

Development of a Socioemotional Wealth Importance (SEWi) Scale for Family Firm Research

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The ownership and management of family firms is often concentrated in a small group of family members. They derive both financial and non-financial benefits from the firm. The non-financial benefits that accrue to the family are collectively termed as socioemotional wealth (SEW). Several studies have examined the relationship of SEW with other aspects of family firm behaviour like financial performance, investment in R&D, diversification, environment friendliness etc.

However, none of those studies directly measured SEW. No psychometrically sound measure of SEW exists in extant literature. Hence, in this multi-staged survey study the authors *developed a scale to measure the importance of socioemotional wealth (SEWi)* to family owners and managers of family firms. This summary presents the gist of the study, key findings and their implications.

SEW: Endowment vs. Preference

The authors argue that because SEW is a psychological phenomenon, its influence on firm behaviour is a function of the *importance* family members attach to its acquisition and preservation. SEW is rooted in the behavioral agency or theory? which suggests that losses are weighed more heavily than the gains. Thus, when faced with decisions that may lead to SEW losses,

family managements become loss averse even if they have to bear a high financial cost.

The authors view *SEW as an endowment* that is *represented by the importance of non-financial benefits* received by family owners. They further suggest that the owners' *preferences* for specific benefits are *likely to vary*. Drawing on the extant literature, they prepared a list of SEW-related benefits that family owners get from their involvement in business, such as ability to exercise authority, preservation of family dynasty, sense of self and identity, family reputation etc. Based on this list and opinions of family business researchers and scholars a questionnaire bearing 24 items was developed. The scale was pre-tested and validated after conducting two rounds of survey studies and rigorous data analysis.

SEWi Scale

The validated SEW importance scale had three dimensions of SEW, namely, *family –prominence*, *–continuity* and *–enrichment*. Each one of these was measured by three constituents as the following:

(1) *Family Prominence*: This dimension captured how the community viewed the family (as owners of the business). It was measured by ratings on 5-point scale on:

- (a) Recognition of the family in the domestic community for generous actions of the firm.
 - (b) Accumulation and conservation of social capital.
 - (c) Maintenance of family reputation through the business.
- (2) **Family Continuity:** It captured the importance that family members assigned to preserving family control and involvement in business. It was measured by ratings on:
- (a) Maintaining the family unity.
 - (b) Preservation of family dynasty in the business.
 - (c) Maintaining family values through business operation.
- (3) **Family Enrichment:** This dimension indicated the importance that family members gave to the desire to fulfill a broader range of obligations toward the family, like enhancing happiness and family harmony. It was measured by ratings on:
- (a) Happiness of family members outside the business.
 - (b) Enhancing family harmony through operating the business.
 - (c) Consideration of family needs in business decisions.

Practical Implications

This research has significant academic implication as it identified three distinct dimensions of SEW and presented a measurement scale for the same. The study also has important implications for practitioners and family businesses as it helps them in focusing on key non-financial benefits that family seeks to derive from the business. Family businesses can use the SEWi scale to ascertain the importance that family members assign to the constituents of each SEW dimension and work towards preserving them.

For instance, family firms can work to enhance owner *family's reputation* through corporate social responsibility initiatives. Enhanced reputation not only serves the family but also helps the firm in generating more business. The *family continuity* dimension reflects the family's aim of sustaining the business and family values. These values are demonstrated in the manner in which the firm deals with its customers and business partners. Strong business relationships could provide critical competitive advantages to the firm. The *family enrichment* dimension relates to enhancing the happiness and well-being of all the family members. Good family harmony would ensure high levels of overall cooperation and coordination among family members. This will reduce friction and bring efficiency in business decision-making.

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