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Measuring socioemotional wealth in family-owned and -managed firms: A validation and short form of the FIBER Scale

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ABSTRACT

Socioemotional wealth (SEW) is a key concept in family business research. The proposed FIBER scale as a direct and multidimensional measure of SEW is therefore a significant research achievement. We refined the scale by validating and thereby shortening it, using a sample of 216 family-owned and -managed firms with up to 500 employees in the German-speaking area. The validation reveals different degrees of validity across the five FIBER dimensions, resulting in a revised short form called the REI scale that comprises nine items that measure the core affective endowments a family may derive from controlling a firm. Based on our empirical validation, we discuss theoretical implications for the further development of a sound SEW measure.

1. Introduction

The scholarly field of family business research has grown enormously over the last few decades. However, critics have argued that the field lacks a sound theoretical and methodical underpinning. Thus, there have been explicit calls for the development of autonomous theories, tested concepts, and validated scales (e.g., Chrisman, Chua, & Sharma, 2005; Pearson, Holt, & Carr, 2014; Zellweger, Kellermanns, Chrisman, & Chua, 2012). Through the introduction of socioemotional wealth (SEW), Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, and Moyano-Fuentes (2007) attempted to provide the field of family business research with a "homegrown" theory and a "potential dominant paradigm" (Berrone, Cruz, & Gómez-Mejía, 2012, p. 258).

The introduction of SEW has provoked an intense discussion in which several articles gained exceptional prominence (e.g., Berrone et al., 2012; Gómez-Mejía, Cruz, Berrone, & De Castro, 2011). Additionally, researchers have developed SEW further in several critical articles that mainly extend the theoretical underpinnings but also emphasize the challenges of measuring SEW (Chua, Chrisman, & De Massis, 2015; Kellermanns, Eddleston, & Zellweger, 2012; Le Breton-Miller & Miller, 2013; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015; Vardaman & Gondo, 2014). Specifically, Miller and Le Breton-Miller (2014) and others have criticized the existing measures of SEW, which predominantly relate to indirect proxies (e.g., percentage of family ownership), and authors have contended that studies show a "mismatch between the theoretical construct and its empirical correlate" (Schulze & Kellermanns, 2015; p. 451). Hence, several scholars have called for the development of a finer-grained, precise, and multidimensional measure of SEW that is able to grasp the diversity and valence of affective values derived from family control (e.g., Chua et al., 2015; Kellermanns et al., 2012; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015; Vardaman & Gondo, 2014; Zellweger et al., 2012).

Berrone et al. (2012) contributed a great deal to the theoretical development and operationalization of SEW by structuring the notion of SEW in several dimensions called FIBER,[2] thus emphasizing the multidimensional nature of SEW. Accordingly, they proposed a direct multidimensional scale to measure the levels of SEW dimensions in surveys. Therefore, Berrone et al.

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[2] FIBER is the short form for the following five dimensions: Family control and influence (F), Identification of family members with the firm (I), Binding social ties (B), Emotional attachment of family members (E), Renewal of family bonds to the firm through dynastic succession (R).

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(2012) provided the field with an alternative to the predominantly applied distal proxies (e.g., family ownership and/or management) of indirectly measuring SEW, which certainly have limitations (e.g., Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015; see also Section 2.2). However, only an empirically validated and, consequently, theoretically further developed direct measure (Hinkin, 1995; Pearson & Lumpkin, 2011) is able to solidly grasp the affective values of family control in a multidimensional way. To date, there is hardly any evidence for a validation of this SEW measure. We supplement Berrone et al.'s (2012) recent contribution by validating the FIBER scale.

We address this need for validation and offer a short form of the FIBER scale, called the REI scale. Furthermore, we offer a theoretical discussion for further advancing the SEW concept based on our empirical validation. We thus contribute to the empirical and theoretical development of this highly important and powerful concept in family business research. Given that context matters (Welter, 2011; Wright, Chrisman, Chua, & Steier, 2014), we chose to validate the FIBER scale with a sample representing the predominant case of family firms worldwide (family-owned and -managed firms with up to 500 employees) in a context that is comparable to other large industrialized economies, namely the German-speaking region (Claver, Rienda, & Quer, 2009; Cromie, Stephenson, & Monteith, 1995; Evert, Martin, McLeod, & Payne, 2016; IFERA, 2003; Scholes, Wright, Westhead, & Bruining, 2010).

This article makes at least three major contributions to family business research: First, we contribute to the field by following rigorous methodical procedures in empirically validating the FIBER scale. Pearson and Lumpkin (2011) strongly emphasize the need for sound construct validation in the field of family business research, because only rigorously validated measures allow for the comparison of empirical results and for the progress of family business research as a discipline. They warn that poorly validated measures can lead to contradictory findings and erroneous conclusions, and that we thereby "risk the credibility of the field as a whole" (Pearson & Lumpkin, 2011; p. 290).

Second, we have developed a more parsimonious version of the original FIBER scale that originally consists of five dimensions and 27 items. Considering the increasing difficulty of gathering survey data, parsimonious measurement instruments are advantageous for empirical research. Our consolidated REI scale consists of three dimensions and nine items. Hence, we offer a valid and more practicable measure to the field that grasps the main affective values derived from family control in a firm.

Third, we considered the specific nature of SEW and theoretically reflected the conceptualization of SEW based on our empirical findings. For this purpose, we relied on three main criteria: (1) the fit of conceptualization of the FIBER dimension to the SEW definition, (2) the unambiguous and discriminant conceptualization of the FIBER dimension, and (3) the fit of operationalization of the FIBER dimension to conceptualization. Overall, the reflections provided support for FIBER, yet some inconsistencies were revealed, which are based on and extend the current critical debate on SEW (Chua et al., 2015; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015). Finally, we provide a theoretically guided outlook on how the two FIBER dimensions that did not fully meet the criteria of the validation procedure, F and B, can be reintegrated into the SEW conceptualization.

The article is organized as follows. We begin by providing a brief literature review on the conceptual nature and measures of SEW. Next, we empirically validate the FIBER scale and consequently propose a more parsimonious scale for the operationalization of SEW. We conclude by discussing and theorizing our results and their implications before outlining possibilities for future research.

2. Conceptualization and operationalization of SEW

2.1. The conceptual nature of SEW

Family ownership is considered the main characteristic that distinguishes family firms from non-family firms. In fact, family ownership affects both the family's economic and non-economic affective endowments either positively or negatively (e.g., Chua et al., 2015; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015). SEW is defined as the "affective endowment of family owners" (Gómez-Mejía et al., 2011; p. 654), that is, the non-economic, affective utilities or values a family derives from its ownership position in a particular firm (Berrone et al., 2012; Gómez-Mejía et al., 2007; Gómez-Mejía, Makri, & Kintana, 2010; Gómez-Mejía et al., 2011). The percentage of family ownership has been described as a "theoretical driver" of SEW (Schulze & Kellermanns, 2015; p. 452). Consequently, family ownership in a firm leads to multifaceted and thus various affective values for the owning family, which are conceptualized as SEW.

Both the economic and affective values derived from family ownership may influence decision-making in family firms (e.g., Chua et al., 2015; Gómez-Mejía et al., 2007; Pieper, 2010; Schulze & Kellermanns, 2015; Zellweger et al., 2012). The difference between economic and non-economic, affective wealth derived from family ownership is important because both components are inherently different: While the economic wealth component of family ownership is (a) manifest and hence (b) directly observable and (c) objectively measureable, the non-economic, affective wealth component of family ownership is, by contrast, (a) latent and therefore (b) not directly observable and (c) based on perceptions, and only subjectively measurable. Additionally, the affective endowment comprises various multifaceted aspects, and the multidimensionality of SEW is indeed broadly recognized (e.g., Berrone et al., 2012; Chua et al., 2015; Gómez-Mejía et al., 2007; Miller & Le Breton-Miller, 2014; Vardaman and Gondo, 2014). The diverse literature regarding the application of SEW mentions, among others, the following affective values: enjoyment of personal control, ability to exercise authority, need for identification, perpetuation of a positive family image and reputation, sense of belonging, and an active role in the family dynasty (e.g., Berrone et al., 2012; Gómez-Mejía et al., 2010).

SEW is anchored in the behavioral tradition of the management field (e.g., Berrone et al., 2012; Gómez-Mejía et al., 2010). The behavioral agency model, developed by Wiseman and Gómez-Mejía (1998), is based on Kahneman and Tversky's (1979) prospect theory and the behavioral theory of the firm (Cyert & March, 1963). In contrast to agency theory, the behavioral agency model proposes that decision-makers' risk preferences can shift depending on the reference point used to compare anticipated outcomes (Wiseman & Gómez-Mejía, 1998). In the context of family firms, the loss or gain of non-economic value (SEW) is assumed to be the predominant reference point in decision-making (Berrone et al., 2012; Gómez-Mejía et al., 2010, 2007). Due to family firms' loss aversion with respect to SEW, owners might be willing to accept significant economic risks if this is needed to preserve affective, non-economic value (e.g., Chrisman & Patel, 2012).

2.2. A critical look at the operationalization of SEW

In the following section, we outline how SEW has been measured in prior research, both indirectly and directly. Based on the possibilities and limitations of existing measures, we emphasize the need for a validated, direct multidimensional measure of SEW.