when they have a good relationship with the CEO (Gao, Masli, Suh, & Xu, 2021). Consistent with those findings, external auditors believe the risk of fraud in family firms is relatively high, which is an ethical problem (Krishnan & Peytcheva, 2019).

Family firms sometimes also utilize corruption for their own benefit (Dyer & Whetten, 2006). However, in this regard, it is important to mention that whether this will be the case can depend heavily on the environment surrounding them. In some cultures, firms may be expected to pay bribes and could not conduct their daily business operations without doing so. When that is the case, they will face an ethical dilemma based on the tradeoff between positive economic returns they receive from bribing and its negative implications for SEW (Ding, Qu, & Wu, 2016). When family firms want to behave in an ethical manner and avoid corruption here, this can turn into a competitive disadvantage (Dela Rama, 2012). Similarly, gift-giving might be highly regarded in some cultures, while this is not the case in others, and family firms must find appropriate ways to deal with this problematic situation (Sison et al., 2020).

Strategic planning is another topic that frequently introduces ethical problems in family firms since many of them tend to avoid it, which unnecessarily limits their capabilities and weakens the organization (Gallo, 1998). This is closely intertwined with the succession-related dilemma that the succession process gets delayed because leaders who greatly execute their strategy will rather not lose their legitimacy, even if that strategy is rather simple (Gallo, 1998).

Low Professionalization and Formalization degree

The last ethical problem present in family firms is that they often lack professionalization (Déniz & Suárez, 2005) and formalization (Cuadrado-Ballesteros et al., 2017). This is, for example, the case with regard to written codes of

ethics, so it may sometimes be complex for employees to know what behavior the firm expects from them when moral questions arise (Adams et al., 1996). Also, family firms often lack formalized governance mechanisms to deal with the agency problems they face (Schulze et al., 2002).

3.4. Solving Ethical Problems

3.4.1. Antecedents

Firm Characteristics and External Factors

To begin with, it is essential to acknowledge that there is much heterogeneity among family firms as they differ in their country of origin with its culture but also in factors like firm size and age and whether the firm is publicly traded which can influence their ethical behavior (Ding & Wu, 2014; Dou, Zhang, & Su, 2014; Gao et al., 2021; Niehm et al., 2008; Richards et al., 2019). Even nepotism can also lead to good economic performance, given that the market and legal environment surrounding a firm that employs it are weak (Firfiray et al., 2018). Also, past performance, profitability (Cruz et al., 2014; Dou et al., 2014) and resources of various kinds like financial or material ones are determining factors for how much of an ethical strategy a family firm can implement (Cabrera-Suárez, Déniz-Déniz, & Martín-Santana, 2014; Dekker & Hasso, 2016; Sharma & Sharma, 2011).

Next to many rather internally oriented antecedents we will introduce in the following, also, some external factors play an important role in shaping a family firm's responses to ethical problems. Their actions can, for example, be guided by institutional and local community pressures (Campopiano & De Massis, 2015; Ding et al., 2016; Sharma & Sharma, 2011) where family involvement further defines what family firms' responses to such pressures look like (Campopiano & De Massis, 2015). Also, the macro-environment surrounding them (El Ghouli et al., 2016) and power distance define family firms' actions where more power distance leads to morally worse behavior (Breuer & Knetsch, 2022). The degree of power distance present within a country's culture additionally determines how severe the negative consequences of the bifurcation bias in family and non-family employee compensation will be. When power distance is low, non-family employees will reduce their inputs more drastically, which holds true for family employees when it is high (Samara et al., 2021).

Family Involvement

Family involvement itself is arguably the most important antecedent of ethical behavior in family firms as it influences and defines many of the other aspects and steps these firms follow in dealing with ethical issues (Van Gils et al., 2014; Vazquez, 2018) for example through its influence on the firm's social capital. Social capital can be defined "as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (Nahapiet &

Ghoshal, 1998, p. 243). Family involvement does not only include the aspect of family ownership but also the family's role in firm management (Van Gils et al., 2014). It remains unclear, and the literature presents mixed findings regarding what the pure influence of family involvement on ethical issues is (O'Boyle, Rutherford, & Pollack, 2010). As seen previously within some dilemmas, it can be their root cause; however, some scholars, like Sharma and Sharma (2011), argue that it positively affects a family firm's ethical behavior. Madison et al. (2017) proved that a family firm's stewardship levels increase with the number of family members and family generations working there, and according to Dou et al. (2014) and Campopiano et al. (2014), a positive relationship exists between family involvement (which they define as ownership and duration of control rather than management) and philanthropic orientation or charitable giving.

However, it is also clear that too high levels of family involvement can become problematic, for example, because they increase the inherent and control risk of audits (Krishnan & Peytcheva, 2019) and Hsueh (2018), El Ghouli et al. (2016) and Cruz et al. (2014) explored that family ownership harms CSR. With increased family involvement in management, much potential for conflict arises, and stewardship behavior goes down as the involved family members might expropriate benefits for the family (Campopiano et al., 2014). Regarding HR practices, a moderate level of family involvement introduces the highest justice perceptions among non-family employees (Barnett & Kellermanns, 2006). According to Jiang, Cai, Nofsinger, and Zheng (2020), family involvement in the firm's chair improves a family firm's earnings quality and lowers the future stock price crash risk. In general, family involvement is a determining element for many of the following antecedents to solving ethical problems. There are also a few other factors like commitment (Azizi et al., 2022), identification (Bloemen-Bekx et al., 2021), relationships and dynamics (Sharma & Sharma, 2011), family CEOs (Berrone et al., 2010; Hsueh, 2018), family vision (Barnett et al., 2012), founder involvement (Dick et al., 2021) and imprinting (Kidwell et al., 2018) which are closely related to or potentially even covered within the concept of family involvement.

Commitment

Family members can feel various levels of commitment to the family and the family firm, which heavily affects their behavior in the face of an ethical problem (Azizi et al., 2022; Dou et al., 2019; Litz & Turner, 2013). Commitment also introduces a long-term focus to the firm (Dou et al., 2019) and affective commitment of family and non-family employees is very beneficial to family firms (Mahto, Vora, McDowell, & Khanin, 2020; McMullen & Warnick, 2015; Waterwall & Alipour, 2021) for example because it lowers employees' turnover intentions (Mahto et al., 2020) and increases the likelihood that children will pursue a career in the family firm (McMullen & Warnick, 2015). Affective commitment in family successors will be enhanced when their parents

nurture them, which means that they aim to fulfill their children's needs for competence, autonomy, and relatedness (McMullen & Warnick, 2015). When children who are potential successors feel little commitment and are unwilling to take over the family business, this reduces their predecessors' philanthropic (Dou et al., 2014) and social actions (Delmas & Gergaud, 2014). It will also make these children less attractive as successors compared to a lower-skilled but committed candidate, but this preference can change as the firm grows and more family members get involved (Richards et al., 2019). Still, predecessors should not force unwilling children to work in the family business (McMullen & Warnick, 2015). To explain intrafamily succession in family firms, Janjuha-Jivraj and Spence (2009) developed the concept of bounded intergenerational reciprocity. It focuses on reciprocity within the same kinship group (the family is the bounded group here), where non-participation in the reciprocal exchange can lead to exclusion from social benefits. There is little direct reciprocal exchange, and gratification happens instead deferred.

Family Identification

Family identification with the firm is a predictor of a firm's focus on non-family stakeholders, and there is a positive relationship between both (Déniz-Déniz, Cabrera-Suárez, & Martín-Santana, 2020). Family identification of family members also influences their levels of accepted vicarious guilt, and guilt increases the morality of business practices (Bernhard & Labaki, 2021). Also, the organizational identity of family firms is an essential factor as, among other things, it determines whether they frame disruptive innovation as a threat or opportunity and the subsequent steps they undertake (Brinkerink et al., 2020).

Altruism

Next to its negative consequences like weakening governance mechanisms and making children self-centered (Lubatkin, Durand, & Ling, 2007), altruism toward the family can also reduce agency costs in family firms by increasing firm flexibility and reducing risk when it is reciprocal and systematic. Then a "quasi-family" can be formed where the familial ties of the owner family expand to non-family employees (Karra et al., 2006). Parental altruism also moderates the relationship between family ownership and risk-taking; higher parental altruism levels introduce more risk-seeking behavior, while the opposite holds true for psychological altruism (Lim, Lubatkin, & Wiseman, 2010). When paired with high levels of self-control, parental altruism can reduce agency issues and enhance procedural justice perceptions of family and non-family employees (Lubatkin, Ling, & Schulze, 2007).

Founder Control

Founder control can positively affect family firms' ethical

behavior as it lowers their likelihood of conducting earnings management (Martin et al., 2016) and reduces CSR weaknesses (Lamb & Butler, 2018). However, founder control also lowers a family firm's CSR engagement levels except for when founders suffer from overconfidence bias and do not view CSR as a risk to their controlling influence (Dick et al., 2021).

Exchange System

As suggested by multiple scholars, the prevailing exchange system also influences how family firms will confront ethical problems. It lets an ethical frame evolve because reciprocity can enhance family cohesion (Long & Mathews, 2011). Family firms are typically positioned on a continuum between a restricted and generalized exchange system. In a restricted one, interactions will be quite contractual and short-term focused because direct reciprocity is always expected, while generalized ones introduce a more long-term focus and they attribute value to the relationship between exchange partners per se (Long & Mathews, 2011). As also done by Long and Mathews (2011), the Golden Rule is often used to explain reciprocity, and it is an important concept for family firms (Barbera et al., 2020): there are various rational actors (family members) who connect morally by receiving and because of that returning favorable treatment. A generalized exchange system also strengthens the organization's procedural justice climate and the justice perceptions of non-family managers so that they will support intrafamily succession (Barnett et al., 2012). Increased justice perceptions introduce higher levels of family firm attractiveness for employees, which reduce their turnover intentions (Waterwall & Alipour, 2021) and allow family firms to capture the positive effects of nepotism (Firfiray et al., 2018).

Imprinting

Imprinting can influence the ethical behavior of family firms positively or negatively. However, re-imprinting is luckily possible when its influence was rather negative because previous generations displayed unethical behavior. To achieve it, family members of the successor generation must be ready to critically evaluate what they learned and start forming new "good habits" (Kidwell et al., 2018).

Based on these early antecedents, we could identify some further ones that will evolve from them and are known variables in the processes that family firms employ to solve ethical problems.

Values

One of those, which is to some degree induced by family influence among other factors, is the range of a family firm's values (Duh et al., 2010) which are derived from the business, the family, and the local community setting (Signori & Fassin, 2021). Social interactions within and outside the family are the key to generating family firm values (Salvato

& Melin, 2008) which arise from a combination of emotions and rationality and connect family firms' stakeholders (Koironen, 2002). Depending on their nature, they can either have a positive or negative effect on solving ethical problems. In general, much backup for their positive influence is found in the literature (Salvato & Melin, 2008). Duh et al. (2010) found out that family firms find dignity fundamental and that they have a positive attitude towards core values with ethical content; the prominence of such values has increased significantly over the past years (Blodgett et al., 2011). They also embrace hard work, honesty, and credibility, which provides them with a moral in addition to the existing legal guideline for their actions (Barbera et al., 2020; Koironen, 2002).

In contrast to what the ethical problems around general management practices might lead one to believe, family firms also show much respect for the law (Duh et al., 2010). Values around tradition and innovativeness are important to family firms on similarly high levels, so family firms are likely to face some tradeoffs when these two speak against each other (Aragón-Amonarriz, Arredondo, & Iturrioz-Landart, 2019; Koironen, 2002). A family firm's values can be seen as predictors for which SEW dimensions it will strive to improve (Ruf, Graffius, Wolff, Moog, & Felden, 2021). Finally, it is not only important for family firms to have proper values in place in the current generation; value congruence with past and future ones also needs to be established (O'Boyle et al., 2010), for example, because it can enhance commitment (Mahto et al., 2020). Values must additionally be communicated clearly to all stakeholders, including broader society (Gallo, 2004) through "dynamic firm capability" (Salvato & Melin, 2008). Business families should search for cohesion between the values they want to promote in their firms and the ones they live by as a family (Marques, Presas, & Simon, 2014) and higher levels of value commitment and trust also let employees perceive their leaders to act as stewards (Davis, Allen, & Hayes, 2010).

Spirituality

When examining the origin of family firm values more precisely, we found that a family firm's spirituality and religiosity can play a significant role in shaping them (Astrachan, Binz Astrachan, Campopiano, & Baù, 2020). Spiritual leadership can increase employees' organizational commitment, but this effect is more substantial for family employees (Tabor, Madison, Marler, & Kellermanns, 2020). When the family behind a family firm is religious, religion becomes an important antecedent for its ethical behavior (Astrachan et al., 2020; Pieper, Williams Jr, Manley, & Matthews, 2020) as it might induce charitable giving, for example (Barbera et al., 2020) and faith can foster the emergence of stewardship behaviors (Carradus, Zozimo, & Discua Cruz, 2020). Intergenerational solidarity gets established and induces the adoption of values-based leadership (Barbera et al., 2020). Religion is not equally important in all family firms, but it can sometimes be transcending and become so important that it is the sole determinant of behavior (Fathallah et al., 2020). Different

types of religious identity within family firms are introduced by their religious values and create distinct forms of spiritual capital. The one evolving from an insular religious identity will only allow family firms to close agreements with like-minded people lowering their possibility of realizing drastic changes. With a more pluralistic religious identity, religious guidelines are adhered to with more interpretative freedom where opportunities for drastic strategic renewal can be explored (Abdelgawad & Zahra, 2020). Some differences can also be observed based on which religion a family belongs to. While Muslim firms tend to strictly adhere to their religion's code of conduct in order to avoid being punished by God, Christian ones instead view their religion's moral principles as guidelines, including some interpretative freedom (Fathallah et al., 2020).

Culture

Another defining aspect of how family firms deal with ethical problems is their culture (Duh et al., 2010). Because of their often present clan culture, family firms typically embrace ethics of care (Long & Mathews, 2011). A caring culture enables family firms to align their vision, mission, and values (Duh et al., 2010). In addition to that, family firms are often characterized by a place-based culture which is why they are willing to contribute to the well-being of their communities (Kim et al., 2020). There are high levels of cohesion and harmony to be found in family firms which arise from high trust among employees, for example (Ruiz Jiménez, Vallejo Martos, & Martínez Jiménez, 2015). Finally, a culture characterized by openness can promote knowledge sharing in family firms (Hadjielias, Christofi, & Tarba, 2021).

Embeddedness

A further antecedent we could identify is the topic of embeddedness which arises from different factors like family influence on ownership and management and values (Le Breton-Miller & Miller, 2009). This includes family and community embeddedness, where high family embeddedness might, just like high family involvement, lead to somewhat unethical behaviors and intensify the severity of problems instead of solving them (Gao et al., 2021). Its embeddedness degrees also determine whether agency or stewardship behavior will prevail in a family firm. Too much family embeddedness might introduce agency behaviors because it will lead to family utility being prioritized over business utility (Le Breton-Miller & Miller, 2009). Community embeddedness lets family firms direct efforts toward helping their community (Cox, Lortie, Marshall, & Kidwell, 2022) and fosters their environmental performance focus (Dekker & Hasso, 2016). Family firms feel responsible for helping their communities based on the importance that their local roots have for them (Berrone et al., 2010). The three major dimensions that determine family firms' actions for their communities are commitment to the community, community support, and sense of community (Niehm et al., 2008). The

cultural background family firms find themselves embedded in also significantly shapes their approaches to dealing with ethical difficulties. While an Aristotelian view rather shapes the Western world's approach to business ethics, the Eastern world tends to embrace a Confucian perspective. This difference can influence whether they even perceive a situation to be morally critical as, for example, in family firms shaped by Confucian logic, nepotism and gift-giving are respected business practices that can be regarded as virtuous (Sison et al., 2020).

Conflict

While many of the factors that we have examined so far either come with a bright and a dark side or are solely positive for family firms' processes to solve ethical problems, conflict rather negatively interferes with and hinders these. There are various types of conflict like task or relationship conflict. While task conflict has the potential to improve ethical performance, the latter type is found to have severe negative consequences for it. It hinders family firms on various levels by limiting not only their ability to execute but also to initially formulate ethical strategies (Sharma & Sharma, 2011) and it can lead to the development of negative traits in family members (Kidwell et al., 2012). Because of its negative impact on those, also role ambiguity should be reduced (Kidwell et al., 2012).

Goals

Taken together, factors like values, culture, or embeddedness play a crucial role in defining family firms' motivation to behave ethically (Ruf et al., 2021; Sharma & Sharma, 2011) and according firm goals (Koironen, 2002). These can be economical and non-economic, focused on short- or long-term achievements, and are either family-centered or focus on the firm (Kotlar & De Massis, 2013). Some non-financial goals target SEW dimensions that are directly related to ethics of care (for example, the renewal of family bonds), and their pursuit fosters care-based morality (only for the wish to exert power as a goal that is not the case) (Richards, 2022). Goals vary heavily between individual family firms; they are crucial in determining the companies' ethical behavior as they predict for what those will strive. A family firm's meta-identity plays an important role in setting and achieving goals. It unites their family and business system and can serve as a decision heuristic (Shepherd & Haynie, 2009).

Management and Governance

How successful the process to achieve their goals is will differ between family firms and is influenced by many of the factors already outlined. These are often manifested in the governance (Bloemen-Bekx et al., 2021) and general management practices employed by family firms, which are typically shaped by a long-term orientation, and play a crucial role for family firms in achieving their goals. Implement-

ing processes to foster strategic management, which improve performance (Chrisman et al., 2004) for example, because they can enhance the family firm's openness towards and adoption of innovation can help family firms to avoid getting trapped in the innovator's dilemma (Gallo, 1998). In addition to that, family owners introduce control mechanisms and incentive schemes like shared profits and ownership to reduce agency problems (Chrisman et al., 2007). Agency and also stewardship governance mechanisms affect not only the behavior of the firm as a whole but also its individual employees' behavior. When high levels of both governance types are implemented, agency costs will be at their minimum while firm performance reaches its maximum. When there are high levels of stewardship and low levels of agency governance, agency costs will peak because stewardship governance promotes agency problems (Madison et al., 2017). Lastly, the contracts of family and non-family employees might have to be designed differently to work against agency problems. For example, family members can receive higher rewards for achieving short-term successes, while incentives fostering a more long-term focus can help compensate non-family employees (Block, 2011). Also, good knowledge management and cooperation with other institutions are crucial for family firms to meet their social responsibilities (Gallo, 2004). In general, ethics-related decisions and actions of family employees are also heavily guided by role modeling and leading by example, where problems emerge when role models themselves are unethical leaders (Adams et al., 1996; Aragón-Amonarriz et al., 2019; Cuadrado-Ballesteros et al., 2017). Another aspect regarding learning ethical behavior that Asian family business groups find rather helpful is to send their offspring to Western business schools (Dela Rama, 2012).

Additionally, employee identification can improve a family firm's ethical climate (Vallejo, 2009) and enable ethical decision making; it emerges from factors like perceived responsibility and value congruence between employees and the business family, for example (Reck, Fischer, & Brettel, 2021). Mentoring and training activities and job security policies combined with flexible job designs can also be used strategically to moderate the negative effect of nepotism on HR practices to become positive (Firfiray et al., 2018). Another measure that can be implemented to increase the fairness perceptions of family and non-family employees is open communication of SEW goals and employees' contributions to those. This enhanced transparency can increase fairness perceptions regarding preferential treatments for some employees since their cause may be those employees' contributions to SEW, which was previously not apparent to other employees (Samara & Paul, 2019).

SEW and Social Considerations

The astonishing importance that SEW and social aspects have to them when trying to find solutions for ethical dilemmas or tradeoffs is something that is unique to family firms and they are more virtue-oriented than non-family ones (Payne, Brigham, Broberg, Moss, & Short, 2011; Vazquez,

2018). There is heterogeneity among family firms in terms of how strongly they are guided by the aim to generate and sustain SEW (Cabrerá-Suárez et al., 2014). However, when there is a conflict between economic and emotional or SEW-related arguments, family firms often give up economic benefit for emotional prosperity and use SEW as a reference point (Cennamo et al., 2012; Ding et al., 2016). Business families are highly loss averse regarding SEW and will even accept greater risk levels to maintain control over the firm (Gómez-Mejía et al., 2007). However, there may sometimes be tradeoffs between different SEW dimensions like the internal (family control and influence) and external (family reputation) one. When such a conflict is present, family firms are likely to focus on internal SEW preservation since that is more of a conscious decision; they will only switch to preserving external SEW when an actual threat for that arises (Vardaman & Gondo, 2014). Social considerations weigh stronger than purely economic ones when family firms have to make decisions, but Labelle et al. (2015) found a threshold of 36% family ownership above which social performance decreases with increasing ownership levels. In contrast to that, Berrone et al. (2010) stated, based on their research, that once ownership exceeds 33%, a positive influence that family ownership has on environmental performance drastically increases.

3.4.2. Outcomes

Organizational Level Outcomes

All of those antecedents' interplay induces various outcomes regarding ethical problems in family firms. On an organizational level change might generally follow, meaning that the potential to eliminate ethical problems, reduce tradeoffs, and prevent ethical issues from reoccurring exists and responsible family ownership can be established (Aragón-Amonarriz et al., 2019). However, problems, including their consequences, could also worsen when they are not appropriately managed.

Family firms likely introduce social initiatives (Dyer & Whetten, 2006) on different dimensions like community or employees to enhance their social performance (Bingham et al., 2011); also, striving for different dimensions of SEW will lead to a focus on different stakeholders (Cennamo et al., 2012). Family firms are less likely to lay off employees when this is potentially required because they believe that they have responsibility for their employees and attribute value to employment itself and not only its productive outcomes (Kim et al., 2020). Also, product quality might be improved; for example, despite the costs, it comes with to safeguard and improve family reputation, which is more likely to happen when there is a direct association between the family and the firm name (Dyer, 2006; Kashmiri & Mahajan, 2014). Family firms put great efforts into initiatives benefitting the environment as well and can adopt a proactive environmental strategy when their ethics are well-managed (Dou et al., 2019). Possible environmental strategies range from being

reactive (based on legality, their only goal is to avoid sanctions) to proactive (going beyond legal requirements) (Duh et al., 2010). By choosing and following an appropriate environmental strategy, family firms will reach their (non-)economic goals while the environment benefits (Sharma & Sharma, 2011). Such initiatives are essential for stakeholder management, where family firms typically adopt a more proactive approach than non-family ones to reach their goals (Bingham et al., 2011; Cennamo et al., 2012), especially when care-based morality is present (Richards, 2022). Family firms have a collectivist mindset and are typically concerned with all of their stakeholders' needs, leading to unique stakeholder salience arising from power, legitimacy, and urgency (Bingham et al., 2011; Mitchell et al., 2011). Also, family business identity, transgenerational orientation, and the relationship between the family and employees foster that (Cox et al., 2022).

As a result of striving for ethical behavior, wanting to solve ethical problems, and the previously listed outcomes, family firms might formulate and implement a concrete CSR strategy to improve their CSP. Family firms typically prefer focusing on the social dimensions of CSR here (Marques et al., 2014). Cabrerá-Suárez et al. (2014) uncovered different profiles of family firms' CSR approaches ranging from firms that embrace CSR and want to utilize it as a competitive advantage to those that believe it comes with more costs and benefits and therefore do not go beyond what is required by law to reach conformity with ethical standards. Family firms' CSR aspirations will often be detained in an according report, but just like the CSR actions themselves (Marques et al., 2014), the CSR reports issued by family firms display much heterogeneity. They show less compliance with CSR standards than those of non-family firms but generally emphasize environmental and philanthropic issues (Campopiano & De Massis, 2015). Reasonable assurance helps improve the credibility of family firms' reporting, which was earlier pointed out to be questionable (Hsueh, 2018).

It would be beneficial for them, and some family firms are likely to introduce more formalization and professionalization regarding expected behaviors in a code of conduct (Dela Rama, 2012; Gallo, 1998). The formalization of ethical codes can be allowed for by collaborative dialogue; such norms function as a mediator between collaborative dialogue and firm performance. This process is characterized by the emergence of a "family point of view," but its existence in every family firm cannot be taken for granted (Sorenson, Goodpaster, Hedberg, & Yu, 2009). Some company rules could be established where this had not been done previously, and ethics training could be offered to guide decision-making towards expected compliance with specific ethical standards and allow the transfer of values (Hanson & Keplinger, 2021). Written ethical codes increase the efficiency of social performance by offering guidance for decision-making. However they are not very common in family firms, potentially because they consider it unnecessary and believe that their culture and values suffice for making ethical decisions (Adams et al., 1996; Cuadrado-Ballesteros et al., 2017) while this analysis

has proven the opposite. Taken together, such actions can be especially beneficial for firms operating in markets where corruption is usual and expected when they want to enter new markets where that is not the case (Dela Rama, 2012).

Individual Level Outcomes

Next to such outcomes on the organizational level, there are also outcomes on the individual level. As stated by Litz and Turner (2013) in the context of inherited ethical dilemmas, there are various behaviors family members can employ in the face of such a dilemma. They might either leave the firm or take responsibility and try to do something about the problem when they believe that the potential for that is given. However, there is also a potentially dangerous action from an ethical point of view: they could stay loyal to the family business without inducing any changes. Family members may find themselves trapped in a tradeoff between leaving or taking responsibility for the actions of previous generations by inducing change (Litz & Turner, 2013). After individuals of current generations show severe unethical behavior, it is also crucial for family firms to offer them the opportunity and potentially push them to (honorably) exit the firm (Kidwell et al., 2012). Nevertheless, family firms can be stringent here and employ informal measures to quickly remove employees who behave severely unethical from the organization (Reck et al., 2021). Finally, the creation of intangible capital through ethical actions, which is valued by the family, can make succession more attractive for successors who initially showed low levels of commitment (Parker, 2016).

Consequences

Lastly, there is a final level of consequences evoked by the previously listed outcomes that display their broader effect on the family and the firm. Through their stewardship (Davis et al., 2010) and ethical behavior, family firms' financial performance is influenced when that behavior (O'Boyle et al., 2010; Payne et al., 2011) and social capital are leveraged as a competitive advantage (Azizi et al., 2022). Also, place-basedness (Kim et al., 2020) and CSR orientation can positively contribute to family firms' economic performance, for example, because community support is an effective business strategy where businesses expect reciprocal actions from communities in return for their generosity (Niehm et al., 2008). Contrary to what some family firms believe when they say that it is too costly for them to engage in ethical behavior, this behavior often leads to financial returns that are greater than its costs. This is, for example, the case concerning obtaining eco certifications for products (Delmas & Gergaud, 2014). Some strategies that parents can employ to make succession more attractive to their children will even enhance family firms' financial performance as they generate social and intangible capital like tacit knowledge (Parker, 2016). This should reduce the willingness of potential successors to sell the business because while its value for the family grows through intangible capital, its market value does not (Parker,

2016). Dyer (2006) found out that family firms embracing a clan culture are the best performing ones.

However, ethical behavior cannot only enrich family firms' economic capital, but it will also or maybe even primarily increase their SEW as described in various previous examples.

Both of those aspects can be maintained long-term and thus ensure firm longevity (Vallejo, 2009), and potentially the resilience of family firms is also increased when these companies find appropriate ways to manage the ethical problems they find themselves confronted with (Hanson & Keplinger, 2021). This is because their ethical behavior then becomes a competitive advantage. It also increases the credibility of family firms as their CSP level rises, and they will be rewarded with more trust from their stakeholders (Duh et al., 2010).

However, if family firms fail to cope with ethical problems, they will miss valuable opportunities and potentially destroy not only their business but also family ties and relationships. When for example principal-principal conflicts continue to exist and potentially even grow in family firms, they will destroy their value (Purkayastha et al., 2019).

4. Discussion

4.1. Theoretical and Practical Implications

Based on our findings, we have formulated some implications that are relevant to different theories and practitioners.

4.1.1. Implications for Theory

Our research extended the research field on family business ethics by collecting and synthesizing the available information on ethical problems and how they are being solved in family firms which had not been done before. We thereby answered Vazquez's (2018) call for more research in family business ethics, just as some other scholars like Krishnan and Peytcheva (2019) and Gao et al. (2021) did. Previous research rather focused on individual aspects of ethical problems in family firms; therefore, this thesis can lay the groundwork for future research, which takes the broad picture we have created into account. Nevertheless, our study has also shown that some areas of ethical problems in family firms have not been sufficiently investigated until today, so we hope that researchers will focus on those in the future to empirically back up and broaden the insights we have provided. For many of the factors that we listed as antecedents of solving ethical problems in family firms, their exact effect also remained unclear, which is the case for religiosity, for example. Here, it would be important that scholars further define their effects. We believe that given the various research streams we drew our results from, it could make sense to adopt an interdisciplinary approach to researching family firm ethics. Scholars from fields like family business and business ethics but also psychology and other social sciences could work together to derive meaningful insights supported by different theories like stakeholder, organizational

justice, institutional logics, agency, and stewardship theory. Finally, we think that organizational theory should begin to more heavily take ethical issues in family firms into account and devote specific research to them.

4.1.2. Implications for Praxis

We believe that our findings are important to various practitioners from the family business field as well. This thesis has undoubtedly proven that just as family firms face unique ethical issues, they find unique ways of dealing with them. Practitioners must become more aware of the ethical problems that are present in their firms so that in a second step, they can begin to manage those in an effectful way or even prevent their reoccurrence. Especially family firm owner-managers should ask themselves what their influence is on the firm and be self-critical in order to determine where problems could arise based on their powerful position and involvement. Additionally, it is vital for family firms to not only focus on external stakeholders when aiming to implement ethical behaviors. They must especially take a look at their internal justice climate because, as seen previously, this is a significant concern for many non-family employees. If family firms do not get a hold of this issue, they will likely increase the problem they already often face around attracting and sustaining excellent and motivated non-family employees (Kahlert, Botero, & Prügler, 2017). When aiming to manage ethical problems, many family firms must probably start by formulating some processes in this regard. As this systematic review has shown, little is known about these so far, and given the lower formalization degrees in family firms, it is likely that such processes are often not in place. However, in the face of the vast number of ethical problems we found in family firms, implementing such processes and informing researchers about them would certainly prove beneficial to family firms.

Also, family firm consultants should be aware of these aspects in order to gain the ability to offer family firms customized services that actually work there. Given the uniqueness of ethical problems apparent in family firms, it is likely that consultants trying to solve them as they do in large widely held firms will not succeed in most family firms.

Our results can also be relevant to politicians and policymakers. Since, to our knowledge, no previous work focused exclusively on the ethical problems that family firms face, it is likely that these have not been sufficiently taken into account in many policies and legal regulations. Therefore, policymakers and regulators should get an understanding of those problems and aim at designing efficient ways of reducing them, for example, by limiting the likelihood of their occurrence and severely punishing them.

4.2. Avenues for Future Research

Even though the quantity of research on the intersection of family firms and business ethics has increased over the past few years, many areas still need to be explored in that

regard. Based on our extensive review of the existing literature around family firm ethics, we could identify various directions that should be investigated in further research.

Even though the most significant share of our results arose based on findings that other researchers have empirically proven, they have never been synthesized to conceptualize family business ethics in the way we did. Therefore, it would be interesting to empirically test our findings, especially while considering family firm heterogeneity. Researchers could aim to evaluate how exhaustive the list of ethical problems we have presented is and what factors in a family firm (for example, firm size, age, country of origin, differences in owner families) determine which problems will prevail in different types of family firms. This would be especially intriguing regarding those of the ethical problems we described that were backed up by a relatively small number of sources. The same could be done to assess the validity and outcomes of the antecedents and outcomes of ethical problem-solving in family firms that we formulated. Also, some of the conceptual work that our results were built on should be empirically validated to enhance the robustness of our findings.

A second critical angle for future research can be derived from the scarcity of available knowledge on the processes that family firms employ to solve ethical problems. Thus far, these remain a black box, and future research should reveal more details on them to better understand the mechanisms and dynamics that come into play in family firms in the face of ethically challenging situations and when it comes to ethical decision-making. Two factors in this regard that further research could be devoted to are the exact costs that family firms are willing to incur to solve ethical problems and the role that emotions play in family firms when moral business practices are developed.

Future research must not only focus on the positive effects that ethical behavior can have for family firms but should also take the consequences of unethical behavior into account. An interesting avenue for future research opens up regarding others' perceptions of ethical wrongdoing in family firms. It would be interesting to find out how society views and punishes ethical wrongdoing of family firms, potentially compared to that of non-family firms.

Additionally, future studies could aim to determine how family firms deal with unethical behavior of their internal and external stakeholders. We could already imply some actions they would take when employees act unethical like offering them an honorable exit, but these should be further explored. With regard to external stakeholders, it would, for example, be appealing to know how family firms react to finding out that some of their suppliers can be considered unethical.

Future research could also investigate what moral frameworks like Utilitarianism, Deontology, or virtue ethics family firms typically employ even if they do not consciously do so. This would help to better understand their ethical actions, decision processes, and what they view as ethical.

Finally, we have seen that the perspective which most of the research on family firms and their ethics has taken is

shaped by developed countries and their attributes. In the future, also developing countries should become more represented here to reveal what findings from those fields hold true when the institutional environment is weaker, for example.

4.3. Limitations

As already implied in some of the directions for future research we outlined, the methodology we employed in this study is subject to some limitations that are often inherent to systematic reviews.

The main limitation is that we might not have obtained all the relevant literature for our topic. Through searching for literature in multiple databases and conducting a thorough forward and backward search, we tried to keep the risk that this happened as small as possible, but nevertheless, it will always be apparent in systematic reviews. Based on our inclusion and exclusion criteria, it is likely that we missed relevant data that was presented in journals which received lower ranking scores, in other document types than journal articles or that was published in languages other than English.

Additionally, our topic has an immense scope with many distinct areas that we touched upon in our results. It would be possible to investigate each of those in much more detail, which would have been beyond the scope of this review but excluding some topics would have created a distorted image. Therefore, our analysis might lack some details and deeper information.

Another major limitation that influenced this thesis is the lack of definitional clarity evident in the studies we investigated. As noted by [Vazquez \(2018\)](#) and previously explained by us, already the term family firm is not clearly defined in the literature. It is, therefore, difficult to appropriately synthesize the literature on family firms since different definitions for family firms might have been employed that are sometimes not explicitly stated. Therefore, the firms investigated in the studies we used in our analysis might have not always been entirely comparable. Much more rigor must be introduced to the family business field in this regard, and researchers should more strictly account for heterogeneity among family firms and avoid broad generalizations. Our results might hold true to varying degrees for different types of family firms. Nevertheless, they still provide some general insights into various factors that determine the ethical problems faced by family firms, their reactions to those and according outcomes. The same issue is relevant for the definitions of other concepts like CSR or social capital.

Furthermore, the limitations which were inherent to the studies we used in our analysis must also be taken into account when assessing the validity of our results. Many empirical researchers like [Litz and Turner \(2013\)](#) complained that it is difficult to obtain reliable data on family firms and their behaviors. They often rely on the information that employees or owner-managers of those companies are willing to share, which can be rather limited when sensitive topics like

ethical problems that are connected to much confidential information are investigated. Many other studies also relied on secondary data, which can never be as accurate as data specifically obtained for a study. Lastly, our results were influenced by much conceptual work that still lacks empirical evidence; it is, therefore, questionable to what degree those conceptualizations hold in praxis.

5. Conclusion

This thesis contributes to closing the research gap around ethical problems in family firms and how they deal with them. Based on the systematic review of 110 articles from peer-reviewed academic journals, we show that family firms face a set of unique ethical dilemmas. Those can either be family-based or business-based and we uncover the antecedents and outcomes of the processes that family firms employ to solve them. These ethical problems emerge from operating the business and from issues and dynamics within the owning family. Many of them are based on agency conflicts and fraudulent business practices within the firm or tradition and succession difficulties faced by the family. When family firms manage to deal with ethical problems appropriately, they will be rewarded for that in various ways, including improved financial performance and the preservation of potentially all SEW dimensions. However, when they fail to do so, this can have dramatic consequences for the owning family, and an unethical climate might ultimately lead to firm failure. Therefore, in the long run, it is best for family firms to not only focus on the maximization of firm or family economic value but to take care of all stakeholders and behave in an ethical manner. So far, not too much information has been uncovered regarding the precise ways in which family firms deal with ethical issues. However, during our analysis, it became evident that family involvement and its various consequences play an important role here, combined with external factors and firm characteristics. Those things shape, for example, firm values, spirituality, and culture, and taken together these define firm goals and the outcomes that will follow family firms' aspirations to solve ethical problems. SEW plays a crucial role in determining these outcomes because family firms frequently use it as a reference point. Through our analysis, we could also show that many things like family involvement, must not always have solely positive consequences in terms of firm morality, and also spirituality can be viewed as a "double-edged sword" in that regard. It is therefore crucial that family firms and their advisors develop appropriate practices to deal with ethical issues and potentially formalize them and that researchers continue to further investigate the elements of the processes that family firms employ to solve ethical problems and their effects.

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