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Published in:
Entrepreneurship & Regional Development

DOI:
[10.1080/08985626.2017.1401123](https://doi.org/10.1080/08985626.2017.1401123)

Published: 01/01/2018

Document Version:
Publisher's PDF, also known as Version of record

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[Link to publication](#)

Citation for published version (APA):
Hasenzagl, R., Hatak, I., & Frank, H. (2018). Problematizing Socioemotional Wealth in Family Firms: A systems-theoretical Reframing. *Entrepreneurship & Regional Development*, 30(1-2), 199 - 223.
<https://doi.org/10.1080/08985626.2017.1401123>



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To cite this article: Rupert Hasenzagl, Isabella Hatak & Hermann Frank (2017): Problematizing socioemotional wealth in family firms: a systems-theoretical reframing, *Entrepreneurship & Regional Development*, DOI: [10.1080/08985626.2017.1401123](https://doi.org/10.1080/08985626.2017.1401123)

To link to this article: <https://doi.org/10.1080/08985626.2017.1401123>



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Published online: 14 Nov 2017.



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Problematizing socioemotional wealth in family firms: a systems-theoretical reframing

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ABSTRACT

The concept of socioemotional wealth (SEW) seeks to present an independent paradigmatic basis for family-firm research, and in doing so aims to establish a sound basis for the scientific legitimacy of family-firm research. Establishing that legitimacy requires scholars to demonstrate that SEW is based on coherent assumptions on several theoretical levels. This paper uses the problematization methodology to challenge the coherence of the theoretical assumptions underpinning SEW and to advance theory development. The results of this problematization show that SEW is built on a theoretical level close to the object of research (in-house assumptions), but that more deeply-rooted theoretical levels (e.g. paradigmatic assumptions) are not sufficiently elaborated. Moreover, the original conceptualization is based on a positivist-mechanistic view, which hinders SEW reflecting the complex reality of family firms. Based on the results of this problematization, new systems theory is applied to reframe SEW's theoretical grounding. Thereby the main contribution of the paper is a critical reflection on the theoretical underpinnings of SEW (in particular root-metaphor and paradigmatic assumptions), serving as the basis for advancing a coherent theoretical understanding of this important concept in family business research.

ARTICLE HISTORY

Received 4 November 2016
Accepted 1 November 2017

KEYWORDS

Family-firm research;
socioemotional wealth;
problematization; theoretical
reframing of socioemotional
wealth; new systems theory

1. Introduction

The notion of socioemotional wealth (SEW) has received increasing attention as the 'potential dominant paradigm in the family business field' (Berrone, Cruz, and Gomez-Mejia 2012, 258). As 'a new "homegrown" theoretical formulation' within family-firm research (Berrone, Cruz, and Gomez-Mejia 2012, 259), SEW aims to facilitate the distinction between family and non-family firms (Gomez-Mejia et al. 2011). More specifically, it aims to explain family firms' specific behaviours. Against the backdrop of an apparent lack of paradigmatic coherence in family-firm research, it might be possible to boost this field of research if scholars could establish a dominant paradigm for family-firm research as a whole (Gomez-Mejia et al. 2011;

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Berrone, Cruz, and Gomez-Mejia 2012). Furthermore, this would place the family-firm organization, which is the most significant for many economies, on a solid scientific foundation.

Whether or not an SEW-based explanation of the decision behaviour of family firms can be sustained will depend on a comprehensive analysis and reflection on the theoretical underpinnings of SEW, a task for which the problematization methodology of Alvesson and Sandberg (2011) appears particularly suitable. Alvesson, Hardy, and Harley (2008) cautioned that whenever a new paradigm enters the field it is wise to examine the fundamental assumptions associated with the development of paradigms and the related levels of assumptions. In the context of family firms, following the subsequent process guide provided by Alvesson and Sandberg (2011) involves analysing the specific assumptions regarding family firms (in-house assumptions) and the basic assumptions made about family firms (root-metaphor assumptions) in terms of the nature of organizations, families, and individuals. The same study also flags the importance of understanding how those factors interplay with the paradigmatic assumptions. On the levels subordinate to the paradigm, it is necessary to reflect upon the values on which SEW is built (ideological assumptions and, field assumptions; Alvesson and Sandberg 2011, 260).

Therefore, the aim of this article is to analyse the original version of SEW (Berrone, Cruz, and Gomez-Mejia 2012) through a problematization according to the methodology proposed by Alvesson and Sandberg (2011). In questioning the assumptions on different levels and defining coherent counter positions on the basis of new systems theory (Luhmann 1995; von Schlippe and Frank 2013) the current research examines whether reframing SEW could strengthen theory development.

By problematizing and reframing SEW on the basis of new systems theory, the current study makes the following contributions: First, it explores the basic assumptions around SEW on various levels; examining if they are coherent and analysing the viability of SEW in its original form. One finding of this problematization of SEW in the original version presented by Berrone, Cruz, and Gomez-Mejia (2012) is that there are several areas that need refinement. We suspect the original SEW could not meet the paradigmatic requirements its originators set for it. Second, the comparison of alternative assumptions on different levels shapes the contours of a coherent theoretical understanding of SEW on the basis of new systems theory. Accordingly, we suggest a refinement for SEW, as suggested (and partly realized) by Gomez-Mejia et al. (2011) and Berrone, Cruz, and Gomez-Mejia (2012) as well as, more recently, Miller and Le Breton-Miller (2014), Chua, Chrisman, and De Massis (2015), Schulze and Kellermanns (2015), Cruz and Arredondo (2016), and Chrisman and Holt (2016). Whereas these recent critical studies mainly focus on the in-house level and partly the root-metaphor level of assumptions, the current study also reflects on the paradigmatic assumptions. In consideration of the critiques offered by Ghoshal (2005) and Pfeffer (2005), among others, regarding the paradigmatic assumption level of mainstream theories, this study draws on Luhmann (1995) new systems theory to capture the (potential) social complexity of family firms. New systems theory enhances the understanding of systems, especially on a paradigmatic and root-metaphor level. Its benefits lie in making it possible to understand different types of social systems (e.g. the family or the organization), and also their complex coupling in the family-firm context. As a consequence, reframing SEW according to the principles of new systems theory can advance the understanding of family-firm management. Third, this study introduces the problematization methodology of comprehensively reflecting on theory to management research focusing on family firms, as is already commonly used in social sciences like sociology (see, e.g. Luhmann 1995) and partly in management sciences (e.g. Tsoukas and Hatch 2001). In doing so, we abandon

the common (and perhaps rather safe) gap-spotting approach and try to cultivate a reflective research approach that goes beyond simple fault finding (Alvesson and Sandberg 2011). Fourth, by challenging the boundaries of natural sciences as a core philosophical foundation underlying mainstream management theory and discussing systems-theoretical assumptions, this study also contributes to the more general discussion about the theoretical drawbacks in the area of management (e.g. Ghoshal 2005) and entrepreneurship (Fletcher 2006; Schindehutte and Morris 2009). In this regard, our study has the potential to further strengthen the linkages between entrepreneurship research, which has been established as a distinct field of management theorizing, and family business research (see e.g. Randerson et al. 2015; with regard to SEW see e.g. Goel et al. 2013; Schepers et al. 2014). Specifically, our reflections result in a call for a pluralism of theories to understand the subtleties of the phenomenon of family businesses, thus bridging family business research and entrepreneurship research where discussions concerning the theoretical grounding of concepts have been launched (see e.g. Nicholson and Anderson 2005; Schindehutte and Morris 2009; Karatas-Ozkan et al. 2014; McKeever, Anderson, and Jack 2014; Anderson 2005; Gartner et al. 2016).

Summarizing our contributions, we re-interpret the SEW concept in terms of a consistent paradigm that is based on coherent systems-theory root assumptions and in-house assumptions. This study makes the case for the adoption of a novel lens for research on family firms that originates from Berrone, Cruz, and Gomez-Mejia (2012) pioneering SEW concept. Thereby we open the doors for family business research to reflect on underlying theoretical assumptions to advance the theory development process.

To deliver those contributions, the article is structured as follows: After briefly outlining SEW with reference to key articles, the various levels of assumptions are outlined and discussed. The article moves on to evaluate the assumptions underlying the key articles by applying problematization methodology. Consequently, alternative assumptions are developed based on new systems theory, which in turn results in a theoretical reframing of SEW. Next, we review our results and the methodology used and highlight how other management researchers focusing on SEW might problematize our findings. The problematization process is concluded by outlining the implications for future research, taking account of different theoretical positioning.

2. A synoptic view of SEW

An empirical analysis of the strategic choices made by Spanish olive oil mills by Gómez-Mejía et al. (2007) showed that family-controlled mills were three times less likely to join a cooperative (a rather lucrative option) than the non-family-controlled mills. The inconsistent risk behaviour (risk-willing and risk-averse at the same time) of family firms was explained by their desire to avoid losing SEW. Such behaviour cannot be explained by principal-agent theory (Wiseman and Gomez-Mejia 1998) as this assumes the risk preferences of agents to be stable. In order to resolve that problem, behavioural agency theory and/or the behavioural agency model were invoked (BAM; Wiseman and Gomez-Mejia 1998). One central assumption of the BAM is that 'firms make choices depending on the reference point of the firm's dominant principals' (Berrone, Cruz, and Gomez-Mejia 2012, 259). The BAM integrates viewpoints of agency theory, prospect theory, and the behavioural theory of the firm, and aims to aid managerial risk taking, which is determined by the situation.

The problem is therefore framed around the situational factor in the form of gain versus loss. Prospect theory (Kahneman and Tversky 1979) suggests impending loss supposes a risk-seeking attitude, while an expected profit assumes risk aversion on the part of the agent.

When forecasts of firm performance are satisfactory (a gain situation), executives anticipate positive gains to personal wealth (e.g. bonuses, normal raises, and so forth) and act conservatively. Conversely, when forecasted performance is unsatisfactory, executives may anticipate losses to wealth (e.g. raises may be withheld, the value of stock options may fall, and so forth) and therefore entertain greater strategic risks on behalf of the firm. Thus, to the extent that executive wealth is impacted by firm performance, executives are likely to perceive more risk to personal wealth (i.e. risk bearing) under conditions of gain but less risk to that wealth under conditions of loss. (Wiseman and Gomez-Mejia 1998, 137).

Based on this behavioural model, the strategic decisions in Spanish family firms running oil mills were explained, and SEW was introduced (Gómez-Mejía et al. 2007).

With regard to SEW, family principals are loss averse regarding 'the stock of affect-related value that a family derives from its controlling position in a particular firm' (Berrone, Cruz, and Gomez-Mejia 2012, 259), which is reflected in the strategic choices they make. In fact, threats to SEW will lead the principal to make strategic choices that will avoid potential depletion of SEW even if achieving this objective might come at the expense of other objectives (noneconomic logic; Berrone, Cruz, and Gomez-Mejia 2012, 261; see also Zellweger et al. 2012). This tendency 'to choose *risky economic actions that preserve SEW*' (Berrone, Cruz, and Gomez-Mejia 2012, 260, our italics) is especially high if there is a high family involvement, in which case family firms strong belief that the risks associated with such actions are counterbalanced by noneconomic benefits rather than potential financial gains (Berrone, Cruz, and Gomez-Mejia 2012, 261).

SEW is seen as the 'defining feature of a family business. It is central, enduring, and unique to the dominant family owner, influencing everything the firm does' (Gomez-Mejia et al. 2011, 692). This implies that decisions concerning (1) management processes, (2) firm strategies, (3) corporate governance, (4) stakeholder relationships and (5) business venturing are affected by SEW, and SEW thus also has an impact on financial performance. The power of the influence of SEW on decisions in the five areas stated depends on contingency variables such as family stage, firm size, firm hazard, and the presence of non-family shareholders (Gomez-Mejia et al. 2011, 658). Recently, scholars have discussed whether SEW considerations are prioritized differently at different stages of the firm's evolution (Le Breton-Miller and Miller 2013, 1393).

Berrone, Cruz, and Gomez-Mejia (2012) suggest an empirical quantitative approach can assist in assessing the influence of SEW on a family firm's decision-making. They propose five major dimensions of SEW, which Naldi et al. (2013) refer to as the FIBER model. However, when presenting the reasons for maintaining SEW, the latter study condenses the five original dimensions into three that influence the strategic behaviour of family firms: (1) keeping control and influence over the firm's operations and ownership, (2) perpetuating the family dynasty, and (3) sustaining family reputation (Naldi et al. 2013, 1344). The SEW-preserving mechanism here is having a member of the controlling family operating as the firm's CEO, as it is 'a way for family firms to achieve these three objectives, thus preserving and enhancing SEW' (Naldi et al. 2013, 1343). Additionally, aspects of the institutional environment are taken into account (e.g. industrial districts and the stock market) to explain the impact of family CEOs on financial performance in comparison to that of non-family CEOs of family-controlled firms.

While it can be useful to operationalize SEW over five or three dimensions, there are evidently a number of motives (or sources) affecting the behaviour of family firms. Each has a distinct meaning for both the individual family firm and the individual family members

involved in the family firm; and those distinct meanings result in different types (nature) and effects (outcomes) of SEW. Consequently, Miller and Le Breton-Miller (2014) demand a clearer characterization of the relevant aspects of nature, sources, and outcomes – and thus of cause and effect relations – as they affect SEW. That research also suggests the motives of all active family members are more closely integrated and the role of context factors is considered too. Chua, Chrisman, and De Massis (2015, 180) share Miller and Le Breton-Miller's concerns, and call for 'finer grained characterizations of the components of SEW' and thus 'for much more development before it can be considered as the core of a theory of the family firm'. We believe such examples in the literature underscore the validity of questioning the assumptions of SEW.

3. Problematization methodology

The problematization methodology is based on the answer to two key questions regarding the assumptions of theories: (1) What types of assumptions are relevant? (2) How can those assumptions be identified, articulated, and challenged? Five types of assumptions are distinguished with regard to question 1 (see Table 1).

Concerning question 1, one marker of sophisticated statement systems regarding objects in the world is the coherence of assumptions on theory levels (Alvesson and Sandberg 2011). All five types of assumptions must be reflected upon in the course of problematization. While some assumptions clearly refer to a specific level, other assumptions may be assigned to more than one level (e.g. the root-metaphor and in-house level). Moreover, an analytic segregation of assumptions based on different theory levels will highlight the inter-dependence of these assumptions. In most cases, assumptions will show as phenomena on a higher level, and their analysis on a lower level will then provide the theoretical argumentation for those assumptions. Consequently, it is necessary to examine all levels of theory. As for question 2, the process of problematization according to Alvesson and Sandberg (2011) is conducted in six steps: (1) identifying a domain of literature for assumption-challenging investigations, (2) identifying and articulating assumptions underlying the chosen domain of literature, (3) evaluating articulated assumptions, (4) developing an alternative assumption ground, (5) considering assumptions in relation to the audience, (6) evaluating the alternative assumption ground.

The widespread approach within family-firm research involves processing empirical observations on the level of in-house assumptions (Bird et al. 2002, 346; Yu et al. 2012) without directly addressing the lower levels of theory. Successfully implementing paradigmatic change, however, requires an analysis on several more detailed levels of theory.

Table 1. Types of assumptions and definitions (cf. Alvesson and Sandberg 2011).

Types of assumption	Definition
Field assumption	Assumptions about a specific subject matter that are shared across different theoretical schools
Ideology assumption	Political-, moral-, and gender-related assumptions underlying existing literature
Paradigmatic assumption	Ontological, epistemological, and methodological assumptions underlying existing literature
Root metaphor assumption	Broader images of a particular subject matter underlying existing literature
In-house assumption	Assumptions that exist within a specific school of thought

4. Problematization of SEW

4.1. Step 1: identifying a domain of literature for assumption-challenging investigations

The first step of the problematization methodology involves selecting the literature to be analysed. The focus is not on a systematic literature review covering the whole spectrum of relevant publications, but rather on 'narrow literature coverage and in-depth readings of key texts, with the specific aim of identifying and challenging assumptions underlying the specific literature domain targeted' (Alvesson and Sandberg 2011, 256). Such specific literature in this case will comprise papers that define the theoretical foundations of SEW. At the same time, those papers should be published in highly regarded journals to ensure they meet the requisite academic standards of family-firm research.

With regard to SEW, there are two papers that are widely acknowledged to fulfil those requirements: Berrone, Cruz, and Gomez-Mejia (2012), and Gomez-Mejia et al. (2011). An analysis of those two papers reveals two major differences between them: Gomez-Mejia et al. (2011) claim their article offers a research program for family firms from the perspective of SEW that integrates large parts of the entire body of family-firm research. The methodical approach taken by the authors consists in explaining differences shown in the relevant literature between family firms and non-family firms in connection with phenomena such as succession, risk taking, the role of the board, stakeholder management, and the role of families in new ventures based on SEW. Accordingly, the goal of this article is to establish family-firm research as viewed through the lens of the preservation of SEW. The purpose of the paper by Berrone, Cruz, and Gomez-Mejia (2012) is to establish SEW as a 'potential dominant paradigm in the family business field' and thus create a conceptualization that is 'the most important differentiator of the family firm as a unique entity'. Berrone et al.'s paper thus pursues the goal of tackling the different theoretical levels of SEW. Furthermore, it intends to operationalize SEW to create an empirical basis for the research program presented. As a result, this paper is most suitable for the purposes of problematization. Furthermore, given the high number of citations the paper generated within a very short period of time, it can be considered to be influential among the family-firm research community. Although recent papers have questioned both the existence and influence of SEW on decision-making behaviour, the current problematization effort will follow the original claim that SEW is a clear point of distinction between family and non-family firms. Specifically, the strong original version of Berrone et al.'s article (2012) reveals the core nature of SEW, whereas recent publications employ a diluted version of SEW. That article presents SEW as the core criterion to distinguish between family and non-family firms, with all business families striving to sustain SEW. The recent research view on SEW postulates that a stock of socioemotional endowments can exist, which implicitly takes the existence of SEW as a given. Furthermore, instead of SEW fully shaping decisions, as was assumed in earlier studies, SEW is now becoming part of a mixed gamble where 'family business owners have to weigh the likely gains and losses of strategic decisions in terms of their impact on both, the current SEW endowment and future financial wealth' (Gomez-Mejia, Patel, and Zellweger 2015, 3). Against this background, the current problematization relies on the original version of SEW to obtain a clearly accentuated picture of SEW that can serve as the basis for the subsequent theoretical reframing.

4.2. Steps 2 and 3: identifying, articulating and evaluating the assumptions underlying the chosen domain of literature

Having completed Step 1, Deacon (2000) recommends an open research process is best served by an iterative approach combining the identification and articulation of assumptions (Step 2) with an evaluation (Step 3); that evaluation has the potential to yield fresh suggestions for a return to an open research process. The specific procedure used in the current research involves an analysis of the text paragraph by paragraph with regard to the five levels shown in Table 1. The scope of analysis for the Berrone, Cruz, and Gomez-Mejia (2012) article is pages 258–269, as that is where the authors detail the support for the claim to develop a comprehensive research programme.

4.2.1. In-house assumptions

Argumentation on the level of in-house assumptions is based on the following differentiation: SEW is described by five dimensions representing values that affect the decision-making behaviour of principals, and thus the decisions of family firms. The following statements are representative of this interpretation of decision behaviour:

Family firms are typically motivated by, and committed to, the preservation of their SEW, referring to nonfinancial aspects or ‘affective endowments’ of family owners. In this formulation, gains or losses in SEW represent the pivotal frame of reference that family-controlled firms use to make major strategic choices and policy decisions. (Berrone, Cruz, and Gomez-Mejia 2012, 259)

These principals will make decisions in such a way that they preserve accumulated endowment in the firm. In the case of family principals, the emphasis on preserving SEW becomes critical. Hence, family owners frame problems in terms of assessing how actions will affect socioemotional endowment. When there is a threat to that endowment, the family is willing to make decisions that are not driven by an economic logic, and in fact the family would be willing to put the firm at risk if this is what it would take to preserve that endowment. (Berrone, Cruz, and Gomez-Mejia 2012, 259)

The socioemotional endowment is conceptualized in broad terms to capture the stock of affect-related value that a family derives from its controlling position in a particular firm. (Berrone, Cruz, and Gomez-Mejia 2012, 259)

The main point of SEW is that when there is a high family involvement, firms are more likely to bear the cost and uncertainty involved in pursuing certain actions, driven by a belief that the risks that such actions entail are counterbalanced by noneconomic benefits rather than potential financial gains. (Berrone, Cruz, and Gomez-Mejia 2012, 261)

Challenging these in-house assumptions involves suggesting that SEW is used to try to establish a form of ‘rationality’ specific to the family firm by explaining deviations from a purely economic rationality. This implies that all organizations without family influence make purely rational economic decisions; if that were not the case, SEW could not be used as a delineating criterion. However, more elaborate theoretical approaches to the decision-making behaviour in organizations that take into account their social complexity, call these assumptions into question (see reframing of SEW: Step 4). Based on the criticism that economic rationality is the exception rather than the norm (Luhmann 2000), the scope of application of SEW is restricted and can thus not live up to its claim to serve as a comprehensive paradigm (Berrone, Cruz, and Gomez-Mejia 2012). Furthermore, non-family firms create socioemotional endowment among shareholders, which they try to maintain by influencing entrepreneurial decisions (e.g. O’Rourke 2003; Glac 2014).

With regard to the FIBER dimensions, it is noticeable that they are associated with positive emotions. The basic assumption that principals, and thus the families running firms, want to preserve SEW (e.g. Berrone, Cruz, and Gomez-Mejia 2012, 260) could not be sustained otherwise. However, negative occurrences that are ascribed to the actions of the firm by the family could follow the same logic as with SEW. Examples include conflicts within the family or disruptions in family life the family views as the fault of the organization. If one accepts the presence of such thought patterns around negative occurrences, it becomes very challenging to support the underlying assumption of the primacy of SEW preservation and the logic of framing in the decision process. Above all, the possibility that some members of the family feel differently about the family firm than others should be considered; some family members might view the firm as threatening the quality of family life, while others may hold positive SEW sentiments. In this regard, recent research has argued that SEW and therefore also emotions as core components of SEW may be context and time dependent (Kellermanns, Eddleston, and Zellweger 2012; Le Breton-Miller and Miller 2013). Likewise, the interplay and interdependences of the FIBER dimensions, and the way they affect SEW (in a reflective or a formative manner) have not been resolved (Chua, Chrisman, and De Massis 2015; for a recent validation and reformulation of the FIBER scale see, Hauck et al. 2016).

It is apparent that there is room for doubt over the justification of the basic assumptions of SEW at the level of in-house assumptions, that is, at the level of assumptions about the phenomena examined. The mindset reflecting a differentiation between family and non-family firms is generally shared in family-firm research (Chua, Chrisman, and De Massis 2015). However, the assumptions concerning the extent of that difference vary considerably (see the section on 'field assumption'). The argument that the difference between family and non-family firms can be explained by SEW (Gomez-Mejia et al. 2011) will therefore have to be made on lower theoretical levels; concluding on the in-house level, the literature analysed does not present stringent justification efforts.

4.2.2. *Root-metaphor assumptions*

The following statement can be classified as encapsulating root-metaphor assumptions based on their ontological claim regarding a specific object (What is an organization? What are individuals? What relationships exist between the organization and individuals?):

Behavioral agency theory integrates elements of prospect theory, behavioral theory of the firm, and agency theory. Fundamental to this theory is the notion that firms make choices depending on the reference point of the firm's dominant principals. (Berrone, Cruz, and Gomez-Mejia 2012, 259)

The evaluation yields the following interpretations: The theoretical basis of SEW is formed by BAM (Wiseman and Gomez-Mejia 1998), and thus prospect theory (Kahneman and Tversky 1979) and agency theory (Jensen and Meckling 1976). While agency theory and prospect theory argue on the basis of methodological individualism, the behavioural theory of the firm (Cyert and March 1992) focuses primarily on social aspects of decision behaviour. The eclectic merging of different theories on the level of in-house assumptions (Berrone, Cruz, and Gomez-Mejia 2012, 265) requires reflection on the underlying theoretical levels if we are to be able to derive a coherent statement structure on the root metaphor and paradigmatic level.

The following excerpts prime the ground for a consideration of the SEW-based interplay of social units and individuals:

When there is a threat to that endowment, the family is willing to make decisions that are not driven by an economic logic, and in fact the family would be willing to put the firm at risk if this is what it would take to preserve that endowment. (Berrone, Cruz, and Gomez-Mejia 2012, 259)

For the family principals, risk averseness to socioemotional endowment takes priority over risk averseness to financial losses. (Berrone, Cruz, and Gomez-Mejia 2012, 260)

In recent years, research by Gomez-Mejia and colleagues has provided overwhelming evidence that when issues are framed negatively by the family in terms of SEW losses, family principals tend to choose risky economic actions that preserve SEW. (Berrone, Cruz, and Gomez-Mejia 2012, 260)

Items were formulated at the individual level as we consider the individual family member as the appropriate unit of analysis on which to collect data. However, as mentioned before, the SEW construct is defined on the basis of a collective family identity, so questions were in most cases designed to capture individual perceptions about group (family) attitudes regarding the five dimensions described above. (Berrone, Cruz, and Gomez-Mejia 2012, 265)

Berrone, Cruz, and Gomez-Mejia (2012) point to the fact that the family makes decisions to safeguard SEW that are not based on economic logic – even if those decisions endanger the firm's economic success. On the root-metaphor level, however, the question arises as to how the interplay between social units and individuals is to be conceived of. Who makes SEW-driven decisions? How do decisions emerge from the interplay of family, family members, and principals? Switching between family and family members or principals in the statements above and the reference to family members in connection with FIBER items suggest that no clear distinction is made between the family as a social unit and family members or principals as individual points of reference. It is true that SEW refers to social entities ('collective family identity', Berrone, Cruz, and Gomez-Mejia 2012, 265), but our understanding is hampered by the lack of a clear definition of those social entities.

A further point of reflection that is also linked to the interplay between individual and social unit is prompted by the following excerpt:

The socioemotional endowment is conceptualized on broad terms to capture the stock of affect-related value that a family derives from its controlling position in a particular firm. (Berrone, Cruz, and Gomez-Mejia 2012, 259)

Analysis on a root-metaphor level suggests that a firm's understanding of organization is shaped by BAM. Such an understanding of organization – which we consider mechanistic – is also evident in the assumption of the family deriving its stock of affect-related value from its position of power. However, this would imply that the family can and wants to control the organization. However, a non-mechanistic view of organizations would assert that legitimate power does not reflect the actual decision-making situation (Luhmann 2000). Specifically, hierarchical power (e.g. as wielded by the CEO and TMT members, Berrone, Cruz, and Gomez-Mejia 2012, 262) does not always equate to real influence over the organization. Moreover, the internal social structure on the family side remains obscure, as the interaction of principals and the interaction of family members are not conceptualized. An individualistic perspective that neglects the effect of social units (and particularly their emergent characteristics) on decision behaviour, leaves itself open to criticism from parts of management theory (Hatch and Yanow 2003; see reframing of SEW in Step 4). In addition, the firm's influence on the family in the sense of what has been termed 'enterpriseness' (Frank et al. 2010) can take many shapes and forms, which makes SEW just one of several possible ways to exert influence. Furthermore, the influence of the organization on its principals is also neglected (see, e.g. Edwards and Meliou 2015).

Another statement that warrants reflection is:

The value of socioemotional wealth to the family is more intrinsic, its preservation becomes an end in itself, and it is anchored at a deep psychological level among family owners whose identity is inextricably tied to the organization. (Berrone, Cruz, and Gomez-Mejia 2012, 260)

The above assertion on SEW could be challenged on the grounds that it is unlikely that *all* family owners are intrinsically motivated to preserve SEW (Miller and Le Breton-Miller 2014; concerning the influence of external directors on SEW see Goel et al. 2013). Above all, it cannot be assumed that all family members identify with the family firm to the same extent as size and differentiation (e.g. family branches) increase. This raises the question as to how it can be possible to develop an understanding of SEW that is supported by everybody and has a strong impact on decisions. The understanding of SEW promoted by Berrone, Cruz, and Gomez-Mejia (2012) suggests that personal values dominate decision behaviour. This is where the logic of BAM indicates the organization as an institution constituted by formal contracts. Family, in contrast, is driven by emotions, which often makes formal contracts irrelevant. This needs to be questioned to the extent that the family can be seen not only as a bundle of emotion-driven decisions, since formal contracts within the meaning of principal-agent theory may well influence the decision behaviour within the family.

Concluding, the analysis of assumptions on the root metaphor level shows that SEW uses the individual as level of analysis, largely neglecting groups or social interactions as relevant units of analyses (e.g. groups; Cruz and Arredondo 2016), although families and firms and thus family firms tend to be defined as strong and complex social units.

4.2.3. *Paradigmatic assumptions*

The analysis reveals statements that have to be classified as paradigmatic assumptions by virtue of their ontological (Do things exist, or do they not?), epistemological (How does cognition come about?), and methodological (What methods should be used to approximate reality?) claims with regard to the nature of things.

Second, from an empirical perspective, we directly address what is perhaps the greatest challenge that the SEW model faces, that is, the operationalization of SEW, by proposing a set of items to capture the distinct dimensions of SEW. (Berrone, Cruz, and Gomez-Mejia 2012, 259)

We believe that surveys can be appropriate tools for measuring SEW, given the extensive experience and knowledge that scholars in the field have gained over the past few years. (Berrone, Cruz, and Gomez-Mejia 2012, 265)

The excerpts above prompt the following interpretations: They imply a quantitative-nomothetic methodology combined with an underlying positivist epistemological attitude (Burrell and Morgan 1979). This epistemological position is linked with a realist ontology. Discussions in the literature (Frank et al. 2010; von Schlippe and Frank 2013) address whether complex social realities such as families, and thus family firms, in which the range of emotions at play is broad and their role significant (Berrone, Cruz, and Gomez-Mejia 2012, 263), can be theoretically reflected based on such a paradigmatic position. Positivist-mechanistic approaches are well-suited to explain realities in natural sciences and physics; social realities, however, are far less amenable to such approaches (see also Tsoukas and Hatch 2001), or as Ghoshal (2005) puts it:

Unfortunately, as philosophy of science makes clear, it is an error to pretend that the methods of the physical sciences can be indiscriminately applied to business studies because such a

pretension ignores some fundamental differences that exist between the different academic disciplines. (see also Hatch and Yanow 2003, 65)

However, Berrone, Cruz, and Gomez-Mejia (2012) keep an open mind on the use of case studies, which are often based on the use of qualitative instruments.

Further statements that invite scrutiny include:

Another potential approach is to use content analysis techniques to capture the FIBER dimensions of SEW. (Berrone, Cruz, and Gomez-Mejia 2012, 265).

In Table 2, we indicate variables in our example for which there are significant statistical differences between family and nonfamily firms. We conducted this statistical test via a Student's t test for independent samples, which is appropriate when the means for two independent groups need to be compared (Wooldridge 2000). (Berrone, Cruz, and Gomez-Mejia 2012, 267)

We did not find any relevant variables to account for the family control and influence dimension. However, we believe that content analysis in general and the use of the DICTION program in particular might be an alternative to survey instruments to capture the proposed FIBER dimensions. (Berrone, Cruz, and Gomez-Mejia 2012, 267–268)

An evaluation of the above excerpts raises the following issues: Analogously to the critique of the in-house assumptions with regard to the FIBER dimensions, it is possible to challenge the selection and justification of the suitability of the sources used to identify SEW variables. Since this is a methodological point of reflection, it makes sense to discuss it on a paradigmatic level. It does, for example, come as a surprise that a content analysis of statements of listed family and non-family firms was conducted, even though the type *listed companies* represents only a small subset of family firms. Owing to legal regulations, listed family firms operate in a specific context and receive more attention than non-listed family firms, meaning that, for example, reputation may be more important for the former. There must therefore be a question mark over whether the results of that content analysis can be applied to the majority of small and medium-sized family firms that are not listed.

As argued before, the use of ownership as a proxy of SEW requires the strong assumption that variables have an isomorphic behavioral and emotional counterpart. There is a second problem with traditional studies using quantitative methods – which is that they use some variation of correlational methods, limiting causal inferences. One way to overcome these problems is by conducting laboratory experiments, where researchers can construct variables of interest and manipulate them in ways that isolate their effects and permit stronger inferences about their causal effects. This methodological choice may be particularly useful for testing and expanding one of the basic tenets of the SEW perspective. (Berrone, Cruz, and Gomez-Mejia 2012, 268)

Additionally, because case studies recognize patterns of relationships among constructs within and across cases and their underlying logical arguments (Yin 1994), they can be constructive in understanding the links between the different dimensions of SEW and how they interact in the decision-making process. Case studies also have certain advantages over other methodologies such as laboratory experiments. Although laboratory experiments isolate the phenomena from their context, case studies highlight the rich, real-world environment in which the phenomena take place (Eisenhardt and Graebner 2007). This is important for family research using the SEW approach because the context in which the firms operates is invariably intertwined, and boundaries between social environment, family, and business are rather blurred (Berrone et al. 2010).

(Berrone, Cruz, and Gomez-Mejia 2012, 269)

An evaluation of these recommendations to capture the relationship between the dimensions of SEW and how they influence decision processes raises the following issues: Research methods are suggested without disclosing their paradigmatic assumptions on ontological and epistemological levels. Our analysis at those levels permits a focus only on

methodological aspects, while there are no visible indications of ontological or epistemological positions. This has to be challenged to the extent that the interpretation of statements on an in-house level depends on the positions chosen at the underlying levels of theory (root-metaphor and paradigmatic assumptions). If, for example, one assumes the presence of emergent social entities on the root-metaphor level, statements concerning collective phenomena of reality at the in-house level have to be interpreted differently than they would be in a purely mechanistic understanding, which is often linked with methodological individualism. Pure theories make their root metaphor and paradigmatic assumptions explicit.

The approach to conceptualizing SEW can be summarized in the following steps: First, family and non-family firms are assumed to be different (this assumption will be revisited in connection with the field assumptions below). Next, using BAM, the complete (economic) rationality of decision behaviour is called into question, with this model claiming validity not for family firms in particular, but for firms in general (Wiseman and Gomez-Mejia 1998). While this assumption can be considered justified (Luhmann 2000), it eliminates the main differentiator between family and non-family firms postulated by Berrone, Cruz, and Gomez-Mejia (2012). Furthermore, conceiving of SEW in the form of the FIBER dimensions is difficult to justify, because doing so seems to stem from a purely pragmatic empirical-inductive approach as its rationale is derived from literature: 'We propose that there are five major dimensions of SEW that may be derived from prior research.' (Berrone, Cruz, and Gomez-Mejia 2012, 262). The choice of literature is also problematic because the selection used to suggest the FIBER dimensions includes 'contradictory empirical results' (Berrone, Cruz, and Gomez-Mejia 2012, 258). Furthermore, the seminal SEW research does not expressly convey how the multiple SEW dimensions interact with each other (see also Vardaman and Gondo 2014), or as Chua, Chrisman, and De Massis (2015) put it, 'Do they work in concert or do they sometimes come into conflict?' Finally, one must question the conceptualization of decision behaviour in the interplay of principals, organization, and family. In this regard, Berrone et al.'s own work could be viewed as exhibiting symptoms of the 'excessive reductionism' the authors criticized in their review of extant literature (2012, 258). Accordingly, we would suggest that at the paradigmatic level, it is very difficult to see a legitimate theoretical justification for SEW.

4.2.4. Ideological assumptions

An analysis of the paper of Berrone, Cruz, and Gomez-Mejia (2012) yields few statements that would be classified as ideological assumptions owing to their reference to values, among those are:

Although SEW may not be unique to an organizational context where family ties are present, for family principals and employees the firm becomes an integral and inescapable part of their lives. This contrasts with nonfamily shareholders or hired managers and employees for whom the relationship with the firm is more distant, transitory, individualistic, and utilitarian. (Berrone, Cruz, and Gomez-Mejia 2012, 260)

An interpretation on the level of ideological assumptions shows that SEW is used to try to describe realities without the desire to change them. However, some statements suggest value-based notions. For example, SEW appears to be associated with positive values such as strong identification of the family principals with the firm. This raises the question of whether family firms should set maximizing SEW as a key goal. Here, the criticism would arise if the assumption that it is good to maximize SEW is not disclosed but applied covertly.

Generally, Berrone, Cruz, and Gomez-Mejia (2012) create the impression of a descriptive ideological position that is inherent to positivistically nomothetic paradigms (Burrell and Morgan 1979).

4.2.5. Field assumptions

An analysis of the paper of Berrone, Cruz, and Gomez-Mejia (2012) reveals statements that have to be classified as field assumptions owing to their claims to apply to the field as a whole:

There is general agreement in the field that family firms are not simply a unique phenomenological setting but are significantly different from nonfamily firms. (Berrone, Cruz, and Gomez-Mejia 2012, 259)

The SEW model naturally stems from the reality of family businesses that suggest the existence of multiple salient goals that are driven by the values of the family and that change over time. (Berrone, Cruz, and Gomez-Mejia 2012, 262)

Together, all these benefits position the SEW approach as a dominant paradigm in the field. (Berrone, Cruz, and Gomez-Mejia 2012, 262)

Examining statements like those above suggests the following interpretations: An explicit difference is assumed between family firms and non-family firms. Evidence of those differences is provided by presenting empirical studies, which, however, show diverging results. These diverging results are explained by SEW; an outcome that ascribes a very high degree of explanatory power to SEW.

It is assumed that this difference stems from the objectives of family firms that are influenced by the family's values, which change over time. This assumption relating to the field of 'family firms' may not be well grounded, as it follows from the challenge to the underlying theory levels above that not all families pursue the goal of establishing their family values in the firm, and furthermore, not all family firms permit their structures to be influenced. In addition, the effects of managerial decisions on SEW may often take non-linear forms (Chua, Chrisman, and De Massis 2015). The assumption made by Berrone, Cruz, and Gomez-Mejia (2012), however, presupposes a direct influence on the part of the family on the organization via its top management. This logic suggests a rather mechanistic understanding of organizations, one that does not encompass family firms with an organic or systemic organizational design. These omissions cast doubt on the description of the assumption as one that is generally accepted in the field.

Moreover, it is assumed that all family firms can be described in a comprehensive and differentiating manner using SEW. The way in which SEW is conceived of means it is based on the level of in-house assumption; therefore, it cannot be expected to be a theory of broad reach that can fulfil the paradigmatic claim in the field that its proponents make for it.

On the basis of these reflections on the various levels of assumptions, the next step, according to Alvesson and Sandberg (2011), is the development of an alternative assumption ground.

4.3. Step 4: developing an alternative assumption ground

4.3.1. Starting points for reframing

Suggestions toward the advancement of the SEW concept have been put forward by Miller and Le Breton-Miller (2014), who focus their SEW criticism on in-house and, to some extent,

root-metaphor assumptions, and of Chua, Chrisman, and De Massis (2015), whose criticism focuses on the root-metaphor level.

In their recent work, Cruz and Arredondo (2016) discuss the main points of criticism regarding the SEW concept, implicitly tackling different theoretical levels. They postulate that the work of Berrone, Cruz, and Gomez-Mejia (2012) has a wide influence on family business research, to which we fully agree. Yet, Cruz and Arredondo (2016) implicitly adopt a different definition of the paradigm. In philosophy of science a paradigm is not defined by the impact of a concept but by the explicitness of its ontological, epistemological and methodological assumptions (Alvesson and Sandberg 2011, 255). Furthermore, Cruz and Arredondo (2016) touch on some aspects on the root metaphor level by discussing individual and social (group and organizational) phenomena, concluding: 'We see this an interesting future avenue of research for SEW studies' (241). In addition, Chrisman and Holt (2016) focus on the root metaphor level by discussing family firm idiosyncrasies on the basis of the resource-based view, thus also surmounting the individual-level focus. Consequently, our aim is to provide a coherent contribution to this 'interesting future avenue of research' (Cruz and Arredondo 2016, 241) on the social level.

Whether it is necessary to engage in such efforts on philosophical levels depends on the research field itself (see e.g. Fletcher 2006). While Frank and Landström (2016) find that researchers are interested in studies that challenge assumptions in relation to the audience: A more detailed analysis indicates their core interest centres around assumptions on the in-house level and associated methods. However, persevering with the in-house level makes it difficult to obtain a comprehensive understanding of theoretical approaches and their boundaries, which can only be achieved by investigating the deeper levels of assumptions (Fletcher 2006). The issues manifest in incommensurability, a core reason for bad management theories.

Consequently, and with regard to the discussion of the SEW approach on the various levels of assumptions (see Steps 2 and 3), the claim that Berrone, Cruz, and Gomez-Mejia (2012) generate a new paradigm for family-firm research is open to question, which is significant to the extent that management research criticizes the positivist-mechanistic view (e.g. Ghoshal 2005; Hatch and Yanow 2003; Pfeffer 2005; with regard to its application, e.g. Schindehutte and Morris 2009). Most such criticism is directed at the transfer of the positivist positions of the natural sciences to social entities (see Steps 2 and 3; paradigmatic assumptions) resulting in what have been termed bad management theories (Ghoshal 2005; Pfeffer 2005). The dominance of those bad management theories may also be due to the fact that any discussion of intricate theories in management research has, we would suggest, taken root largely in the dark. In this regard, Tsoukas and Hatch (2001) demand more complex thinking about organizations, specifically citing the need for a switch from what they term a *logico-scientific mode* to a *narrative mode* in terms of thinking about organizations.

Family-firm research that rejects intricate social science theories is particularly disadvantaged in any attempt to reflect social aspects. That is because (social) complexity is present as a result of the encounter of two social units (the family and the organization), which both have the potential to exhibit clearly established structures. Consequently, we would generally support the call by Berrone, Cruz, and Gomez-Mejia (2012) for a new paradigm in the sense of a profound theoretical grounding within family-firm research. Examples of attempts to deliver that new paradigm can be found in various systems-theoretical approaches in family-firm research (for early developments, see Ashmos and Huber 1987; for more recent

applications, see Habbershon, Williams, and MacMillan 2003; Pieper and Klein 2007); Konig, Kammerlander, and Enders 2013; Jennings, Breitzkreuz, and James 2014.

However, the application of systems theory in family-firm research is also not immune from criticism (see Jennings, Breitzkreuz, and James 2014, 30), but it is difficult to discuss that criticism because there is neither a uniform definition of the term *system* in the relevant literature, nor are the various theoretical assumptions disclosed. As (Luhmann 1995, 1) says, 'When one introduces the concept of system... without further clarification, then an illusory precision arises that lacks any basis'. Moreover, von Schlippe and Frank (2013) believe that recent developments in systems theory, for example according to Luhmann, are largely ignored in family-firm research. The current research addresses that last criticism by adopting Luhmann's new systems-theoretical understanding of family firms to refine and reframe SEW. Albeit there are other theories that are consistent with a new, but not positivist, paradigm such as new sociological institutionalism (for a comparison of the assumptions with systems theory see Part IV in Seidl and Becker 2005), new systems theory is applied for the following reasons: Based on a classic-functional understanding of systems, Luhmann (1995) is responsible for far-reaching changes in the way we understand systems, especially on a paradigmatic and root-metaphor level. Applying such an exceptionally reflective theory to family firms can provide a new perspective on the grounding of a paradigm; one that is capable of analysing both the family and the business system. Moreover, new systems theory has the potential to understand not only different types of social systems (e.g. the family and the organization), but also their complex coupling in the family firm context, and its considerable scope means new systems theory has the potential to overcome the theoretical fragmentation of the field (von Schlippe and Frank 2013). Furthermore, the theory is gaining recognition in management and consulting practice (Buono and Poufelt 2009) so that its practicality constitutes a further advantage over other theoretical perspectives. Finally, the application and promotion of new systems theory stimulates the competition between theories in family business research, which is currently dominated by principal-agent theory and the resource-based view (Shukla, Carney, and Gedajlovic 2014).

4.3.2. *New systems theory: assumptions on the theory levels*

In the deductive theoretical approach taken here, the higher theory level (termed in-house assumptions by Alvensson and Sandberg (2011)) is derived consistently from the assumptions of the underlying levels (in particular root-metaphor and paradigmatic assumptions). An exception is field assumptions, the fundamental assumptions that are taken for granted in the relevant field of research. Those use paradigmatic and root-metaphor assumptions, and consequently will be discussed as the last level. Referring to ideological assumptions, applying new systems theory should not be viewed as a criticism, in the sense that a claim to change an existing situation has a marked impact on the analysis of social reality. Its application would be better viewed as selecting a tool that can assist in understanding social reality appropriately, not necessarily as applying a means to change it. As such, the ideological position of systems theory matches that of Berrone, Cruz, and Gomez-Mejia (2012) as interpreted in the section on ideological assumptions (Steps 2 and 3). Taking those basic ideological assumptions as given, the paradigmatic, root-metaphor, in-house, and field assumptions of new systems theory (Luhmann 1995) will be presented below.

4.3.2.1. Paradigmatic assumptions. New systems theory (Luhmann 1995) abandons the positivist assumptions that underlie the paper of Berrone, Cruz, and Gomez-Mejia (2012) and large swathes of management research (Ghoshal 2005). Consequently, this version of systems theory is clearly different from that of Parsons. Luhmann's position is a constructivist one: He assumes that systems exist in reality (Luhmann 1995, 12), but: 'Whatever is observed is observed by an observer, who cuts up reality in a certain way in order to make it observable.' (Knodt, in the preface to Luhmann 1995, xxxiv). By doing so, however, Luhmann does not take a realist position but expresses the view that systems are not purely analytical concepts, and that they are associated with empirical experiences. Reality is thus not objective, but that of the observer. Consequently, research is observing the observations of observers. When doing so, researchers are essentially free to choose between a qualitative or quantitative instrument. In both cases, the observer replaces the time- and space-independent laws with meaningful relations between the cause (as construed by the observer) and effect, especially in the form of problem and solution. Such construed correlations may have numerous functional equivalents. Accordingly, '[a] functional explanation can be nothing other than the ascertainment (in general) and exclusion (in particular) of functional equivalents' (Luhmann 1995, 54). Against this backdrop, the singular causal relation as assumed in positivism can be viewed as a specific individual case.

With regard to SEW research (Berrone, Cruz, and Gomez-Mejia 2012), this means that interpretations concerning the influence of SEW on the decision behaviour in family firms and their performance have to account for functional equivalents. Thus, general statements such as *SEW leads to differences between the decision-making behaviour of family firms and non-family firms* must be analysed with regard to other possibilities (functional equivalents). In this context, it is important to ensure that the functional correlations are in line with the observer's horizon of meaning. From a methodological perspective, the search for functional equivalents calls for interpretative, case-based methods such as objective hermeneutics (Frank et al. 2010, 127).

4.3.2.2 Root-metaphor assumptions. Fundamental aspects regarding systems are described on this level. Of primary importance in family-firm research are social (e.g. family, organization, and other relevant social systems) and psychic systems (e.g. of owners, managers, and employees). The respective systems are considered operationally closed, which means they can operate only within their own modes that derive from structures inherent to the system that have been acquired by learning. In the case of systems, structures are conceptualized as possible communication flows specific to the system, and are viewed as meaningful and thus predictable. As a result, communications are the basic elements of social systems whose flow is restricted by existing structures in line with their meaning. Therefore, it is also clear that a direct influence of such a social system (e.g. an organization) by a psychic system (elements of psychic systems are thoughts) is rarely possible. However, systems are often coupled, in that they provide mutual irritations that, in turn, can lead to structural changes via a learning process. Consequently, psychic systems – no matter how much power they are said to have – cannot directly control organizations, but can only induce them to change themselves. Thoughts (elements of psychic systems) are not communication (elements of social systems), because both the construction of the irritating communication and any structural change of the organization is determined by the structures of the irritated system. The phenomenon of emergence also becomes visible in this pattern of thought.

The characteristics of a social system (as stored in its structures) cannot be explained by the characteristics of the psychic system, they are different, in that they are emergent (Luhmann 1995). For example, communications are emergent entities of selections of social systems and can thus not unambiguously be traced back to selections of psychic systems (needed for communication). Without psychic systems, there is no communication, but the selections of the psychic system (such as information) have no causal reflection in communication.

With regard to SEW research, the link between social and psychic systems has to be conceptualized in a far more complex manner, because the influence of psychic systems (e.g. of the principal) is not unidirectional, but marked by an interplay between social and psychic systems, especially in the sense of mutually influenced learning processes. Irritation attempts can only emanate from the psychic system (of the principal) in the shape of information that does not conform to the structure of the social system, and which the social system, within its own structures, then subjects to observation. Moreover, even irritations observed need not necessarily result in learning processes (i.e. structural changes). The one-sided and direct influence of a strong principal (as in the great man metaphor) postulated in SEW must therefore be seen as a special case and is thus of relatively minor empirical and practical relevance.

4.3.2.3 In-house assumptions. On the level of in-house assumptions, the basics of concrete social objects and, given the context, of families and organizations and how they interrelate are described based on the assumptions at the underlying theory level (the paradigmatic and root metaphor). In the following, we elaborate on the coupling of individuals (owner-managers) and social systems (organizations and families). We then describe the different characteristics of organizations and families, both conceptualized as social systems.

From a systems-theoretical perspective, the social system of family (at the level of in-house assumptions) is often coupled with the owner-manager (principal), and more specifically his or her psychic system. This psychic system can, in turn, be viewed as the source of irritations of the social system of the firm that can have a structure-forming effect (as described above in abstract terms on a root-metaphor level). It is important to remember that the firm typically also interacts with other psychic and social systems (e.g. ownership as a social system). Furthermore, the family – principal – firm linkage can run in either direction, with the firm influencing the psychic system (Hatak and Roessl 2015), which then potentially affects the family. In this case, the family is considered to be strongly influenced by the firm (the ‘enterpriseness’ of the family; Frank et al. 2010). In relation to SEW, Chua, Chrisman, and De Massis (2015) also state that SEW has ‘multiple dimensions that may interact with each other and with economic benefits and firm value (economic wealth) in different ways depending on the strategic behavior and context being considered’. Here, too, the complexity of linking family and firm and its impact on managing the firm becomes evident. Moreover, there is the possibility of the systems exerting a mutual influence. These theory-based arguments clearly reflect the complexity of the relations between the firm and the family.

In the understanding of SEW conceptualized by Berrone, Cruz, and Gomez-Mejia (2012), those complex links are replaced by equating family and principals, and direct control of the business by the principals. This understanding is rooted in the implicit assumption of a strongly one-sided connection, which the considerations above suggest represents only one of several possibilities. However, the probability of a manager exerting such strong

influence on an organization is very low (see, e.g. Luhmann 2000; with regard to family firms, see Chua, Chrisman, and De Massis 2015).

The special quality of this (potential) mutual influence of family and firm, as viewed from a systems-theoretical perspective, is shown in the analysis of the characteristic features of the systems *family* and *firm*. In this context, firms are ideal-typically described by the characteristics of the social system 'organization'. Its elements are special communications, in the form of the communication of decisions (Luhmann 2000; Seidl and Becker 2006). By means of membership rules, which essentially require the acceptance of formalized expectations, organizations obtain relatively high stability. It is the function of organizations to offer to both members and relevant environmental systems predictable decisions that are tightly structured and stable over time (Luhmann 2000).

Formally, the factual dimension of communication dominates. Organizations 'prefer to observe their system-environment-relations in the medium of causality' (Krause 2001, 180; translated by the authors). This does not mean, however, that organizations follow a generally valid rationality in the form of an optimal economic means-end relationship. Instead their favoured system rationality aims to preserve the system, and that is dependent on their own history. Economic rationality is generally the exception rather than the rule, even for non-family firms. In elaborate theories such as new systems theory, the basic assumptions of the principal-agent theory are considered inadequate as they are presumed to be incapable of adequately describing the complex social reality in organizations (Luhmann 2000). The assumption used by Berrone, Cruz, and Gomez-Mejia (2012) to explain decisions in family firms on the basis of an economic and an SEW-dominated rationality, and thus to ascribe a universal rationality to family firms, is too narrowly addressed from the perspective of system rationality. That is because system rationality is specific to a structure and, as shown above, is the result of a social learning process within each organization. It is thus incumbent on family-firm research to apply an appropriate methodology (such as objective hermeneutics) to observe symbols and then infer propositions from those observed symbols that describe the form of underlying structures. Armed with a vision of the underlying structures, researchers can hypothesize on the characteristics of the systems concerned, which can in turn foster a true understanding of those systems (Frank et al. 2010, 128). In short, family-firm research has a responsibility to actually understand the systems (for an applied example, see Frank and Lueger 1997). Research findings on the structures of family firms generated in this manner can be generalized as predictable patterns in accordance with the rules of qualitative social research (Tsoukas and Hatch 2001) or quantitative research.

New systems theory regards families as something intrinsically different from organizations. The approach to families is unusual for a theory of social systems in making *persons* the focus of communication. This seeming contradiction is clarified when we understand *persons* not as people or their psychic systems but as a construct. 'Persons are constructs of an observer, in this case the family, that are imposed on people, well, even inflicted on them as self-construction' (Luhmann 2009, 192; translated by the authors). The peculiarity of the social system family now is that communication in a family system centres around those persons. 'In short, anything that affects a person is accessible for communication within the family' (Luhmann 2009, 193). This leads to a build-up of considerable internal complexity; in contrast to organizations, there are many aspects that can become the topic of conversation in families. 'In families, emotional relationship expectations directly determine social interactions' (Wimmer and Gebauer 2004, 245; translated by the authors). However, feelings

are not the emotions of a psychic system; from a systems-theoretical perspective, they are only interesting to the extent they influence communication. Those communications that can be observed in families are characterized by their complexity. Luhmann terms such communication 'uninhibited' (Luhmann 2009, 19). According to Krause (2001, 129), comprehensive consideration of the person leads to permanent irritation of the family as a social system. That theoretical approach leads to the following interpretation in relation to SEW: Families may be too complex to make it possible to describe their influence on the organizational structure on the basis of a few variables driven by a mechanistic understanding. Generally speaking, such social systems can be explored as meaning-generating systems via observation and interpretation, preferably by means of qualitative methodology (see also the remarks on methodology by Tsoukas and Hatch (2001)). According to this systems-theoretical view, the SEW dimensions would be the observed structural features of a family that may potentially exert influence on the associated organization.

Furthermore, the current conceptualization of SEW appears to suggest that relations are relatively stable over time for each generation (see also Le Breton-Miller and Miller 2013; Chua, Chrisman, and De Massis 2015). However, owing to the characteristics of the family system (which often involves hardly any formal structure but considerable internal complexity), even extensive changes are possible in a relatively short time (Kellermanns, Eddleston, and Zellweger 2012; Chua, Chrisman, and De Massis 2015). A family member falling ill, for example, may change the family's orientation completely and alter the family members' interest in the firm very quickly.

In this context, the influence of the organization on the family must also be taken into account. Similarly – particularly in the case of a highly differentiated organization with strong formal structures – the influence of organizational structures on family structures is evident (the 'enterpriseness' of the family referred to by Frank et al. 2010, 124). This linkage path, which is very likely even in small firms, ensures that family life is subordinate to the needs of the organization. This means that the families concerned are no longer focused exclusively on the behaviour of persons, but primarily on the requirements of the firm. This is a situation that the work of Berrone, Cruz, and Gomez-Mejia (2012) does not fully take into account.

4.3.2.4. Field assumptions. An assumption going beyond individual theoretical perspectives that characterizes the family firm type can be postulated only on a very abstract level (for more on the various perspectives in family-firm research, see Melin, Nordqvist, and Sharma 2014; in particular Part I: Theoretical Perspectives; Kraus, Harms, and Fink 2011): Family firms are different from other types of firms. However, the various theoretical perspectives offer a range of definitions of those differences. While the positivist-mechanistic SEW approach assumes the preservation of SEW on the part of the family to have a causal effect on the firm, newer systems-theoretical approaches view the distinction as more complex. Here, the specific characteristic of family firms in the context of the social system family with a potential mutual influence is defined in a relatively open manner (see also Sharma, Melin, and Nordqvist 2014, 5). This potential influence encompasses both the one-way perspective of the SEW approach and the possibility that there is no influence on the firm, even though the criteria for family firms (ownership, influence, etc.) are formally met. In fact, examples have been offered of families owning the majority of a firm, but not exercising their ownership rights and, consequently, their potential influence, on condition that their financial expectations are met (Zellweger, Eddleston, and Kellermanns 2010).

From a systems-theory point of view, the above situation implies a potential, sometimes considerable, increase in complexity owing to the family system. One important parameter in this increase in complexity is the degree of differentiation of both the family and the organization. Questions such as affiliation and type of internal structuring (e.g. by marital status, ownership, generations) are generally determined by the definitions of systems boundaries, especially with regard to the family system, which is usually not highly formalized. From a systems-theoretical perspective, this can be very case-specific and often cannot be adequately represented by applying nomothetic laws to describe the social complexity. In any case, the existence of a sometimes highly differentiated system of *family* requires a theoretical (and thus also a methodological) approach that is commensurate with the inherent complexity, irrespective of the definition of such differences.

Consequently, family firms can be delineated from non-family firms by the potential (and in many cases probable) mutual influence of family and organizational systems. The complexity of this coupling (described as time and context factors in Chua, Chrisman, and De Massis 2015), means that unidirectional differences, for example with regard to decision behaviour, are not to be expected; quantitative studies should instead address moderator and mediator relations.

4.4. Step 5: considering assumptions in relation to the audience

The penultimate step of the Alvesson and Sandberg problematization method involves analysing the alternative assumptions developed in Step 4 in relation to different theoretical research positions.

The critics of management research (e.g. Tsoukas and Hatch 2001; Hatch and Yanow 2003; Ghoshal 2005; Pfeffer 2005; see also Step 4; systems theory) and the results of the problematization so far would suggest that the advocates of the SEW approach according to Berrone, Cruz, and Gomez-Mejia (2012) should be assumed to favour a positivist-mechanistic perspective. In the context of alternative approaches, such as the constructivist-systemic tack applied here, the challenge is that positivist-mechanistic approaches would have to reflect on deeper theoretical levels (e.g. paradigmatic and root metaphor level; Ghoshal 2005). This still rudimentary, yet recently increasing reflection (e.g. Cruz and Arredondo 2016), may result in a potential misunderstanding of alternative approaches.

Kuhn (2012, 160) illustrates that situation and applies the adjective 'incommensurable' to deep-rooted communication problems with alternative theoretical approaches.

In addition, to this discussion concerning different theoretical approaches another important group of stakeholders are practitioners, e.g. owners and managers of family firms. Given the usual tendency of practice to attempt to reduce complexity (e.g. Kieser and Leiner 2009, 521), practitioners will probably find little appeal in studying the (systems-) theoretical background. Nevertheless, cooperation experience with practitioners from family firms in connection with knowledge transfer shows that they react positively to findings of case studies that are grounded in systems theory, and both recognize the benefit of and employ reflection techniques (Frank et al. 2010). The growing European market for systemic consulting approaches offers an example of the increasing interest among practitioners in the results of applied systems theories (Buono and Poulfelt 2009).

4.5. Step 6: evaluating the alternative assumption ground

The last step of the problematization method involves generating research questions on the basis of alternative assumptions.

If one adopts the constructivist-systemic approach, the following research questions might be interesting:

What specific patterns on the level of in-house assumptions may be expected for families, organizations, and their mutual couplings?

Are there both types of families and of organizations with predictable communication patterns; how do those types behave with regard to their learning process in the event of mutual irritations?

What type-specific and meaningful patterns can be foreseen in the context of events that are relevant for firms (innovations, succession, cooperation, etc.)?

Based on the answers to the research questions above, the following research questions related to SEW may be of specific interest:

Can different forms of SEW be defined for the types of family firms stated above?

And on a general level:

To what extent can the decision-making behaviour of non-family firms be interpreted on the basis of SEW?

In other words, is SEW really an appropriate criterion to apply to differentiate family firms from non-family firms?

These research questions roughly correspond to the invitation issued by Berrone, Cruz, and Gomez-Mejia (2012) for scholars to reinforce the theoretical basis (on the level of in-house assumptions). By adopting a broader theoretical view, Chrisman and Holt (2016) also raise research questions addressing the level of root metaphor assumptions.

5. Conclusion

Its advocates have employed SEW to address a central issue of family-firm research, namely the constitution of family firms as a type of their own based on theory. In attempting to establish an independent paradigm for the field of research and develop a separate research program for family firms, the supporters of SEW have made an indispensable contribution to the community of family-firm researchers. Berrone, Cruz, and Gomez-Mejia (2012) have thus opened a great many potential avenues for future research, notwithstanding the recent critique of SEW.

The concept of SEW lends itself to theory-based reflection using the problematization method for several reasons: The original version presented by Berrone, Cruz, and Gomez-Mejia (2012) is sufficiently sophisticated to be subject to a comprehensive challenge, and SEW has invoked mainly positive reactions in family-firm research to date. Critiques emerge only rarely (see Kellermanns, Eddleston, and Zellweger 2012; Miller and Le Breton-Miller 2014; Chua, Chrisman, and De Massis 2015), but most aim to advance the existing SEW conceptualization, while hardly any employ systematic reflection techniques on the basis of the theory levels suggested by Alvesson and Sandberg (2011). Establishing the claim that SEW provides an independent paradigm, however, requires SEW to be based on a solid theoretical foundation. Whether it is, can be determined by applying the problematization method explicated above.

The analysis on different theory levels according to Alvesson and Sandberg (2011) shows that while SEW in its current state of development is able to provide ex-post explanations for empirical studies, there remain areas for improvement (on an in-house level as well as on underlying theory levels, and in the root-metaphor and paradigmatic assumptions). Our analysis shows that the SEW conceptualization does not yet meet the standards required of an independent paradigm.

Based on our problematization, we think that SEW has a great potential for advancing family-firm research, and we therefore introduce further conceptual refinement of SEW resulting in a reframed coherent paradigm. The inherent complexity of the alternative systems-theoretical constructivist assumptions on the various theory levels supports understanding the complexity in family firms. Furthermore, by using a deductive process, the suggested reframing offers consistency on all theory levels, and thus transparency. Accordingly, we contribute to making the paradigmatic position of SEW more focused and explicit.

The empirical results generated on the basis of those alternative assumptions can lead to a further conceptual refinement of SEW, if patterns are successfully detected and solidified into models. Such models could be used to offer a basis for quantitative studies to advance SEW as suggested by Berrone, Cruz, and Gomez-Mejia (2012). Building on the findings of our problematization leads us to advocate a pluralism of theories in family-firm research, and we believe the contribution of the current research is to advance that outcome.

Disclosure statement

No potential conflict of interest was reported by the authors.

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