"All My Firms?" Managing SEW Affective Endowments in Business Family Portfolios

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SEW is defined as a "stock of affect-related value that the family has invested *in the firm*" (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010, p. 106). However, the singular reference to *the* family firm contradicts findings which describe the majority of family firms as controlling multiple firms. How than does the family manage the SEW stock when it is distributed between multiple firms, with various ages, sizes and importance? Extending Zellweger and Dehlen's (2012) AIM model of affect infusion, this chapter conceptualizes about how does a business family owner manage his or her emotional endowment with a cluster of firms

Keywords: Socioemotional wealth, affect infusion, portfolio, cluster, business family owner, stock, flow

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In Arthur Miller's masterpiece play "*All my sons*", Joe Keller's character was a war profiteer who sold defective cylinder heads to the American Air Force during World War II. This directly caused the death of 21 pilots, and indirectly the suicide, out of shame, of his own pilot son. At the end of the play, learning about the suicide, Joe Keller acknowledges that "*Sure, he was my son. But I think to him they were all my sons. And I guess they were, I guess they were*." (Miller, 1949, Act III), *italics added*.

The essence of what differentiates family firm phenomenon from that of other organizational forms is believed to be its Socioemotional Wealth (SEW). SEW is defined as an affective endowment, or a "stock of affect-related value that the family has invested *in the firm*" (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010, p. 106) [italics added]. This stock of affect-related value is the result of a family's continuous non-economic goal pursuance (Westhead, & Howorth, 2007).

Unlike the singular count of one-family-one-firm implicitly implied to by the SEW definition, family firms are found to be better described as one-family-multiple-firms, namely owning a portfolio (Sieger, Zellweger, Nason, & Clinton, 2011; DeTienne & Chirico, 2013). There is already a widespread recognition describing families as owners of portfolios of firms (e.g., Discua-Cruz, Howorth, & Hamilton, 2013; Sieger, et al., 2011), whether interconnected businesses (Carney & Gedajlovic, 2002) or a cluster of different organizations (Michael-Tsabari, Labaki, & Zachary, 2014). For example, family firms own an average of 1.58 publicly listed firms (Carney & Child, 2013), and/or 3.4 different firms (Zellweger, Nason, & Nordqvist, 2012). A family may keep and hold its original core business, however over the firm's life cycle and across generations, a family may also choose to sell, cash-out, invest, and buy business units, thereby directing a much more complicated, "messy and complex" portfolio of assets (Rosa, 1998, p. 44). This portfolio, or cluster model of firms, is the result of entrepreneurial business activities over time.

The complex reality of the business family's cluster of firms raises the question of how does the family manage the "stock of affect-related value" when it is distributed between *multiple* firms, which are characterized by various ages, histories, sizes and importance in the portfolio. As only a minority of family firms over time manage a single firm (Zellweger et al., 2012), the SEW terminology has yet to take into account new, shifting and or changing firms in the portfolio. Therefore, in this chapter I address the question of *how does a business family owner manage his or her affective SEW endowments within a portfolio of firms*? Is the business family owner emotionally attached to each firm in the portfolio in the same way? Are all the firms "his [or her] firms", in the same meaning of belonging and affect as Joe Keller's character has eventually found out about "all his sons"?

Looking into SEW endowments of firms in a portfolio, this chapter has three important contributions to the literature. First, scholars have already argued that "not all firms in a family firm portfolio have similar levels of SEW" (DeTienne & Chirico, 2013, p. 1298), but have not yet addressed this source of "heterogeneity within". We conceptualize the process of how owners develop their SEW assessments regarding each single firm in their portfolio. Second, the current SEW literature has largely theorized based on how SEW stocks affect economic flows (such as short-term profits). Since flows may lead to the accumulation of stocks, the SEW terminology has not yet modeled how affective SEW flow variables influence stocks of SEW (Chua, Chrisman, & De Massis, 2015). I discuss flow and stock SEW considerations for a business family portfolio. Third, as suggested by Chua et al. (2015), the relationship between stocks and flows of SEW may be an important source of heterogeneity among family firms. I discuss the various possible variables influencing this relationship, which may result in heterogenous "among firms" SEW perceptions. Extending Zellweger and Dehlen's (2012) Affect Infusion Model (AIM) and SEW to a portfolio of firms, I explore the implications for family firm owners and SEW, and suggest fertile ways forward for future researches.

Theoretical background: SEW flow and stock

Family firms are characterized as firms with economic and noneconomic goals (Westhead, & Howorth, 2007). Distinguishing between flows and stocks, family firms engage in activities attempting to achieve economic goals for profit (a flow), to accumulate financial wealth (a stock), as well as pursuing noneconomic goals for family benefits (a flow), which accumulates over time to SEW (a stock) (Chua, et al., 2015). This distinguishment between flows and stocks is important because the strategic management literature indicates that only stocks are a source of competitive advantage or value, whereas only flows can be adjusted in the short term to maintain or create value (Chua, et al., 2015; Dierickx & Cool, 1989). In their review of SEW, Chua et al. (2015) clearly state that while Gómez-Mejía and his colleagues (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Gómez-Mejía et al., 2011) have moved the field forward by defining SEW as a stock of affect, "we still have not come to grips with the implications for how the stocks and flows of noneconomic benefits or utilities should be treated in family business studies" (p. 175). Responding to this call, I start with Zellweger and Dehlen's (2012) Affect Infusion Model (AIM) of SEW perceptions and move on to discuss definitions and descriptions of organic and portfolio family firms, core and peripheral types of firms within a cluster, and the SEW stock of emotional endowment related to each type.

Zellweger and Dehlen's (2012) Affect Infusion Model (AIM)

Looking at the first decade of SEW studies, Jiang, Kellermanns, Munyon and Morris, (2018) build their review on the FIBER concept, conceptualizing the SEW endowment along five dimensions of *F*amily control and influence, *I*dentification with the firm, *B*inding social ties, *E*motional attachment, and *R*enewal of family bonds to the firm through dynastic succession (Berrone, Cruz, & Gomez-Mejia, 2012). The emotional dimension is described as "a distinctive attribute of family firms" resulting from the general "intermingling of emotional factors originating from family involvement with business factors" (Berrone et al., 2012, p. 263). However, in spite of the emotional centrality and distinctiveness in the family firm context declared by family firm scholars, Jiang et al. (2018) note that "recognizing that affect is a key aspect of what creates and constitutes SEW, it is surprising to find that affective arguments are adopted with the least breadth and depth of all five psychological tenets that we examined across the SEW literature, typically only being scantly mentioned in 29.9% of the 421 peer-reviewed papers included in this review" (p. 135). The question of why the specific variable expressed in the title of *affective* flows and endowments is under studied, is beyond the scope of this chapter. However, I therefore believe that understanding affective processes in business families is important, and wish to extend the Affect Infusion Model (AIM) suggested by Zellweger and Dehlen (2012). Figure 1 describes my extended model for the relationship between SEW flows of affect related to one firm in the portfolio and SEW's stock of emotional endowment of this one firm, mediated by target, personal, and situational features.

Insert Figure 1 here

Looking at the full assets owned by a family firm in a singular count of one-family-one-firm, Zellweger and Dehlen (2012) suggest a conceptual model of SEW value formation based on the AIM of cognitive psychology (Forgas, 1995). The AIM seeks to explain how does affect come to influence perceptions and judgements (Forgas, 1995), making it a good candidate to understand decision making and the formation of SEW perceptions. Specifically, affect infusion is defined as "the process whereby affectively loaded information exerts an influence on and becomes incorporated into the judgmental process, entering into the judge's deliberations and eventually coloring the judgmental outcome" (Forgas, 1995, p. 39). AIM is part of emotion regulation processes, by which individuals influence which emotions they have, when they have them, and how they express and experience these emotions (Gross, 1998). Emotions are included in the wider umbrella concept of affect, are elicited by a particular cause or target, often include physiological reactions and action sequences, and change over time (Barsade & Gibson, 2007; Frijda, 1986). The AIM assumes that affective states and emotional responses interact with and inform cognitive processes and judgements by influencing the availability of cognitive structures used in the constructive processing of information (Forgas, 1995). As SEW perceptions can also be seen as reference points guiding owners' strategic decision making (Nason, Mazelli, & Carney, 2019), the AIM promises a good foundation in understanding the influence of affective components on the formation of the cognitive SEW perceptions. Referring to target, personal, and situational features in the subjective valuation that owners do for a single-family firm they own, a heterogenous SEW spectrum is suggested. I wish to extend Zellweger and Dehlen's (2012) model to apply for the value formation of each firm within a portfolio of firms.

SEW perceptions and flows

The SEW terminology is founded on behavioral agency theory (Wiseman & Gómez-Mejía, 1998), which argues that preferences are shaped by existing endowments (Miller & Le Breton-Miller, 2014). Referring to SEW as a stock of affective endowments, SEW studies have only indirectly shown evidence for its existence (Zellweger, Kellermanns, Chrisman & Chua, 2012). This is important because SEW endowments are actually preferences and perceptions created by individual owners at specific points in time, which serve as a reference point for firm decision making (Jiang et al., 2018; Nason et al., 2019). Scholars have already argued that different family owners within one family may have varying degrees of SEW attached to the same firm owned by the family, based on their generational belonging or various other personal characteristics or own life stages (De Tienne & Chirico, 2013; Miller & Le Breton-Miller, 2014; Jiang et al., 2018). While still referring to one monolithic SEW reference point per family generation, Nason et al. (2019) nevertheless suggest that SEW reference points are dynamic, and include various forward versus backward and inward versus outward considerations. This means that SEW perceptions and priorities may vary and or change across the life cycle of a firm and the individual family owners, for example "founders may desire a robust business to pass on to later generations, whereas later generations may wish to benefit from the wealth and community status wrought by their family firm" (Miller & Le Breton-Miller, 2014, p. 714). The "antithetic views" regarding the exit from the historical steel business held by different quarreling descendants of the Italian Falck family demonstrate this heterogeneity (Salvato et al., 2010, p. 334), as well as the different emotions tied to the core firm by the second versus the third-generation members of the Pery family (Michael-Tsabari et al., 2014).

The multiple SEW reference points, levels of analysis and changing nature over time are summed up by Jiang et al. (2018) concluding that

"Causal arguments in the SEW literature tend to include several crucial but generally unspecified and unmeasured family member activities at multiple levels of analysis. Indeed, authors often allude to SEW as something that family members can both *individually* and *collectively* feel, possess, and change through their involvement in and control of a firm, which then affects their interactions in the firm and various firm-level outcomes" (italics in the original).

My model therefore describes the process of the unspecified SEW flows, namely family owner activities of relational components, such as affect, belonging, intimacy (Gómez-Mejía et al., 2007; Zellweger et al., 2012), and the relationship of these flows on the creation of SEW stocks of emotional endowment.

Although the various variables included in Gómez-Mejía and his colleagues SEW lists include "both stock *and* flow components" (Chua et al., 2015, p. 174, italics added), we suggest that relational variables which develop over time, such as intimacy, affect, and belonging, characterize the SEW flows which start the perception AIM process. Specifically, as the proverb "out of sight out of mind" implies, "a person stops thinking about something or someone if he or she does not see that thing or person for a period of time"[1] (Merriam-Webster Dictionary). I contend that the SEW endowment will be created with direct SEW flows of affect resulting from attention, information and involvement which an owner will experience at the individual level. With no involvement or connection to a firm or a portfolio of firms, "out of sight", no relational SEW flows can influence SEW perceptions. For example, Warren Buffett and 6 other founders of multi-billion firms have announced that their assets will not be inherited by their next generation heirs (Martin, July 6, 2017). Leaving his three children each 2 billion $, only a fraction of

[1] In some languages, like in Hebrew for example, this proverb says "out of sight out of heart", referring to an affective relationship rather than a cognitive one

his estate, Buffett declares "Leave the children enough so that they can do anything, but not enough that they can do nothing" (Vega, 21.6.2021). I contend that Warren Buffett's children's identity, affective attachment and intimacy with the rest of his portfolio should become nonexistent, or at least questionable, after years of their father's declaration, in SEW flow and stock terminology. Without relational affective and identity flows, Berkshire Hathaway Company should be an economic financial investment now, and not a stock of affect-related value for Howard, Susan and Peter Buffett, even though Howard sits on the board or if earlier in their life they still had SEW flows toward their father's firm, leading to the following propositions:

Proposition 1*: Only SEW flows of affect attachment, belonging, intimacy and identity created with a firm or portfolio create a process of SEW stock formation. Without SEW flows, the firm or portfolio will remain financial investments for the individual owner*

Proposition 2*: The SEW flows of affect attachment, belonging, intimacy and identity directed at a firm or portfolio change over time for the individual owner*

The relationship between SEW flows and the formation of a SEW stock is mediated by various target, personal and situation characteristics. The perception of SEW endowment which is a result of this process, is made individually by each owner at specific points in time. This process will be described in the following sections. I start with the definitions of organic, portfolio, core and peripheral firms and their SEW considerations.

A portfolio of firms

A portfolio entrepreneur is defined as "an individual who currently has majority or minority ownership stakes in two or more independent businesses that are either new, purchased and/or inherited" (Westhead, Ucbasaran, Wright, & Binks, 2005, p.111). This definition has an individual level perspective, since most studies focus solely on entrepreneurs and new firms rather than looking at families over time or generations (Aldrich & Cliff, 2003; Chang, Memili, Chrisman, Kellermanns, & Chua, 2009). One exception is Michael-Tsabari et al. (2014) who describe one family over 80 years and propose the Cluster model as a better description of family firm assets. Looking at entrepreneurial activity at the family level of analysis and over time needs to address multiple firms, as only less than 11% of family firms own a single firm (Zellweger et al., 2012). Unlike the singular count of one-family-one-firm implicitly implied by the SEW definition, Zellweger et al.'s (2012) study on entrepreneurship in family firms shows that these firms, on average, control 6.1 firms, create 5.4 firms, add 2.7 firms through merger and acquisitions, spin off 1.5 firms, and shift industry focus 2.1 times. Therefore, a portfolio owned by a business family, defined at the family level of analysis is also defined as a cluster, when "multiple business entities [are] owned by the family" (Michael-Tsabari et al., 2014, p. 176).

Organic versus portfolio family firms

Michael-Tsabari et al. (2014) differentiate between organic and portfolio types of family firms. Organic family firms differ from portfolio family firms not only because of a technical count of the number of firms owned, but they significantly differ, for example, in their entrepreneurial mindset. This distinction between core and portfolio family firms is built on Habbershon and Pistrui's (2002) earlier suggestion to differentiate between a "family-in-business" mindset which differs from a "family-as-investor." The family-in-business mind set, like the organic family firm, includes a particular business that is the focus of managerial efforts that lead a family "to think of itself as a particular type of a family (a "brewery family" or a "manufacturing family"), which in turn locks it into path-dependent corporate strategies and family traditions that dictate its capital asset strategies" (Habbershon & Pistrui, 2002, p. 231).

Kikkoman and Zildjian are two examples of organic family firms operating across several generations (Michael-Tsabari et al., 2014). This means that Kikkoman is known as "the Soy" family firm, where the Kikkoman family's interests and strategies are intertwined with one business of soy production, until their identity overlaps. So much so that even history scholars acknowledge this fusion of identities and term Kikkoman as "the family as a firm and the firm as a family" (Fruin, 1980). Zildjian is a "Music percussion" family firm (Michael-Tsabari et al., 2014, p. 179), where the 13th generation of the Zildjian family owners are still leading cymbal and percussion manufactures after doing that for almost four hundred years (Anwar & Tariq, 2011). Other well-known examples of organic family firms, where the family owns one major firm which gives the family firm its intertwined identity, serve as the first introductory sentences in many family firm studies. For example, Daspit, Long and Pearson (2019) start their study acknowledging that "Hoshi Ryokan, a family-owned hotel in Komatsu, Japan, was founded in the year 718 and is currently overseen by the 46th generation of family. The Antinori family has produced wine since 1385 in Tuscany, and the Beretta family has manufactured firearms since 1526" (p. 133). These three examples of successful transgenerational family firms could be defined as organic firms, mainly known for one business focus of hotel, wine and firearms, respectively.

Actually, this type of an organic family firm, with its identity and mind set focused mainly on one business, was the type of firm that the SEW construct was based on. In their seminal study introducing SEW, Gómez-Mejía, et al. (2007) use a sample of "all olive oil mills that have operated in the province of Jaén (Spain) during the period between 1944 and 1998" (p. 114). These firms can be defined as organic family firms, since the authors specifically explain that "the mills extract and store virgin olive oil, *with extraction being the fundamental activity*" (p. 114) [italics added]. Olive oil mills are agricultural businesses. Small family firms comprise a larger share of rural economies (Brewton, Danes, Stafford, & Haynes, 2010), which is manifested in the study's majority of 1407 olive oil family firms versus 549 nonfamily firms (Gómez-Mejía et al., 2007). Rural family firms differ in their perceptions of the family business compared to urban ones (Brewton et al., 2010), and may succeed to reach a very long age (for example: an average of 11 generations for the wineries in Jaskiewicz, Combs, & Rau, 2015), however I wish to point at the implicit *singular* count of one-family-one-firm which characterizes the Gómez-Mejía et al. (2007) data.

Investigating these organic rural family firms with one main business activity lies at the foundation of the SEW construct, leading Gómez-Mejía and his colleagues to define it as a "stock of affect-related value that the family has invested *in the firm*" (Berrone et al., 2010, p. 106) [italics added]. With a focus on one business, the emotional endowment and the identification of the family are clear. However, this type of family firm which is devoted and intertwined with one main business focus, describes the minority of family firms, not characterizing the majority of them.

The second more common type is the portfolio family firm, where "a family owns more than one firm" (Michael-Tsabari et al., 2014, p. 179). These business families have a family-as-investor mindset, committed to wealth creation while pursuing capital allocation strategies. These strategies are responsive to the market, not necessarily manifested in "a particular business entity or legacy asset" (Habbershon & Pistrui, 2002, p. 231). The German Franz Haniel & Cie. GmbH family firm is an example for a portfolio family firm (Michael-Tsabari et al., 2014). The Haniel family firm is more than 250 years old and operates in 50 countries. Contrary to Ziljian or Kikkoman, this family spun off several firms during its long history and has changed industries of operation: from trade to industry then mining and shipping, and now consumer goods and pharmaceuticals (Haniel, 2008; James, 2009). In their 2018 annual report the Haniel family firm openly states its strategic family-as-investor mindset declaring that "Haniel has EUR 1.4 billion for the further expansion of the portfolio. Clear criteria determine which companies are considered for selection: The contribution to further diversification of the portfolio plays just as much a role as does future capability and an orientation towards sustainability" (Haniel Website, 2021). Obviously, this is a business family managing a portfolio of various firms with an investor's mindset guided by strategic decisions. The definition itself of a business family includes this investor's mindset, moving from a family firm in the first generation to a group of decision makers who manage an estate: "the business-owning family level of analysis, which refers to the coalition of decision makers who control the strategy and future of at least one firm and are related by either consanguinity, marriage, or other relationships that provide inheritance rights in the descendants' estate" (Nason et al., 2019, p. 846). The fundamental differentiation between organic and portfolio family firms leads to the following propositions:

Proposition 3*: The SEW flow and stock perceptions in an organic family firm relate to one single firm owned by the family*
Proposition 4*: The SEW flow and stock perceptions in a portfolio business family relate to multiple firms owned by the family*

The question then arises how is the emotional endowment, namely SEW, divided between multiple peripheral firms? What happens to SEW flow and stock when firms change in the portfolio?

Core versus periphery firms in the cluster

Looking at entrepreneurial activity of families over time most family firms start as a bivalent "one family-one firm" type at the early stages of the first generation

(Michael-Tsabari et al., 2014). While a minority of family firms stay in this form and therefore can be characterized as organic family firms as described above, the majority evolve over time and across generations into a cluster structure of "one family holding more than one firm", defined as portfolio family firms (p. 180). When a family owns and manages more than one firm, a distinction between *core* and *peripheral* firms is made: a core business is "the primary area or activity that a company was founded on or focuses on in its business operations" (Kotler & Keller, 2009, p. 179), while other peripheral firms evolve later in time (Michael-Tsabari et al., 2014). The core business not only comes earlier in time within a portfolio of a business family, but it is usually also the biggest firm and main source of wealth for the family (Cruz & Justo, 2017; Ward, 2004), for example, on average making up roughly three quarters of total sales of the family-owned business activity in Zellweger et al.'s (2012) sample. This leads to the suggestion that "in a portfolio context, it is likely to expect that family owners will be strongly attached to the core business and less attached to other firms (e.g., subsequent businesses that are part of the family’s extended portfolio of business activity" (DeTienne & Chirico, 2013, p. 1306). Therefore, changing the core business would not be a common event for a family firm: indeed, when the Haniel family changed their main business focus after the first 50 years of operation it was termed "the most important step that the Haniels had ventured up to that time—the merchants had turned into industrialists" (Haniel, 2008, p. 8).

Similarly, Salvato et al. (2010) describe the difficult shift that the Italian Falck family went through, moving from being known for producing steel for over a century, to entering the renewable energy and real estate fields. Having to shift the "emotional anchoring in the founder’s business", the family is described as changing a strong identification with the steel industry by "reinventing the firm’s entrepreneurial story" in the new field (p. 323). However difficult at the time, after only a while, the transition into renewable energy was interpreted "as 'natural' for Falck" (p. 339). Another case where an original core business identification had to be changed is the Beretta family, which has begun with a business focus of being merchants of barrels. Only later from the mid-nineteenth century, they changed their activity by starting as a manufacturer of rifles and guns, which is the core firm they are known for today (Paris, 2016). The Falck and Beretta examples suggest that changing a core firm in a family's portfolio is a hard and significant event, requiring an identity shift (Salvato et al., 2010). However, these two stories also show that with a considerable investment of time and identity shaping, the firearms and renewable energy "new" activities have become core firms for the Beretta and Falck families, with SEW affective endowments attributed to them once again. This shows that the process of SEW shaping of stock may be dynamic and changing over time, a result of family efforts of various relational flows, such as intimacy and identity.

Types of firms in a family cluster and various SEW affective endowments

The attachment between a family and its core business may be stronger than other peripheral businesses (DeTienne & Chirico, 2013; Michael-Tsabari et al., 2014). Describing the core business founded by the first generation, there is a well-established recognition that the identity of the family is intertwined with the identity of the firm, with overlap as a defining characteristic (Tagiuri & Davis, 1996). This identity overlap is also the foundation of the traditional SEW definition, which describes family owners as individuals "whose identity is inextricably tied to the organization" (Berrone et al., 2010, p. 87). Regarding the first generation-core business-SEW endowment implicit triple Gordian knot, Chua et al. (2015) wondered whether stocks of SEW are "endowed in family firms at birth or do they all need to be developed through investment flows over time? For example, the stock of SEW attached to family control could accompany the establishment of the firm, or could only become manifest after the firm has reached some threshold of success" (p. 175). The questions of immediate founding SEW or the threshold of success are beyond the scope of this chapter. However, as my model describes, because emotional attachment grows with time (Zellweger et al., 2012) I theorize that flows of SEW over time, namely investing identity, affect, personal sacrifices of career and energy (Salvato et al., 2010), mediated by the considerations of target, personal and situation, lead to forming a subjective SEW perception of emotional stock.

Gómez-Mejía, Patel and Zellweger (2018) refer to peripheral firms added to a family's portfolio over time as "unrelated" acquisitions, implicitly terming core activities as "related". They explain the lower SEW endowments tied to unrelated peripheral firms because they "lead to losses in familial control, water down the family firm’s identity, and weaken social ties linked to the firm" (Gómez-Mejía et al., 2018, p. 1371).

The centrality and importance of the core firm compared to other peripheral businesses is anecdotally described by scholars. Carter and Ram (2003, p. 378) term peripheral firms "satellites",[2] and wonder what would be "the relationship between the core business and its new satellites"? Cruz and Justo (2017, p. 575) discuss the ability to grow through adding firms to the portfolio "while keeping the core business intact". This special care of the core business is also described with emotional terms, as the

[2] This terminology would make the core firm a mothership, which is an interesting observation in our context

family's attachment to the historical first firm is unique. For example, comparing the core ice cream firm to a new peripheral ice cream factory recently added to the portfolio, a nonfamily CFO described the founder's difficulties: "(after the purchase) for Mrs. Pery it was always "them" and "us", and I would tell her, "It’s also us, it's the same pocket" and she would say "Yes, I understand, but"… I think that logically the brain would understand, she was aware of it, she was a business woman, but the heart never accepted it, I think." (Michael-Tsabari et al., 2014, p. 177). This means that the founder, Mrs. Pery, had a strong emotional attachment to the core firm, and not to the later acquired firm, even when both were ice-cream firms, demonstrating that owners feel differently to core compared to peripheral firms.

Another example testifying for a stronger emotional attachment to a core firm than to other firms in the portfolio is the repurchase of the French champagne Taittinger. A 3rd generation family owner repurchased only the 80 years old champagne core firm, and not the hotels and luxury goods businesses in the family empire, after the other 38 family owners sold the portfolio to an American private-equity fund (Frank, 2006; Pier Taittinger, 2021). The emotional attachment to the champagne business was his explanation, declaring that "It was not for my ego. I was in love with my customers, my staff and our growers" (The Irish Times, 23.2.2008). However, this strong level of emotional attachment to the champagne business which is the core determinant of the SEW stock, was not equally shared by the whole group of Taittinger owners. This story once again demonstrates that the owning family is not a homogeneous entity regarding SEW perceptions. In fact, business families may have heterogeneous ownership of shares, with family members differentiated by ownership stakes (Michael-Tsabari et al., 2014; Salvato at al., 2010) and attachments to various firms owned. This insight is included in my model (Figure 1) by referring to the outcome of SEW stock of emotional endowment in the individual level, as each owner among one business family develops his or her own SEW perception, and leads to the following propositions:

Proposition 5*: SEW stock perceptions of a core firm are higher than SEW stock perceptions of peripheral firms in the portfolio owned by the business family*
Proposition 6*: SEW stock perceptions are individual level, therefore there could be heterogeneity among owners from one family regarding the same one firm in a portfolio*

In the next section I discuss how the literature addresses points of one single firm's entrance to or exit from a portfolio.

Entrance and exit points of firms from a portfolio

Though SEW considerations have not yet been discussed for a portfolio of *existing* firms owned by a business family, scholars have begun to study the entrance or exit points of *one* firm in or out of the cluster (Cruz & Justo, 2017; Sieger et al., 2011). The firm exit point refers to "the process by which owners remove themselves, in varying degrees, from the firm" (DeTienne, 2010, p. 203). SEW scholars have rarely discussed cases where "part of the SEW stock" is lost (Chua et al., 2015, p. 179), as would happen with a sale of one firm out of a portfolio, and have rather focused on situations characterized by a total loss of all SEW endowment, as happens with a sale of the total assets (Kim, Hoskisson, & Zyung, 2019; Zellweger et al., 2012), referred to as "SEW extinction" (Berrone et al., 2012, p. 261) by SEW scholars. Interestingly, a partial exit from a core firm is actually the case with the Gómez-Mejía et al. (2007) olive oil firms, which had a choice between full ownership and joining a co-op (partial ownership). Pointing to this choice, Zellweger et al. (2012, p. 861) comment that giving up a portion of SEW (namely joining a co-op) "may be viewed in an entirely different way" than giving up all of the SEW endowment. Nevertheless, scholars have yet to better understand which firms in a portfolio would the business family owners prefer to keep to minimize the partial loss of SEW stock (Kim et al., 2019).

Chirico, Gómez-Mejía, Hellerstedt, Withers, and Nordqvist, (2020) hypothesize that family owners are less likely to exit their firm under distressed conditions, since exiting implies an immediate loss of SEW, whereas nonfamily owners wish to cut their losses through divestment and thus, with only financial considerations, have a stronger preference for exiting. They find that family owners differ also in their mode of exit, when this alternative is chosen, and prefer a mode that involves at least some future SEW preservation (a merger) compared to a loss of all SEW (a complete sale).

Looking at partial sales of a family portfolio, scholars have studied divestiture decisions. Family firms are found as less likely than non-family firms to undertake divestitures, especially when these companies are managed by family rather than non-family-CEOs (Feldman, Amit, & Villalonga, 2016). Feldman et al. (2016) explain these results claiming that family owners fail to fully exploit available economic opportunities, potentially because they pursue financial as well as familial objectives. Akhter, Sieger, and Chirico (2016) study how family firms prefer to exit a peripheral firm in their portfolio, also terming these investments "satellite firms" (p. 372). They find that owners prefer to shut down a peripheral business rather than sell it, which is primarily explained by identity considerations. This finding supports the notion that peripheral firms still have SEW stock considerations made by family owners.

Kim et al. (2019) compare between family CEOs who are supposed to include SEW considerations in their decision making, with non-family CEOs, who may be more objective toward divestitures because they employ "rational-calculative decision criteria" (Carney, 2005, p. 255) to maximize financial wealth. They find that SEW considerations do indeed drive decisions: family CEOs, as opposed to non-family CEOs, prefer to retain majority- and wholly-owned foreign subsidiaries, but not minority- and equally owned ones, and prefer to retain subsidiaries in host countries where their families have already lost subsidiaries through past divestitures. However, to fully understand family owners' contemplation regarding the sale of one firm out of a portfolio we need to go beyond the context of foreign multinational investments, because divestiture decisions are biased toward more impersonal, economic and universalistic decision making, to begin with (Kim et al., 2019).

Looking at the point of entrance, family entrepreneurs are found to be more likely to add new firms to their portfolio than non-family entrepreneurs (Cruz & Justo, 2017). This finding is stronger for older, female and ethnic family entrepreneurs. Another study finds that when a family firm invests in a new peripheral business abroad, if the new local firm is also a family firm, a joint venture is preferred, while if only the investing firm is a family firm, a wholly owned subsidiary is more likely (Sestu & Majocchi, 2020).

Sieger et al. (2011) qualitatively study human, social, and reputational resources which a business family uses in the process of adding new firms to their portfolio, and how these change over time. They differentiate between two stages of portfolio enlargement, where the first stage is industry specific, helping to build the family's specific reputation, while the second stage is beyond the original industry, when the family develops a meta-industry reputation and learns how to manage a portfolio of firms. I build on their distinction between firm-specific and meta-industry in our next discussion of portfolio meta SEW identity.

Portfolio meta SEW identity

Current SEW studies not only do not theorize about single firms in a business family's portfolio, they also do not discuss the SEW transformation from a firm specific emotional endowment to a portfolio of investments which could or could not include the original historical core firm. One path to start theorizing this question has been suggested by Gómez-Mejía, Campbell, Martin, Hoskisson, Makri, and Sirmon, (2014) who have updated the SEW construct moving beyond the idea that the family owners only try to avoid SEW losses when making decisions under risk, by suggesting a mixed gamble perspective. This means that family owners estimate both possible SEW gains as well as SEW losses. This integrated SEW refinement describes family owners as facing a dilemma in their strategic entrepreneurial decision making by having to assess the likelihood of gains and losses of their actions in terms of financial *and* SEW considerations in tandem (Gómez-Mejía et al., 2018). This integrated approach overcomes the prevailing conservative view of family owners which focuses on their wish to only avoid SEW losses (Cruz & Justo, 2017), and adds the point of entrance to a portfolio.

Looking at the entry point of one new firm into an existing portfolio, Cruz and Justo (2017) build on the mixed gamble suggestion and argue that families have financial as well as SEW motives. Differentiating between family and business antecedents to entrepreneurial strategic changes, family motives may be more prevalent compared to business ones (Michael-Tsabari et al., 2014). For example, as a next generation business owner explained the reason for splitting one firm into five separate companies: "The company was split not because there was any demand from the market for such a move, it was just to give them [the brothers] something to do" (Ram, 1994, p. 89, cited in Carter & Ram, 2004, p. 376).

Gómez-Mejía et al. (2018) describe the dilemma family owners face as whether to engage in acquisitions, and in particular peripheral ones, in the pursuit of future financial gains, or to refrain from acquisitions, in particular peripheral ones, to preserve current SEW. They find that family owners with below-level-aspiration performance will tend be more inclined to prioritize financial over SEW considerations, which is reflected in the acquisition of peripheral targets. This finding supports the claim that financial and SEW considerations coexist in owners' assessments, and that they can prioritize or downplay considerations based on their needs or understanding, leading to the following proposition:

Proposition 7*: When a new firm is added to the portfolio (by acquisition or founding), the decision will be made to maximize the combination of financial and SEW stock perceptions*

Proposition 8*: When a firm is deleted from the portfolio (by divestment or cash out), the decision will be made to minimize the combination of financial and SEW stock perceptions*

If new peripheral firms added to the portfolio may have mainly lower SEW endowments and "losses" in the familial identity with a core firm (Gómez-Mejía et al., 2018, p. 1371), how then is SEW preserved over time in a family cluster? If the Haniel family has a SEW endowment today, as the SEW terminology suggests, how was it kept over time, if today the family does not own any of its original core firms, only peripheral "unrelated" acquired firms? In a family firm with multiple financial acquisitions, such as the current Haniel, can the relationship with the various firms in their portfolio not be similar to "more distant, transitory…and utilitarian" one, which Gómez-Mejía and colleagues attribute only to nonfamily owners (Berrone et al., 2012, p. 260)? Isn't "distant, transitory and utilitarian" a fair description of financial economic considerations? Even in family firms? How then is the emotional SEW endowment kept when the business family mainly employs a more "rational-calculative decision criteria" (Carney, 2005, p. 255) to maximize financial wealth in later generations?

I already described how in the first core business founded by the first generation of the family owners, the identity of the family is intertwined with the identity of the firm, as indicated by the traditional SEW definition (Tagiuri & Davis, 1996; Berrone et al., 2010). Moving to a portfolio owned by a business family, the identity is no longer attributed to a specific firm. Shepherd and Haynie (2009) describe this transformed identity as a meta identity of *family business*. This is a higher-level identity that represents the intersection of the *family* and the *firm* lower identities, defined as "who we are as a family business" (Shepherd & Haynie, 2009, p. 1253). This meta identity is created in case of an identity conflict between the two lower *family* and *firm* identities and serves to conjointly inform family members as to how the two lower identities intersect. As long as the two lower identities overlap and do not conflict, a higher meta identity of *family business* will not be created.

Compatible with my discussion of a new acquisition of a peripheral firm, which differs from the earlier core activity, Shepherd and Haynie (2009) claim that the family business meta identity is created when a family has to decide about a new entrepreneurial activity, which they define as "an opportunity", and "a situation conducive to introducing future goods and services for gain" (p. 1253). The identity conflict is created because the new activity is dissimilar with the family's activities in the past. This definition complies with my discussion of peripheral financial considerations of firms which are different from known core ones, in a family's previous history. The conflict is resolved by transforming the meta family business identity, to fit with the newly acquired activity.

Moreover, each deliberation of a new opportunity is idiosyncratic and specific for a certain time and context, so there is an ongoing process for the business family with each new activity through the interaction of family owners (Shepherd & Haynie, 2009). Moving over time from a firm-specific identity to a meta identity complies with Sieger et al.'s (2011) finding of a shift from "industry-specific" to "meta-industry", as well as with Salvato et al.'s (2010) description of the Falck's family identity shift. From a firm-specific identity, the family has moved to a higher identity of the family's DNA of entrepreneurial spirit, as described by a Falck's long-time board member:

"I believe the Falck family has always had an entrepreneurial vision which went beyond steel, the specific business in which they had been active since the beginning ... *It's in their blood, in their DNA*; it's the bloodline which prevails – they just don't surrender. You can feel the activism, the resolution to persist, always struggling to improve ... *It's the family's entrepreneurial spirit*." (Filippo Tamborini, President of Falck's Advisory Board since 1976), (p. 338-339), italics added.

This shift demonstrates "who we are as a family business" (Shepherd & Haynie, 2009, p. 1253), referring to the family's DNA, *family-specific*, and not to a firm-specific identity.

Transferring SEW from firm-specific to family-specific warrants a clarification of levels of analysis. I discuss the SEW flow and stock in this chapter as affective relational perceptions and actions performed by an individual owner. During the first generation, this could apply to the founder, or to single owners such as in the Beretta model of a single heir per generation. However, when the family grows and includes multiple owners, their SEW assessments performed at the individual level, need to be aggregated to the family level of analysis. As affective and identity phenomena are conceptualized and studied also at the group level (Barsade & Knight, 2015; Wielsma, & Brunninge, 2019), family firm scholars have yet to develop conceptual models to explore and understand how various individual SEW judgements join to form one family/group level construct. The current use of a single family respondent in SEW studies is for example explained by Cruz and Justo (2017, p. 579) because they wish to refer to "a dominant actor" and not to "family dynamics":

"Following a longstanding tradition in research about portfolio entrepreneurship (MacMillan, 1986; Scott & Rosa, 1996), we use the individual as the unit of analysis (instead of the family) acknowledging that even though the family unit "*refers to a collective of individuals, there is typically a dominant actor or a coalition of actors that represent a vision which, more than other visions, determines the future of the family's entrepreneurial activities (Chua, Chrisman, & Sharma, 1999)"* (Nordqvist & Melin, 2010, p. 223). This is more so the case in SME contexts, in which extant evidence reveal that central role is played by owners' preferences in the decision making process (Brockman & Simmonds, 1997; Jennings & Beaver, 1997). Furthermore, we believe that such level of analysis is indeed appropriate when the research interest lies in explaining the drivers that push family owners to engage in portfolio entrepreneurship in the first place, rather that the family dynamics taking place once the portfolio is operational". (Italics in the original).

As the Taittinger, Pery and Falck examples demonstrate, the multiple and different SEW judgements held by individual owners converged to a collective family decision in the Pery and Falck stories, but to divergent actions in the Taittinger case. Understanding how family dynamics drive preferences and decision making is actually an exciting future area for research, understanding engagement in *and* operation of portfolio entrepreneurship. Whether an individual perception or a group level aggregate, as the business family and the portfolio of firms grow and become organizationally complex, the family owners will rely more heavily on the family-specific meta-identity as a systematic way of dealing with SEW perceptions in a way akin to a decision heuristic (Shepherd & Haynie, 2009). This leads to the next proposition:

Proposition 9*: When a business family owns a portfolio mainly consisting of peripheral firms, the SEW endowment perceptions will refer to a meta-identity of family-specific "who we are as a family business" and not to a specific firm*

The full AIM of SEW endowments

Introducing the AIM, Forgas (1995) laid the theoretical foundation to explain the processes through which affectively loaded information influences cognitive judgments and becomes incorporated into an individual's deliberations. Zellweger and Dehlen (2012) use this model to describe the degree of affect infusion in the formation of owners' subjective ownership value assessments of their firm. Extending the model to the evaluation of multiple firms in a portfolio, an owner assesses his or her SEW perceptions which depend on (a) the target firm features, (b) the personal features of the owner assessing the SEW, and (c) the situational features under which the SEW is determined (Forgas, 1995, Zellweger & Dehlen, 2012). In other words, my model suggests that SEW flows of relational components (such as intimacy, attachment of affect and identity) exert influence on individual level SEW stock perceptions through target, personal, and situational features of the evaluation process. This means that target, personal, and situational features are mediators linking SEW flows to SEW stock endowments.

Target Features in Determining Family Owners SEW Perceptions - In the assessment of how SEW flows influence SEW stocks, the specific firm attributes of core versus peripheral, threshold performance, duration in the portfolio, and family control, have already been argued to have mediating influence. Mode of ownership (for example majority- and wholly-owned but not minority- and equally owned) investments have been found to influence SEW considerations (Kim et al., 2019). Some studies argue that a longer duration in a portfolio have a positive influence on SEW (Zellweger et al., 2012), while others do not replicate this finding (Kim et al., 2019). Tying the longer time horizon in family ownership and resource allocation, family owners are also argued to reduce the family's threshold of performance (DeTienne & Chirico, 2013), which leads to the next proposition:

Proposition 10*: The process of shaping SEW stock from SEW affective flows is mediated by target firm's features of core versus peripheral, threshold performance, duration in the portfolio, and family control*

Personal Features in Determining Family Owners SEW Perceptions - In the assessment of how SEW flows influence SEW stocks, the personal attributes of the individual owner performing the assessment itself, namely his or her characteristics of personal relevance, purpose orientation, affective state, and generation of ownership are suggested to mediate the SEW stock outcome. Personal relevance of a specific firm may be determined by the size of ownership stake represented within the owner's total wealth, with a more important role given to a larger fraction (Zellweger & Dehlen, 2012). Personal relevance and or purpose orientation may be dependent on an owner's identification needs and nonfinancial goals. The AIM suggests that a judge's affective state may influence the process, for example, an owner's good mood is believed to elicit more positive value assessments whereas a negative mood more negative assessment (Zellweger & Dehlen, 2012). The owner's generation has long been argued to influence the SEW process: decreasing SEW between Stage I of "founding-family-controlled-and-managed", Stage II of "non-founding extended family owned and managed") to Stage III "extended family owned and professionally managed", in the original oil firms' study (Gómez-Mejía et al., 2007, p. 125), up to a different set of "next-generation values and vision" incorporated into a different SEW reference point shift (Nason et al., 2019, p. 847). Referring to the meta identity shift, Shepherd and Haynie (2009, p. 1256) argue that "it is likely that different generations perceive the intersection of family and business *differently* in the context of opportunity evaluation" (italics in the original), leading to the following proposition:

Proposition 11*: The process of shaping SEW stock from SEW affective flows is mediated by owner's personal features of personal relevance, purpose orientation, affective state, and generation of ownership*

Situational Features in Determining Family Owners SEW Perceptions – The last source of influence in the assessment of how SEW flows influence SEW stocks, are situational attributes of the value appraisal process, namely social desirability, availability of information, threshold performance of portfolio, and meta family firm identity of portfolio. Social desirability norms may differ for salient stakeholders with pure financial goals, influencing owners to consider their emotional attributes to a lesser or an extended degree (Zellweger & Dehlen, 2012). For example, cultural norms to display emotions vary between countries, making the American context as the most extreme one to hold norms for the exclusion of affect from a business organization in the name of "acting professional" (Uhlmann, Heaphy, Ashford, Zhu, & Sanchez-Burks, 2013). The size and the performance of the whole portfolio may influence SEW formation, as for example in the Warren Buffett case, where the exceptional size of the family's assets raises questions of social responsibility and philanthropical endeavors, leading to my last proposition:

Proposition 12*: The process of shaping SEW stock from SEW affective flows is mediated by situational attributes of the value appraisal process, namely social desirability, availability of information, threshold performance of portfolio, and meta family firm identity*

Conclusion

In this chapter, I have discussed the process of affective SEW flows creating perceptions of SEW stocks, influenced by target, personal and situational features of the owner who is making the SEW assessment. My model extends Zellweger and Dehlen's (2012) model of AIM from the value process of one single firm to a portfolio of firms owned by a business family. The propositions suggested review a full range of theoretical dilemmas, ranging from the acknowledgement of SEW as a cognitive perception resulting from affective antecedents, to the changing process over time, the "heterogeneity within" one family's assets, where individual owners assess the SEW stock of affect they relate to their portfolio. Integrating the AIM theory of affective deduction, portfolio of firms in a cluster owned by business families, identity shifts and available research, this chapter has three contributions.

First, I theorize the process of how owners develop their SEW assessments regarding a single firm in their portfolio. Differentiating between core and peripheral firms we argue that owners do not treat their firms equally as "all their firms" implied to in the title to this study, but rather develop particular and time-specific SEW stock perceptions. These perceptions are influenced by the existence of SEW flows of affective and relational components of intimacy, attachment and identity, and then mediated by the AIM features of target, personal and situation.

Second, I extend the specificity and distinction between SEW flows and SEW stock. Although flows may lead to the accumulation of stocks, the SEW terminology has not yet modeled how affective SEW flow variables influence stocks of SEW. Elaborating on the development over time from a single core family firm to a complicated business family portfolio, I discuss flow and stock SEW considerations for a business family portfolio and for individual owners. Third, my discussion contributes to the understanding of heterogeneity sources among family firms, among different owners of one family, and between different points in time for a single individual owner.

Many questions are still open, as even the level of SEW stocks over time, as increasing or decreasing - is still debated. Relating to the examples in this chapter, did the Falck family owners sell the historic steel core firm before or after they shifted into their meta-family identity? How does the dominant coalition of a family firm drive these changes among all owners? Does it take an exceptionally long horizon of about two hundred years until a new acquisition becomes a core firm, like in the Beretta family firm? Did Pierre-Emmanuel Taittinger have higher chances of repurchasing the champagne core business from the venture fund his relatives sold it to because he actively worked in the champagne firm, and not in the other peripheral businesses owned by his family? Did Howard, Susan and Peter Buffet have a SEW stock earlier in their life, losing it only after their father's announcement about not transferring his firm to them? Pursuing the quest of emotional flows and stocks, future studies will have to further explain the complex and interesting phenomenon of the affective attributes which influence decision making in family firms.

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Figure 1: Relationship between SEW flows of affect related to one firm in the portfolio and SEW's stock of emotional endowment of this one firm, mediated by target, personal, and situational features