Family Business Review
1–8

DOI: 10.1177/0894486517733572
journals.sagepub.com/home/fbr
SAGE

Moving Beyond Socioemotional Wealth: Toward a Normative Theory of Decision Making in Family Business

Scott Newbert[1] and Justin B. Craig[2]

Abstract

Business-owning families are widely believed to make decisions in order to increase their authority over, influence on, and identity with their businesses. Yet, because the resulting socioemotional wealth is intended to be enjoyed by the family alone, this view reflects a largely self-interested approach to decision making. We, therefore, call on family business scholars to leverage the work of social economists (i.e., Amitai Etzioni) and moral philosophers (i.e., Adam Smith) in order to develop normative guidance for family owners seeking to pursue their own interests as well as those of the other stakeholders in society to which they are accountable.

Keywords

conceptual/theory development, Adam Smith, Miller & Le Breton Miller, socioemotional wealth

> An organization's ultimate purpose is to aim for immortality, to create a community that will last not only through your lifetime but that of your grandchildren, should they choose to work there—and you hope they would. To do that, of course, you must finance your future. It must be a great place to work. And, by God, you must have products customers want to buy. But all these things are a means to an end: to be an everlasting community that adds wealth to society.
>
> —Charles Handy (1995, p. 35)

The literature on socioemotional wealth (SEW) suggests that business-owning families will pursue control of the business for the purpose of satisfying their affective desire for authority over, influence on, and identity with the business (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Positioned as a response to agency theory, SEW views the family, rather than the individual, as the main reference point in decision making in family businesses. In support, a good deal of empirical research suggests that family owners tend to make decisions that are specifically intended to serve the interests of the family (Miller & Le Breton-Miller, 2014). While nonfamily stakeholders—that is, employees, customers, shareholders, suppliers, the natural environment, and the local community (El Akremi, Gond, Swaen, De Roeck, & Igalens, 2015)—may also benefit from SEW-focused decisions, because these stakeholders are not explicit reference points in SEW logic, any such gains they may enjoy are purely incidental. Because the benefits of increased SEW are not intended to spill over to other stakeholders of the firm, SEW appears to be, despite Gómez-Mejía et al.'s (2007) attempt to distance it from agency theory, a primarily self-interested construct.

We believe that such an instrumental approach to stakeholders (Donaldson & Preston, 1995) is problematic as it reflects a zero-sum approach to decision making, where family business owners seek their own gain without any explicit consideration of how those gains may affect other stakeholders. Thus, we call on scholars

[1]Baruch College, City University of New York, Zicklin School of Business, New York, NY, USA
[2]Northwestern University, Evanston, IL, USA

Corresponding Author:
Justin B. Craig, Northwestern University, Evanston, IL 60208, USA.
Email: justin.craig@kellogg.northwestern.edu

to consider normative approaches to decision making that can prescribe how business-owning families can seek private gain (including but not limited to SEW) while also serving (or at least without detracting from) the interests of their broader set of internal and external stakeholders, thereby fostering the business' ability to survive in the long run. By encouraging scholars to consider how business-owning families might balance their self-interested pursuit of SEW with other stakeholder-oriented priorities they might have, we believe they may respond to Miller and Le Breton-Miller's (2014) call to move away from the current "restricted" view of SEW, where decisions are made in the interests of the family alone, toward an "extended" view of SEW, where the interests of other stakeholders are considered as well.

Given that the self-interested nature of SEW is inconsistent with contemporary understandings of behavior in organizations, in which decisions are largely irrational (i.e., Cyert & March, 1963), driven, at least in part, by one's moral obligations to others (Freeman, 1994), we call family business scholars' attention to the fields of social economics (i.e., Etzioni, 1988) and moral philosophy (i.e., Smith, 1976, 1994). We argue that these literatures, by positioning self- and other-regarding interests as complementary (rather than competing) logics, can provide a robust foundation for a theory of decision making in which the interests of the family are pursued in the context of its responsibilities to other stakeholders. We believe that such a theoretical shift from the "I" to the "We" (Etzioni, 1988) better reflects the decision-making philosophy of business-owning families than the current SEW approach (Moores, 2009).

Socioemotional Wealth and Stakeholder Management

Socioemotional wealth refers to the "non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuity of the family dynasty" (Gómez-Mejía et al., 2007, p. 106). Grounding their theorizing in behavioral agency theory (Wiseman & Gómez-Mejía, 1998) and prospect theory (Kahneman & Tversky, 1979), Gómez-Mejia et al. (2007) adopt the business-owning family as the level of analysis and seek to position it in contrast to the purely economically self-interested organizational actor described in agency theory (Eisenhardt, 1989). Specifically, they argue that it is the family's socioemotional endowment that serves as the primary reference point for decisions. Thus, Gómez-Mejia et al. (2007) contend that a business-owning family's decisions are framed not in terms of their likely effect on the business' economic performance, as agency theory would suggest, but rather in terms of their likely effect on the family's SEW. In support, they offer evidence that family-owned olive oil mills in Spain willingly sacrifice their firms' economic performance (and by extension, their own economic wealth) in order to preserve their noneconomic SEW.

SEW has since become the primary explanation for what distinguishes family businesses from nonfamily businesses. In fact, scholars argue that "SEW is the single most important feature of a family firm's essence that separates it from other organizational forms" (Berrone, Cruz, & Gómez-Mejia, 2012, p. 260) and have used this construct to explain a variety of phenomena, including but not limited to board appointments (Jones, Makri, & Gomez-Mejia, 2008), top management team contracts (Cruz, Gómez-Mejia, & Becerra, 2010), and strategic choices (Gomez-Mejia, Makri, & Kintana, 2010; Gomez-Mejia, Hoskisson, Makri, Sirmon, & Campbell, 2011). Based on these findings, proponents of the SEW approach have argued that the preservation of SEW "may be the most critical point of reference that guides decision making" (Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012, p. 1154) in family firms.

The centrality of SEW considerations to decision making in family firms is important as it has broad implications for the impact these ubiquitous businesses, which employ more than 60% of the global workforce (Neckebrouck, Schulze, & Zellweger, 2017), have on those individuals, groups, organizations, and other entities with whom they interact. Stakeholder theorists maintain that "managers should make decisions so as to take account of the interests of all the stakeholders in a firm . . . not only the financial claimants [i.e., the controlling family], but also employees, customers, communities, and governmental officials" (Jensen, 2002, p. 236). According to Donaldson and Preston (1995), the motives on which decision makers base their decision to serve the interests of others can be either instrumental—"If you want to achieve (avoid) results X, Y, or Z, then adopt (don't adopt) principles and practices A, B, or C"—or normative—"Do (don't do) this because it is the right (wrong) thing to do" (p. 72). Though economic gain is the most prevalent motive for adopting an instrumental stakeholder approach, Neckebrouck et al. (2017) acknowledge that scholars have identified numerous noneconomic motives as well, including

> basing decisions on personal preference as opposed to professional (business) judgment (Gedajlovic & Carney, 2010), using firm resources to advance the family's personal welfare (Schulze, Lubatkin, Dino, & Buchholtz, 2001), securing employment and benefits for family members (Volpin, 2002), and the adoption of governance structures that assure the family's continued control of the enterprise (Morck, Wolfenzon, & Yeung, 2005). (p. 7)

Interestingly, these noneconomic motives are reflective of the very same ends business-owning families seek in the form of SEW and, according to Neckebrouck et al. (2017), are consistent with the self-interest—or, by extending the level of analysis from the individual actor to the family, as is the norm in SEW research (Chua, Chrisman, & De Massis, 2015; Gómez-Mejia et al., 2007; Miller & Le Breton-Miller, 2014), the "family-interest"—described in agency theory. Thus, in the context of family firms, the difference between an instrumental and a normative stakeholder approach is not whether families seek economic or noneconomic ends, as some scholars (i.e., Cennamo et al., 2012) have suggested but rather whose interests (the family's or others') are served in pursuit of these ends.

By way of illustration, consider Berrone, Cruz, Gomez-Mejia, and Larraza-Kintana's (2010) widely cited empirical study of the environmental practices of family firm. These authors hypothesize and find empirical evidence to suggest "that family-controlled public firms protect their socioemotional wealth by having a better environmental performance than their nonfamily counterparts" (p. 82). While the relative reduction in pollution by family firms might, at first blush, suggest a normative inclination to serve the interests of nonfamily stakeholders affected by local pollution levels, the motive is actually instrumental. As Berrone et al. (2010) argue, for family firms that fail to protect the environment, "Public condemnation could be emotionally devastating for family members because it tarnishes the family's name . . . any overt, easily observable actions that make the family look bad diminish the egos of owners who carry the family's name"; thus,

> When family owners are in control of the corporation, the firm is more likely to bow to these environmental pressures because there is a socioemotional reward for the family, even if there is no evidence that substantive compliance serves its economic interests. (p. 84)

As such, the families Berrone et al. (2010) analyze seem to have protected the environment not because it was the "right thing to do," as Cennamo et al. (2012, p. 1162) suggest, but because it represents a "strategic behavior" that mitigates the risk of eroding their SEW (de Castro, Aguilera, & Crespí-Cladera, 2017, p. 138). In support, Berrone et al. (2012) argue that while supporting local community initiatives can help family firms establish "binding social ties" with external stakeholders, these relationships are generally established for the socioemotional benefits that derive from the recognition they receive for their perceived generosity—any benefit to society (if there is one) is incidental. According to Milton Friedman (1970), firms that engage in practices that "generate goodwill as a by-product of expenditures that are entirely justified in [their] own self-interest" are acting instrumentally by "fraudulently" concealing their intentions behind a "cloak of social responsibility" (p. 122).

The lesson from this discussion is that while SEW is certainly "social" in the sense that it is embedded in the social relationships between and among family members, it is ultimately a form of social capital (i.e., Coleman, 1988) that manifests in wealth the family seeks to create for its own consumption, not for that of other firm stakeholders. Although some SEW-motivated behavior, such as sponsoring community organizations even in the absence of economic gain to the firms (i.e., Berrone et al., 2012), may appear at face value to reflect family firm owners' altruistic desire to aid society at large, it more likely reflects their (as parents) altruistic desire to provide for their children by increasing the value (in the form of goodwill in this case) of the firm they will one day pass on to them (Schulze, Lubatkin, & Dino, 2003).

We are not alone in the view that the benefits of SEW are intentionally limited to the family. Indeed, critics of SEW have argued that business-owning families pursue "family-centered" (Chua et al., 2015, p. 173) or "family-centric" (Miller & Le Breton-Miller, 2014, p. 714) goals. This is not to say that the pursuit of SEW *cannot* benefit nonfamily stakeholders but more fundamentally that doing so is simply not part of the calculus. As Berrone et al. (2010) admit, "From a socioemotional perspective, how far a given firm responds or fails to respond in a substantive way to institutional demands for a cleaner environment is determined fundamentally by whose interest is most likely to prevail" (p. 84).

Taken together, the arguments above suggest that by pursuing SEW families employ an instrumental approach to stakeholder management. Despite the fact that the ends SEW represents are affective rather than economic, they are pursued for the sole purpose of satisfying the family's interests; any beneficial consequences of the pursuit of SEW for other stakeholders are incidental and not necessarily the result of families' benevolent efforts to "do the right thing" for them. By seeking ends that serve their own desires to retain control of, identity with, and influence over the firm for the long run, without consideration of how their sustained control over the firm may affect others, SEW appears to be, despite Gómez-Mejia et al.'s (2007) effort to distance it from agency theory, a primarily self-interested construct.

Unfortunately for business-owning families, the self-interested pursuit of ends ultimately rooted in agency theory (as is SEW) has long been understood to be reflective of short-term decision making (Vermillion, Lassar, & Windsor, 2002). Indeed, recent research in the strategy literature suggesting that extreme forms of self-interest of all types will cause the firm to suffer in the long term (Haynes, Josefy, & Hitt, 2015) seems consistent with findings that the financial performance of family businesses tends to decline amid the dogged pursuit of SEW (Neckebrouck et al., 2017). The reason for this relationship is that despite the fact that SEW is positioned as a decision model to ultimately enable "the perpetuation of the family dynasty" (Gómez-Mejia et al., 2007, p. 106), because SEW-preserving decisions serve to benefit the family alone, family owners risk alienating, disenfranchising, and/or harming the internal and external constituencies on which their business depends. Thus, even if the family achieves the end goal of the SEW model—"namely, continuity of the firm under the family's stewardship" (Gómez-Mejia et al., 2007, p. 112)—whether the business can actually remain financially viable in the long term, what the family name will stand for if it does, and whether that name is one with which the family members will want to identify are equivocal.

In sum, as Miller and Le Breton-Miller (2014) note,

> The notion of SEW does resonate with many of the priorities of family business owners. The challenge is to distinguish among the varieties of these priorities, to characterize them more precisely, encompass their diversity, and link them more closely to outcomes for the firm and its nonfamily stakeholders. (p. 716)

We agree, and contend that although SEW may help explain decision making in some family businesses, we believe its utility is limited to situations in which a short-term focus on serving the family's interest is warranted. For example, families seeking to consolidate their control over their businesses prior to selling them to nonfamily entities would perhaps warrant an SEW-maximizing approach. However, families seeking to lead, and potentially pass on to successive generations, businesses that are financially healthy and embedded in networks of their external stakeholders, may wish to consider an alternative approach.

Alternative Approaches to Decision Making

An approach that explains how business-owning families might pursue SEW in a way that both protects and promotes the interests of others would provide a welcome response to the current "restricted" view of SEW, where the priorities set by the family "are highly family centric and often run counter to the interests of nonfamily stakeholders and the firm, at least in the long run" (Miller & Le Breton-Miller, 2014, p. 717). Considering how business-owning families might balance their self-interested pursuit of SEW with their other moral obligations to nonfamily stakeholders—that is, a normative approach to stakeholder management—may, therefore, help move the field toward an "extended" view of SEW, where those priorities "encompass benefits that go beyond the family" (Miller & Le Breton-Miller, 2014, p. 717).

Though Miller and Le Breton-Miller (2014) do not develop an extended theory of SEW themselves, they do suggest what such a theory might consider. Specifically, they argue that a long-term view of family business decision making ought to prescribe how families might seek to ensure that "rewards accrue not merely to the family, but to other stakeholders as well. And the benefits to the business may be of more of a long-term nature" (p. 717). For guidance, Miller and Le Breton-Miller argue that stakeholder, stewardship, and sustainability perspectives may provide valuable theoretical lenses through which to consider how business-owning families might balance self- and other-regarding interests. We echo this call, noting several recent efforts that have sought to explore decision making in family firms (Mitchell, Agle, Chrisman, & Spence, 2011; Neubaum, Thomas, Dibrell, & Craig, 2017).

Notwithstanding these contributions to the literature, we are struck by the fact that the dual nature of demands on family businesses is consistent with the main preoccupation of social economists. Rather than view the interests of the self and those of others as competing (i.e., zero-sum game), these scholars have long argued that these ends can and should be seen as complementary (i.e., positive-sum game). Consider for example, Etzioni's (1988) "I&We" paradigm, which

> sees individuals as able to act rationally and on their own, advancing their self or "I," but their ability to do so is deeply affected by how well they are anchored within a sound community and sustained by a firm moral and emotive personal underpinning—a community they see as theirs, as a "We," rather than an imposed, restraining "they." (pp. ix-x)

Etzioni (1988) goes on to argue that self- and other-regarding motives work together to "codetermine" behavior. If a proper balance among these motives is struck, individuals may succeed in satisfying their self-interested impulses (the "I") without undermining the interests of and their relationships with other business stakeholders (the "We").

While the argument that family owners ought to pursue the "I" *and* the "We" may appear consistent with many prominent theories of business ethics, including but not limited to those highlighted by Miller and Le Breton-Miller (2014), it adds an important distinction as well. For example, stakeholder theorists contend that firms have nonowner stakeholders to whom they are morally accountable (Freeman, 1994), social contract theorists maintain that managers have a moral duty to avoid serving their own interests should they unduly detract from those of others (Donaldson & Dunfee, 1999), and social enterprise scholars advocate the pursuit of organizational goals that benefit both the business and society at large (Santos, 2012). However, all of these theories have tended to view the social and economic goals of a business as "competing logics" that contradict each other and can be reconciled through a rational decision-making process (Pache & Santos, 2013). Etzioni (1988), however, views these goals and, more importantly, the motivations that drive managers to attain them as *complementary* logics that inform one another (i.e., as two sides of the same coin rather than two different coins). As such, Etzioni contends that decision making from an I&We perspective is "subrational" as the drive for efficiency (i.e., self-interest) is tempered by emotions/values (i.e., benevolence). Thus, we see an opportunity for the work of Etzioni and other social economists to shape the thinking of scholars interested in moving toward an extended view of SEW.

Of course, it is important to acknowledge that much of what we, and Miller and Le Breton-Miller (2014) before us, are advocating is ultimately grounded in the views expressed by Adam Smith more than a quarter of a millennium ago. On one hand, the current "restricted" view of SEW that dominates the field is consistent with the modern-day understanding of capitalist behavior. In *An Inquiry Into the Nature and Causes of the Wealth of Nations*, Smith (1994) argued that self-interest should be the sole motive in one's economic endeavors. At first glance, the pursuit of SEW by a family business leader "intend[ing] only his [or her] own gain" (p. 484) by pursuing a desired end that benefits the family alone, without any consideration of how its attainment affects the interests of other firm stakeholders, may appear to be precisely what Smith was advocating.

While many today view Smith as promoting a purely self-interested approach to business, a view that might substantiate a "restricted" view of SEW, Smith's thinking was actually much more complex than the few famous passages from *The Wealth of Nations* with which many are familiar (Sen, 1997). If that book is read in the context of his other great work, *The Theory of Moral Sentiments* (1976), as Smith intended (Raphael & Macfie, 1976), it becomes clear that while Smith believed that self-interest is indeed a virtuous motive for action, it should always be tempered by a concern for others. Thus, we see an opportunity to leverage the totality of Smith's thought toward a theory of family business that culminates in positive-sum outcomes for both the family and the other stakeholders in society to which it is accountable. Given Smith's advocacy of the pursuit of self- and other-regarding interests, we suggest that an "extended" view of SEW might also be achieved by integrating Smith's thoughts into a cohesive "socioeconomic" theory of decision making in family firms.

Conclusion

Despite the widespread acceptance of SEW as a dominant perspective in the family business literature, its focus on the self-interested attainment of wealth for the family seems problematic from a prescriptive standpoint. While not a limitation of SEW per se, the fact that the major perspective in the family business field is largely agnostic with respect to other-regarding interests reinforces the long-held view by neoclassical economists that business is and should be devoid of morality (Samuelson, 1961). We maintain that the pursuit of increased control in the business is problematic if it is attained at the expense of the rights and interests of employees, customers, shareholders, suppliers, the natural environment, and the local community. Thus, rather than dismissing SEW altogether, we propose that SEW theory can be augmented to shift the focus from the "I" (the family) to the "We" (nonfamily stakeholders). By reconceptualizing SEW not as an end but rather as a means to a more socially desirable end (i.e., continuity), the fate of the family business might be better theorized as being codetermined by a combinative function of the interests of both the family and nonfamily stakeholders. In this way, SEW is acknowledged as being pursued not in a vacuum but rather with the context of the family business' environment and broader social responsibilities in mind. We believe that such a theoretical shift can provide family owners with better guidance as to how they might steward their legacy across generations without putting the long-run viability of their businesses at risk.

To establish such a normative basis for decision making in family businesses, we have proposed avenues by which scholars may infuse the current instrumental focus on self-interest with a normative focus on other-regarding interests. Whether by leveraging work in ethics (i.e., stakeholder theory, stewardship theory), social economics (i.e., I&We paradigm), or moral philosophy (i.e., Smith's theory of moral sentiments), we see an opportunity for family business scholars to develop a model of decision making that prescribes how business-owning families might balance their desire for private gain (i.e., SEW) with their moral obligation to protect and promote the interests of those on whom their businesses depend.

We believe that theorizing of this nature would better articulate decision making in family businesses. It has long been understood that organizational decisions are largely irrational (Cyert & March, 1963), driven, at least in part, by one's moral obligations to others (Freeman, 1994). Thus, by considering how business-owning families ought to weigh their desire for greater SEW with the harm that its pursuit may inflict upon their internal and external stakeholders, family business scholars may provide robust responses to Eisenhardt's (1989) call to build on agency theory's shortcomings by "look[ing] beyond the economics literature" (p. 72) to other theories in order to develop more realistic theories of decision making.

In undertaking such a task, we believe the field will continue to develop in important ways. As Moores (2009) argues, the main objective of family business scholars is "to make sense of a reality that is characterized by firms in which family owners exercise either significant direct or indirect influence on the functioning of the enterprise" (p. 168). He goes on to argue, "No longer can [family business] theory be based on a single objective to be maximized but rather must embrace the presence of multiple objectives" (p. 178). Thus, although SEW may be the dominant distinguishing feature of family businesses, to assume it is the only such feature ignores the complexity of decision making by business-owning families. To combat this one-dimensional view of family business, Moores argues that we need better theory. He, therefore, calls on scholars to integrate accepted theories from other disciplines with extant theories of family business in evolutionary or revolutionary ways. We maintain that extending the conversation around SEW by fusing self- and other-regarding intentions more adequately frames the fundamental distinction that drives the family business difference and, by extension, the decision-making philosophy of those charged with their stewardship.

A by-product of this type of theorizing might be a more enlightened understanding of family business heterogeneity. In a recent editorial in *Family Business Review*, Shepherd (2016) argues that researchers have an opportunity to contribute to the family business literature by examining why some family businesses prioritize serving the interests of some constituencies but not others. According to Kellermanns, Eddleston, and Zellweger (2012), the observed heterogeneity in terms of how business-owning families pursue SEW and whose interests are served in the process derives from variance in the valence (which can be positive or negative) ascribed to the various SEW dimensions within and across generations of the same business-owning family. We consider this an intriguing possibility and believe that a more expansive understanding of SEW may help extend Kellermanns et al.'s commentary by highlighting a potential source of that variance. As noted above, the current "restricted" view of SEW might be appropriate for families seeking to exit the business in the short term, while an "extended" view of SEW might be appropriate for those seeking multigenerational longevity. If we are right, then the question of "whose welfare is enhanced by SEW preservation" (Schulze & Kellermanns, 2015, p. 455) (i.e., the "I" or the "We") may vary according to the temporal considerations with regard to a family's desire for ownership.

As a final point, we understand that any critical appraisal of SEW may be met with resistance given the significant place it currently occupies in the family business literature. Thus, we echo Schulze and Kellermanns (2015), who argue the following in their critique of SEW:

> A risk of offering a critical assessment of a research stream is that it might be construed as a negative commentary about existing research as well as the construct itself or its promise. That is not our intent. Existing research has materially advanced discourse about SEW. The construct has enriched understanding about decision-making dynamics within family enterprises, and promises to bridge the gap between economic and behavioral perspectives about family businesses. We agree with Berrone et al. (2014) that SEW might distinguish family-owned from other enterprises, and may ultimately constitute a key building block in an emerging theory of the family firm (e.g., Chrisman, Chua, & Steier, 2003). While we identify a variety of issues that need to be addressed, our recommendations are forward-looking and offered so that family business researchers can achieve greater correspondence between the theoretical construct and its empirical correlate, thereby firmly establishing its place in the family business research literature. (p. 448)

Given the growing number of leading family business scholars who have offered similar critical evaluations of SEW (for recent examples, see also Chua, Chrisman, & De Massis, 2015; Miller & Le Breton-Miller, 2014), it is perhaps best characterized as a useful, albeit imperfect, construct in understanding family firm behavior. Thus, in keeping with Schulze and Kellermanns's (2015) framing, we urge readers to view our own arguments in the proper spirit, namely, as a way to highlight some important limitations in SEW thinking and consider ways in which they might be reconciled.

We began this article with a quote by Charles Handy (1995), who argued that the self-interested goals toward which organizations typically strive are merely a means to a higher order end, namely, "to be an everlasting community that adds wealth to society"(p. 35). Ultimately, we hope that scholars may enrich the current "restricted" view of SEW so as to better approximate decision making in family businesses. As Weick (1995) has argued, there are "interim struggles" along the way to good theory. We hope that family business scholars will consider our suggestions and embark on worthy efforts toward that end.

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

References

Berrone, P., Cruz, C., & Gómez-Mejía, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Research*, *25*, 258-279.

Berrone, P., Cruz, C., Gomez-Mejia, L. R., & Larraza-Kintana, M. (2010). Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less? *Administrative Science Quarterly*, *55*, 82-113.

Cennamo, C., Berrone, P., Cruz, C., & Gomez-Mejia, L. R. (2012). Socioemotional wealth and proactive stakeholder engagement: Why family-controlled firms care more about their stakeholders. *Entrepreneurship Theory and Practice*, *36*, 1153-1173.

Chua, J. H., Chrisman, J. J., & De Massis, A. (2015). A closer look at socioemotional wealth: Its flows, stocks, and prospects for moving forward. *Entrepreneurship Theory and Practice*, *39*, 173-182.

Coleman, J. S. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, *94*, S95-S120.

Cruz, C. C., Gómez-Mejia, L. R., & Becerra, M. (2010). Perceptions of benevolence and the design of agency contracts: CEO-TMT relationships in family firms. *Academy of Management Journal*, *53*, 69-89.

Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*. Englewood Cliffs, NJ: Prentice Hall.

de Castro, L. R. K., Aguilera, R.V., & Crespí-Cladera, R. (2017). Family firms and compliance: Reconciling the conflicting predictions within the socioemotional wealth perspective. *Family Business Review*, *30*, 137-159.

Donaldson, T., & Dunfee, T. (1999). *Ties that bind: A social contracts approach to business ethics*. Cambridge, MA: Harvard Business Press.

Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, *20*, 65-91.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, *14*, 57-74.

El Akremi, A., Gond, J. P., Swaen, V., De Roeck, K., & Igalens, J. (2015). How do employees perceive corporate responsibility? Development and validation of a multidimensional corporate stakeholder responsibility scale. *Journal of Management*. Advance online publication. doi:10.1177/0149206315569311

Etzioni, A. (1988). *The moral dimension: Toward a new economics*. New York, NY: Free Press.

Freeman, R. E. (1994). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly*, *4*, 409-421.

Friedman, M. (1970, September 13). The social responsibility of business is to increase its profits. *New York Times Magazine*, *32-33*, 122-124.

Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & Moyano-Fuentes, J. (2007).

Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, *52*, 106-137.
Gomez-Mejia, L. R., Hoskisson, R. E., Makri, M., Sirmon, D. G., & Campbell, J.T. (2011). *Innovation and the preservation of socioemotional wealth: The paradox of R&D investment in family controlled high technology firms*. Unpublished manuscript, Texas A&M University.
Gomez-Mejia, L. R., Makri, M., & Kintana, M. L. (2010). Diversification decisions in family-controlled firms. *Journal of Management Studies*, *47*, 223-252.
Handy, C. (1995). The paradox paradigm. *Chief Executive, January-February*, 32-35.
Haynes, K. T., Josefy, M., & Hitt, M. A. (2015). Tipping point: Managers' self-interest, greed, and altruism. *Journal of Leadership & Organizational Studies*, *22*, 265-279.
Jensen, M. C. (2002). Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly*, *12*, 235-256.
Jones, C. D., Makri, M., & Gomez-Mejia, L. R. (2008). Affiliate directors and perceived risk bearing in publicly traded, family-controlled firms: The case of diversification. *Entrepreneurship Theory and Practice*, *32*, 1007-1026.
Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decisions under risk. *Econometrica*, *47*, 262-291.
Kellermanns, F., Eddleston, K., & Zellweger, T. (2012). Extending the socioemotional wealth perspective: A look at the darkside. *Entrepreneurship Theory and Practice*, *36*, 1175-1182.
Miller, D., & Le Breton-Miller, I. (2014). Deconstructing socioemotional wealth. *Entrepreneurship Theory and Practice*, *38*, 713-720.
Mitchell, R. K., Agle, B. R., Chrisman, J. J., & Spence, L. J. (2011). Toward a theory of stakeholder salience in family firms. *Business Ethics Quarterly*, *21*, 235-255.
Moores, K. (2009). Paradigms and theory building in the domain of business families. *Family Business Review*, *22*, 167-180.
Neckebrouck, J., Schulze, W., & Zellweger, T. (2017). Are family firms good employers? Academy of Management Journal. *Advance online publication*. doi:10.5465/amj.2016.0765
Neubaum, D. O., Thomas, C. H., Dibrell, C., & Craig, J. B. (2017). Stewardship climate scale: An assessment of reliability and validity. *Family Business Review*, *30*, 37-60.
Pache, A. C., & Santos, F. (2013). Inside the hybrid organization: Selective coupling as a response to competing institutional logics. *Academy of Management Journal*, *56*, 972-1001.
Raphael, D. D., & Macfie, A. (1976). Introduction to Adam Smith, *The Theory of Moral Sentiments*. In D. Raphael & A. L. Macfie (Eds.), *Glasgow edition of the works and correspondence of Adam Smith* (pp. 1-52). Oxford, England: Clarendon.
Samuelson, P. A. (1961). *Economics* (5th ed.). New York, NY: McGraw-Hill.
Santos, F. M. (2012). A positive theory of social entrepreneurship. *Journal of Business Ethics*, *111*, 335-351.
Schulze, W. S., & Kellermanns, F. W. (2015). Reifying socioemotional wealth. *Entrepreneurship Theory and Practice*, *39*, 447-459.
Schulze, W. S., Lubatkin, M. H., & Dino, R. N. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, *18*, 473-490.
Sen, A. K. (1997). Economics, business principles, and moral sentiments. *Business Ethics Quarterly*, *7*(3), 5-15.
Shepherd, D. A. (2016). An emotions perspective for advancing the fields of family business and entrepreneurship: Stocks, flows, reactions, and responses. *Family Business Review*, *29*, 151-158.
Smith, A. (1976). *The theory of moral sentiments* (D. Raphael & A. L. Macfie, Eds.). Indianapolis, IN: Liberty Press.
Smith, A. (1994). *An inquiry into the nature and causes of the wealth of nations* (E. Cannan, Ed.). New York, NY: Modern Library.
Vermillion, L. J., Lassar, W. M., & Windsor, R. D. (2002). The Hunt-Vitell general theory of marketing ethics: Can it enhance our understanding of principal-agent relationships in channels of distribution? *Journal of Business Ethics*, *41*, 267-285.
Weick, K. E. (1995). What theory is not, theorizing is. *Administrative Science Quarterly*, *40*, 385-390.
Wiseman, R. M., & Gómez-Mejía, L. R. (1998). A behavioral agency model of managerial risk taking. *Academy of Management Review*, *23*, 133-153.

Author Biographies

Scott Newbert is the Lawrence N. Field Chair in Entrepreneurship at Baruch College, City University of New York. He received his PhD in strategic management and entrepreneurship from Rutgers University. His research interests include entrepreneurial use of resources by nascent and existing firms, the determinants of new venture creation, and the socio-economic impacts of entrepreneurial activity.

Justin B. Craig is a clinical professor of Family Enterprises and director of the Center for Family Enterprises at Northwestern University's Kellogg School of Management. His research focuses on the strategy, function, management, and performance of multi-generational family enterprises and those who lead and steward them. Before Kellogg, he held faculty positions at Northeastern University in Boston, Bond University in Australia, and Oregon State University.