Spotlight
by CeFEO

How can we better measure the emotional wealth of family businesses?

From FIBER to FIRE. Redefining socioemotional wealth in family firms

LUCIA NALDI · MATTIAS NORDQVIST · FRANCESCO CHIRICO · LUIS GÓMEZ-MEJIA · BLAKE E. ASHFORTH · RICHARD SWARTZ · LEIF MELIN

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Family businesses are driven by more than just profits—they often prioritize socioemotional wealth (SEW), which reflects the family's emotional investment in the firm. The FIBER model, introduced in 2012, was the first attempt to measure SEW across five dimensions. However, recent critiques have highlighted the need for a more refined tool to capture the complexity of SEW in family firms. This article details the development of the FIRE model, a psychometrically validated scale that refines SEW by focusing on four core dimensions, offering new insights into the non-financial goals of family businesses.

WHAT WE STUDIED

The study conducted three major research phases to validate and refine the FIBER model. Researchers assessed the validity of the original 27-item scale, which was designed to capture five dimensions of SEW. Based on feedback from academic experts and rigorous statistical analyses, the team tested a revised model with 12 items. The result was the FIRE model, which focuses on family control (F), identification with the firm (I), renewal through dynastic succession (R), and emotional attachment (E). This updated model captures the essence of SEW more accurately by eliminating the binding social ties dimension.

KEY INSIGHTS

1. From FIBER to FIRE

The original FIBER model included five dimensions, but the study found that binding social ties, though important, was not unique to family firms. Therefore, the refined model, FIRE, focuses on the four dimensions that are more relevant to capturing the SEW of family firms.

2. Core SEW Dimensions

The four key dimensions—family control, identification, renewal through succession, and emotional attachment—are central to understanding the emotional wealth families derive from their businesses. These dimensions represent both the cognitive and affective drivers behind family business decisions.

3. Impact on Firm Performance

Interestingly, the study found that while SEW is positively correlated with family control and emotional attachment, it often negatively impacts financial performance. This suggests that family firms may trade financial success for the preservation of socioemotional goals, which can influence their strategic decisions.

TAKEAWAYS

1. For Family Business Owners

Understanding SEW is essential for managing both financial and non-financial goals in family businesses. Owners should be aware of the trade-offs between maintaining emotional wealth and achieving financial success, particularly when it comes to long-term strategies like succession planning.

2. For Researchers

The FIRE scale provides a new, validated tool to measure SEW more accurately. This will help researchers study how family dynamics influence business outcomes and provide a better understanding

of the cognitive and emotional aspects of family ownership.

3. For Advisors and Consultants

Family business advisors should consider using the FIRE scale to help family firms balance their socioemotional goals with financial performance. It is important to address the emotional drivers behind business decisions, particularly in the context of succession and governance.

IMPACT

The shift from FIBER to FIRE marks a significant advancement in measuring SEW in family businesses. By refining the dimensions of SEW, this model allows for a more nuanced understanding of how emotional and cognitive factors shape family business strategies. Additionally, the study provides evidence that SEW may come at the cost of financial performance, which opens new avenues for research on balancing emotional and financial goals.

RECOMMENDATIONS

Future research should continue to explore the impact of SEW on firm performance across different industries and cultural contexts. Family firms must also consider how the pursuit of socioemotional wealth might affect their long-term sustainability, especially as they face external pressures for profitability.

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CEFEO AUTHORS



Lucia Naldi

Professor

Jönköping International Business School

lucia.naldi@ju.se



Mattias Nordqvist

Professor

Jönköping International Business School

mattias.nordqvist@ju.se



Francesco Chirico

Professor

Jönköping International Business School

francesco.chirico@ju.se



Leif Melin

Professor Emeritus

Jönköping International Business School

leif.melin@ju.se

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