

# Socioemotional Wealth (SEW): Questions on Construct Validity

Family Business Review  
1–4  
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DOI: 10.1177/0894486519889402  
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Ridin' down the highway, goin' to a show. Stop in all the byways, playin' rock 'n' roll. Gettin' robbed, gettin' stoned, gettin' beat up, broken boned, gettin' had, gettin' took. I tell you, folks. It's harder than it looks.

—AC/DC, *It's a Long Way to the Top (If You Wanna Rock 'N' Roll)*

Over the past decade and a half, there has been tremendous growth in the family business field of study. One of the most important developments during this time period is the concept of socioemotional wealth (SEW), which is primarily founded on the seminal work of Gomez-Mejia, Haynes, Nuñez-Nickel, Jacobson, and Moyano-Fuentes in 2007. In fact, the number of articles that reference SEW has risen from 3 in 2007 to 147 in 2018 within the Web of Science categories of Business, Management, and Economics.<sup>1</sup> For *Family Business Review*, the 2012 article by Berrone, Cruz, and Gomez-Mejia has had over 1,200 Google Scholar citations, as of October of 2019, and continues to be one of the most accessed articles year to year.

Throughout this expanding literature, SEW—also known as affective endowments—is generally referred to as the noneconomic utilities derived by principals (i.e., the family) from a business. Based on prospect and behavioral agency theories, SEW is argued to serve as the main frame of reference for the management of the family business (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). As such, family businesses are motivated by the desire to preserve or enhance SEW when making major strategic decisions (Berrone et al., 2012).

While the very basic tenets of SEW are well established and widely utilized, the promise of SEW as a construct—that is, a postulated concept or attribute intended for study (Cronbach & Meehl, 1955)—has yet to be realized. For while progress continues to be made, there are numerous concerns—both conceptual and empirical—that have been expressed regarding SEW and how it has been applied in family business research (e.g., Chua, Chrisman, & De Massis, 2015;

Kellermanns, Eddleston, & Zellweger, 2012; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015). Fundamentally, these concerns point toward a general lack of clarity regarding the validity of SEW as a construct, where validity refers to the extent to which a measure accurately represents a concept. The purpose of this editorial is to outline several problematic areas regarding SEW as a construct and make an explicit call for more theoretical and empirical development in this important and fast-growing area of research. For as AC/DC laments, it is a long way to the top if you want to rock 'n' roll.

## What Is SEW?

When scholars discuss construct validity, the concerns are often empirically based. While empirical concerns are important, there seems to be—first and foremost—the need for some agreement on the nature and definition of SEW. On reviewing many of the studies evoking SEW in the past several years (cf. Jiang, Kellermanns, Munyon, & Morris, 2018), it is troubling that there is not more agreement on what SEW actually represents. There tends to be agreement that SEW represents the “affective endowments of family owners” (Gomez-Mejia et al., 2011, p. 654), but is that definition adequate? Is SEW—as a construct to be studied—something more or something different? Berrone et al. (2012), in their highly-regarded paper, argued for a multidimensional construct, referred to as FIBER, that works to capture the affective endowments by measuring family control and influence, family identity, social ties, emotional attachment, and bonding through succession. However, this differs from an earlier review of the

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literature by Gomez-Mejia et al. (2011) that discusses the construct of interest as one of “socioemotional wealth preservation.” Also, Debicki, Kellermanns, Chrisman, Pearson, and Spencer (2016) proposed that, due to difficulties associated with directly measuring SEW, a different construct is needed; they developed the socioemotional wealth importance scale (SEWi), which measures how much importance is given to SEW rather than the level or stocks of SEW. So, while we agree that SEW is important and in need of measurement, the exact construct of interest is still in question. Is it the stocks of SEW that matter or is the concern, preservation, or importance of SEW that really matters? Perhaps, these various constructs are unique and they all have viability as stand-alone constructs in need of further development. In short, the importance of clearly defining the SEW construct (or constructs) cannot be understated. Indeed, given the potential that the concept of SEW has to influence research both inside and outside of the family business field of study, all aspects of the construct(s) should be more carefully and explicitly considered. This is especially true with regard to the likelihood that SEW can and will be applied to organizations beyond the family and family-controlled business. Consider, for instance, the importance of non family-based SEW to socially mandated organizations (e.g., charity, religious, disease-oriented organizations) and the importance of framing and reference points to decision-making processes in such organizations.

## Challenges

As noted above, there is a lack of consensus regarding the fundamental nature of the construct, its definition, its dimensionality, its measurement, and the nomological network in which SEW may manifest. As a relatively new and underdeveloped construct, these challenges should not be surprising, and they parallel development challenges encountered with respect to other constructs used in the extant literature. For instance, we are reminded of the challenges associated with the construct known as Entrepreneurial Orientation (EO), which has been utilized in thousands of strategic management and entrepreneurship studies over several decades. Following Covin and Lumpkin (2011), who discussed the construct of EO, we posit several key challenges—presented as interrelated questions for consideration—that need to be addressed more fully if SEW is to reach its potential.

## *Is the Construct Dispositional or Behavioral?*

In order to better understand the nature of SEW, a key question to answer is, “Is it a dispositional or a behavioral construct?” This question is based on the assumption that constructs should be one or the other and that the most useful constructs are distinct (Covin & Lumpkin, 2011). Rooted in behavioral theory (Gomez-Mejia et al., 2007), SEW has a strong behavioral element and “explains the behaviors in the decision-making process” within family firms (Berrone et al., 2012, p. 261). However, there are also dispositional elements. For example, Debicki et al. (2016, p. 47) state, “Because SEW is intangible and psychological, its influence on firm behavior is largely a function of its importance to family members in terms of its preservation and acquisition.” This implies that family members may be predisposed to frame decisions in predictable ways, thus indicating a dispositional component. The key point here is that it appears that SEW is currently being conceptualized in both behavioral and dispositional terms. This lack of consensus regarding the nature of SEW can be problematic as dispositions may not always perfectly align with behaviors and vice versa. This creates issues for theorizing using SEW and subsequently with dimensionality and measurement.

## *Is the Construct Uni- or Multidimensional?*

Building on the above question, a related concern is SEW’s dimensionality. Following a unidimensional conceptualization of SEW, the latent construct only exists to the extent that the relevant subdimensions or components are present. If conceptualized as a multidimensional construct, then the construct of SEW exists as a group of independent dimensions. These distinctions are fundamental to understanding the nature of SEW. For example, Covin and Lumpkin (2011) note that both unidimensional and multidimensional conceptualizations of EO have developed over time but that they “are fundamentally different constructs that require separate definitions and measurement models” (p. 863). As research on SEW progresses, consensus may be reached regarding a unidimensional or multidimensional conceptualization of SEW; however, it is also possible that the development may parallel that of the EO construct, where both conceptualizations are present.

For now, researchers should be cognizant of how their conceptualization of the dimensionality of SEW may necessarily require different definitions and measurement models. For instance, if the construct of SEW is viewed as being formed by its components, then formative measurement models may be more appropriate. Conversely, if the construct of SEW is viewed as existing separate from its measurement, then reflective measurement models would be appropriate. To the degree that researchers are explicit in their conceptualizations and use appropriate definitions and measurement models (i.e., avoiding misspecification problems), research on SEW may circumvent some of the struggles and confusion that are commonly associated with the development of constructs. Indeed, MacKenzie, Podsakoff, and Jarvis (2005, p. 726) state that “failure to think carefully about the dimensionality of constructs is one of the primary causes of measurement model misspecification.”

### *What Are the Dimensions and How Are They Related to the Overall Construct and to One Another?*

Berrone et al. (2012) note that the concept of SEW is multidimensional and has been utilized as a latent explanatory construct. If SEW is a latent multidimensional construct, then it may be operationalized as the common factor behind its specified attributes or dimensions. In other words, the dimensions are different forms manifested by the higher order construct. However, many researchers do not explicitly define how the overall construct of SEW is related to each of the dimensions, which are a set of interrelated constructs that can be collapsed under the broader label. This is problematic when conceptual arguments and hypotheses at the dimension level are simply assumed to apply to the larger construct and vice versa (Wong, Law, & Huang, 2008). For instance, if we conceptualize SEW as a multidimensional construct such as with the FIBER scale, is a general hypothesis confirmed if only three of the five dimensions are supported (cf. Filser, De Massis, Gast, Kraus, & Niemand, 2018)? Wong et al. (2008) suggest that this is serious problem of generalization and emerges from the basic definition of the construct and its relationship to its dimensions.

Law, Wong, and Mobley (1998) argued for two other types or forms of multidimensional constructs that

should be considered in addition to the latent construct: (1) aggregate and (2) profile. For the aggregate form, the construct is operationalized as a composite of the various dimensions using a specified formula. For the profile form, the construct represents a combination of different configurations of the dimensions. Contemplating these alternative forms of multidimensional constructs seems particularly important to SEW at its current stage of development. For each form, which may all have some legitimacy and utility, the nature of the construct—the number and types of dimensions—may be different, as will their measurement.

### *Is the Construct Family Firm Specific? What Is the Appropriate Level of Analysis?*

Clearly, how the construct of SEW is conceptualized and measured has consequences for its applicability to family business research. However, these issues may have implications beyond the family business field as well. For instance, if SEW is conceptualized as a formative construct—one that is composed of its measures—and thus best assessed through formative measurement models, then it may limit its applicability to nonfamily firms if those measures are family specific. One would need to develop generalizable conceptualizations and measures of SEW if application is expected in nonfamily firms.

Such generalizability is not simple because researchers must first determine where the socioemotional endowment resides (e.g., the appropriate level of analysis) to understand how decisions and/or behaviors may be influenced. To date, the family has represented the focal decision-making group with regard to SEW. But if we seek a more generalizable perspective of SEW, it is necessary to explicitly consider other levels including individuals (e.g., leader, founder), organizations (e.g., firms, corporations), and, perhaps, communities or societies. If considering these other levels, a reconceptualization of the construct is likely necessary. While EO has generally maintained its firm level of analysis, SEW may develop more similarly to social capital such that it can be applied more broadly. Social capital, which refers to the resources derived from social relationships, is inherently multilevel and has been applied to both individuals and collectives, including families (Payne, Moore, Griffis, & Autry, 2011). Likewise, it seems extremely plausible for different conceptualizations of

SEW to develop at different levels of analysis. For instance, one might conceptualize and measure founder SEW, family SEW, and firm SEW differently, with each making a unique contribution to the decisions and behaviors seen in business. These opportunities should be judiciously considered and explicitly developed, but not ignored.

## Conclusion

This editorial is not intended to be critical of past work or to answer the questions posed. Rather, our intention is to be thoughtful and provocative. By stimulating ideas and promoting best practices as our field develops SEW, as one construct or several related constructs, we hope to move the field forward in a more efficient and effective way.

## Acknowledgments

We wish to thank Alfredo De Massis, Peter Jaskiewicz, Nadine Kammerlander, Josip Kotlar, and Evelyn Micelotta for helpful comments on earlier versions of this editorial.

## Note

1. Data provided by Clarivate Analytics accessed in September of 2019.

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