“Whatever It Takes”: Socioemotional Wealth and Endowment Preservation in Failing Family Firms

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Abstract: Prior research has repeatedly highlighted the influence of socioemotional wealth (SEW) on decision-making processes in family firms, given that owner-managers seek to protect their SEW endowments and identity. Yet, little is known about how this influence unfolds in situations of firm failure and how far owner-managers will go to preserve their SEW and identity. Hence, this paper investigates the role of SEW in driving escalation of commitment to a failing family firm and the likelihood of reentering entrepreneurship after the firm's failure. Furthermore, the role of fear of failure and attribution as moderators in the interplays are investigated. Two vignette studies leveraging 314 observations from owner-managers of family-owned craft businesses in Germany provide evidence for a positive impact of SEW on the degree of commitment escalation to a failing firm and the intention to reenter entrepreneurship after failure. Moreover, the results of the analysis suggest that fear of failure plays a moderating role in the interplay between SEW and escalation of commitment, reducing the extent of commitment escalation by owner-managers. Hence, fear of failure dispositions might either help fuel rationality in decision-making or trigger a “freeze” or “flight” coping strategy rather than direct failure avoidance via additional investments. The findings of this paper hold informative value for owner-managers seeking to reduce adverse or impulsive decision-making and governmental bodies trying to understand how economic wealth might be adversely influenced by a SEW-induced urge to protect failing family businesses. Furthermore, the underlying results enrich the current theoretical understanding of the dark side of SEW while clarifying manifestations of grief, attribution, and fear of failure in the family firm context. At last, this paper outlines various avenues for future research.

Keywords: Socioemotional wealth, Family firms, Escalation of commitment, Fear of failure, Attribution, Entrepreneurship

1. Introduction

Within the realm of family firms, owner-managers commonly form non-financial endowments and affective ties to their firms, which can range from emotional attachment and identification with the firm to a desire for dynastic succession (Berrone, Cruz, and Gomez-Mejia, 2012). Formally defined as socioemotional wealth (SEW), these non-financial considerations frequently put owner-managers in a position where non-economic considerations must be balanced with financial interests. In such situations, owner-managers have been found to protect their identity and SEW, even if non-economic decisions are required (Berrone, Cruz, and Gomez-Mejia, 2012). As their endowments and identity are tied to the firm's destiny, owner-managers also tend to display a strong commitment to the firm's survival (Sirmon and Hitt, 2003), which, however, can also escalate into a state of overcommitment. Escalation of commitment describes situations in which individuals stick to previous decisions and invest more resources despite contrary information regarding the viability of the course of action (Staw, 1976). However, even though further resources are invested, escalation of commitment often fails to solve the underlying issues and merely delays failure. Once the firm eventually fails, owner-managers thus lose their SEW and parts of their identity. In such situations, individuals share a tendency to try to recoup their losses, which could drive failed owner-managers to look for ways to restore or preserve their SEW and identity (Kahneman and Tversky, 1979). SEW and identity restoration, however, can usually only be achieved by founding a new firm. While researchers have made initial contributions to bring these interplays to the broader research agenda (e.g., Chirico et al., 2018; Hsu, 2013), both the phenomenon of escalation of commitment and the impact of SEW on the likelihood of founding a new firm after failure remain understudied fields in family firm research (Woods, Dalziel, and Barton, 2012). Hence, this paper conducts a quantitative analysis of the role of SEW in driving escalation of commitment to a failing family firm and the likelihood of reentering entrepreneurship after failure. Further, this paper answers prior research calls by assessing the role of fear of failure and internal attribution as moderating factors in the interplays (Cacciotti and Hayton, 2015; Costa, Ferreira, and Torres de Oliveira, 2023).

2. Theoretical Foundations

2.1 Socioemotional Wealth and the Desire for Endowment and Identity Protection

Family business researchers have long been captivated by the distinct behavior of family firms (Chrisman et al., 2010). On the matter, prior literature identified non-financial goals and affective endowments as key drivers for distinct decisions in family firms (Berrone, Cruz, and Gomez-Mejia, 2012). Formally defined as socioemotional wealth (SEW) by Gómez-Mejía et al. (2007), these non-financial endowments comprise the "non-financial aspects of the firm that meet the family's affective needs" (p. 106) and span five dimensions ("FIBER"), including (F) family control and influence, (I) identification with the firm, (B) binding social ties with stakeholders, (E) emotional attachment, and (R) the renewal of family bonds through dynastic succession (Berrone, Cruz, and Gomez-Mejia, 2012). When owner-managers start to build SEW and identify with the firm, it transitions from a pure source of income to an extended part of the self and family (Gimeno et al., 1997). Consequently, commitment to the survival of the firm increases (Sirmon and Hitt, 2003), and protecting their endowment and identity becomes the ultimate objective for owner-managers, which takes priority over financial considerations (Berrone, Cruz, and Gomez-Mejia, 2012). Once the firm enters financial distress, however, balancing financial with non-financial interests becomes more challenging, as further resource investments to save the firm can lead to overcommitment.

2.2 Escalation of Commitment to a Failing Family Firm

Such overcommitment, called escalation of commitment, represents a phenomenon where individuals stick to a failing course of action and invest further resources despite mounting evidence that the course of action likely results in failure (Staw, 1976). Escalation situations commonly share three characteristics: (1) sunk costs, (2) feedback that a previous action resulted in failure, and (3) the choice of trying to recoup the loss via additional investment or complete withdrawal (Brockner, 1992). Escalation behavior, however, often only delays failure (Shepherd, Wiklund, and Haynie, 2009) and can have a severe business impact, particularly in situations of failure. In such situations, owner-managers frequently become trapped in a dilemma, torn between financial rationality and a strong commitment towards SEW (DeTienne and Chirico, 2013). As SEW preservation commonly prevails, owner-managers will likely try to keep the business alive, even if this requires further investments (Symeonidou, DeTienne, and Chirico, 2022). Among the theories that have sought to explain this phenomenon from a retrospective and prospective rationality standpoint, self-justification theory remains the most dominant retrospective theory (Schulz-Hardt, Thurow-Kröning, and Frey, 2009). According to self-justification theory, individuals continue to follow previous decisions to justify prior actions, show consistency, and prove their correctness (Brockner, 1992). In this regard, the feeling of responsibility plays a pivotal role. The more an individual feels responsible, the more likely the individual escalates commitment to protect his identity and self-image (Staw, 1976). While a tendency for continuity and persistence have been long-recognized traits of family firms (König, Kammerlander, and Enders, 2013), escalation of commitment remains an understudied field in family firm and entrepreneurial research (Nouri, 2023). To date, existing research in the family firm context remains widely limited to conceptual contributions (e.g., Chirico et al., 2018) and many of the proposed drivers of escalation of commitment, such as emotional attachment and SEW (Chirico et al., 2018), remain unassessed.

2.3 The Role of Fear of Failure in Escalation of Commitment

Beyond theories building on retrospective rationality, Whyte (1986) proposed prospect theory as an alternative explanation for escalation of commitment. According to prospect theory, individuals are loss averse, yet show a higher willingness to take risks when deciding between a certain loss and an uncertain one with the potential for a larger loss (Whyte, 1986). Hence, individuals tend to escalate their commitment in situations framed as a loss relative to their reference point to recoup their losses (Kahneman and Tversky, 1979). A related phenomenon that aligns with such prospective rationality and loss aversion is fear of failure. Cacciotti et al. (2020) define fear of failure as "a negative affective reaction based on cognitive appraisals of the potential for failure" (p. 1). Individuals experiencing fear will likely search for ways to reduce the likelihood of the feared event via three approaches: confrontation ("fight"), avoidance ("flight"), or paralysis ("freeze") (Cacciotti and Hayton, 2015). For failing firms, however, avoidance or paralysis often do not represent viable options, as they materialize failure or fuel the downward cycle. Thus, "fighting" often represents the most promising path. Fighting, however, usually comes with higher investments of time or money, hence fueling escalation.

2.4 Desire for Endowment and Identity Restoration After Failure

As previously outlined, escalation can delay failure but often not avoid it (Shepherd, Wiklund, and Haynie, 2009). When firms fail, owner-managers suffer the loss of their SEW while also losing parts of their identity (Gómez-Mejía et al., 2007). Consequently, owner-managers likely experience feelings of grief, especially as firm failure often translates into personal failure (Jenkins, Wiklund, and Brundin, 2014). To fully recover, owner-managers thus need to break the emotional bonds with the failed firm (Shepherd, 2003). On the matter, grief literature provides two approaches to grief recovery, comprising loss-oriented and restoration-oriented recovery. While loss-oriented recovery seeks to terminate emotional attachment by confronting and processing losses over time, restoration-oriented recovery aims at avoidance and distracting oneself (Stroebe and Schut, 1999). Founding a new firm can thus often represent the most attractive restoration-oriented grief strategy, as it promises the recreation of SEW and restoration of identity. Further, it also enables a gradual way of parting with the old firm, allowing loss-oriented recovery along the way. Nevertheless, reentering entrepreneurship after failure might not always be rational. Rather, the desire for endowment and identity restoration could trigger impulsive decisions without objective validity, as the causes that led to the firm's demise often persist (Shepherd, 2003).

2.5 The Role of Attribution

In situations of failure, research has repeatedly confirmed responsibility as a key driver for self-justification and identity protection behavior. Nevertheless, most research has focused on the role of objective responsibility rather than subjective perception (Sleesman et al., 2012). However, this distinction is key, as perceptions differ between individuals (Block and Funder, 1986). Attribution theory offers a valuable framework to understand how individuals explain their own actions and the behavior of others (Yamakawa, Peng, and Deeds, 2015). In this regard, individuals either attribute the locus of causality to external (non-controllable) or internal (controllable) factors (Yamakawa and Cardon, 2015). How causes are attributed often depends on the outcome, specifically whether the outcome is positive or negative. As individuals often form biased attributions to self-enhance or self-protect (Rogoff, Lee, and Suh, 2004), they frequently attribute successes to internal factors and failures to external factors to negate responsibility. In case of internal attribution, individuals perceive a higher sense of responsibility, which can threaten their self-concept and thus trigger self-justification due to a stronger need for identity preservation (Luginbuhl, Crowe, and Kahan, 1975).

3. Hypothesis Development

As previously elaborated, ensuring the firm's continuity represents the paramount objective for owner-managers, given that the owner-manager's identity and SEW endowments are tied to its survival (Berrone, Cruz, and Gomez-Mejia, 2012). Concurrently, the desire for endowment and identity protection is likely amplified by a higher tendency for self-justification among owner-managers with higher SEW, given that a higher share of their identity and self-concept is at stake when the firm faces financial distress (Staw, 1981). Accordingly, owner-managers with higher SEW are expected to show higher levels of commitment escalation.

> ***H1:** Higher SEW is positively related to an increase in owner-managers' escalation of commitment to their failing family business.*

A key prerequisite for the need for self-justification and identity protection is the perceived responsibility of the owner-manager (Sleesman et al., 2012). When decisions lead to adverse outcomes, owner-managers will likely look for ways to attain self-justification by sticking to previous decisions and investing further resources (Staw, 1976). This justification need will be especially strong if internal attribution places responsibility on the owner-manager. Hence, attribution is expected to moderate the relationship between SEW and escalation of commitment.

> ***H2:** Internal attribution positively moderates the relationship between SEW and escalation of commitment.*

Moreover, as the owner-manager's identity, self-concept, and endowments hinge on the firm (Gómez-Mejía et al., 2007), exiting is perceived to be very costly (Zellweger and Astrachan, 2008). Therefore, picturing the consequences of failure in situations of financial distress will likely trigger a feeling of fear among owner-managers with a high fear of failure. Accordingly, these individuals will likely act to reduce the likelihood of failure by actively "fighting" against its occurrence, given that alternative paths to avoid failure rather accelerate the downward cycle (Cacciotti and Hayton, 2015). Consequently, fear of failure will fuel the protection and preservation behavior induced by higher SEW, thus acting as a moderator.

> ***H3:** Fear of failure positively moderates the relationship between SEW and escalation of commitment.*

If the firm fails despite escalation efforts, owner-managers face the loss of their SEW and parts of their identity (Gómez-Mejía et al., 2007). This loss will not only trigger a strong feeling of grief (Shepherd, Wiklund, and Haynie, 2009) but also a desire to restore and recover lost endowments and parts of their identity. However, this objective usually can only be achieved by founding a new firm, given that the foundation of a new firm enables owner-managers to recreate their previous state (Shepherd, 2003).

> ***H4:** Higher SEW is positively related to a higher inclination to find a new firm after the failure of the current firm.*

Once the firm fails, the cognitive, affective, and behavioral reactions of individuals likely depend on the attribution of its causes (Yamakawa, Peng, and Deeds, 2015). More specifically, attribution likely plays a central role in defining how strong the need for identity and self-concept restoration fueled by SEW will be after the firm's failure. If the causes for the failure are attributed externally, external justification will likely lead to a lower sense of responsibility (Luginbuhl, Crowe, and Kahan, 1975). However, if failure is attributed internally, owner-managers are expected to feel highly responsible. Consequently, they likely suffer a stronger detriment to their identity and self-concept. Therefore, they should also share a higher need to restore these parts of their identity and self-concept, which is best addressed by founding a new firm (Shepherd, 2003). Thus, attribution is hypothesized to take on a moderating role in the relationship between SEW and the likelihood of reentering entrepreneurship after the firm's failure.

H5: *Attribution moderates the relationship between SEW and the foundation of a new firm after failure.*

4. Methodology

Two vignette studies leveraging a between-subject design were conducted to investigate the interplays. As described in the following, internal vs. external attribution represented the manipulation in both vignettes. Each respondent completed both vignettes and was randomly allocated to one manipulation condition per study.

4.1 Sample

The focus of the sample collection was set on the German craft business sector due to its strong fundamentals regarding active companies, density of family firms, different firm sizes, and business sectors (Zentralverband des Deutschen Handwerks, 2023). Email addresses of 20,256 craft businesses were randomly collected from a public online directory. 405 complete responses were collected, yielding a 2.3% response rate, which is in line with other online surveys among small business executives (Seshadri and Broekemier, 2022). Subsequently, responses that did not fit the target group were discarded (e.g., family firm definition). Ultimately, 314 responses remained.

4.2 Design – Study 1

In Study 1, participants were confronted with a hypothetical scenario, which informed them that their current firm had been facing a steep decline in revenue and profits due to issues in client acquisition and satisfaction. Furthermore, the vignette stated the participant had already conducted an investment in measures seeking to improve client acquisition and satisfaction. This investment, however, had been ineffective, as profits declined further, even though the revenue decline was slightly alleviated. Subsequently, participants in the internal attribution group were informed that they attribute the low impact to internal causes. Contrarily, the external attribution condition defined a market recession as the key reason for the decline. Moreover, the vignette stated that the firm would need to be closed within the next 1-2 years if profits could not be improved substantially. Thus, participants faced a decision on how much additional funding they would be willing to commit. These funds would again flow into the initiatives they had already invested in, as these were deemed the sole means to potentially still avert the failure.

4.3 Design – Study 2

In Study 2, respondents were asked to imagine a situation where the profits of their current firm declined substantially and, despite efforts to save the firm, a closure of the firm was inevitable to avoid further losses and bankruptcy. Again, the attribution of the causes for the failure was manipulated. Consequently, participants were asked how likely they were to find a new firm.

4.4 Measures

4.4.1 Dependent variables

Escalation of commitment (Study 1 only). Escalation of commitment was measured by the investment of additional funds. To keep answers realistic, the investment was restricted to a range between 0% and 10% of revenues. To address the right-censored nature of the data, responses were categorized (Cat 1: 0-2.5% / Cat 2: >2.5%-5% / Cat 3: >5%-7.5% / Cat 4: >7.5%).

Likelihood of Founding a New Firm (Study 2 only). The likelihood of establishing a new firm after failure was measured via a 7-point Likert-type question ("very unlikely" (1) to "very likely" (7)).

4.4.2 Independent variables

Socioemotional wealth. SEW was measured using the 17-item SEW scale by Gerken et al. (2022), which was derived based on a validation of the "FIBER" scale. As opposed to Berrone, Cruz, and Gomez-Mejia's (2012) 5-factor structure, the scale suggests a 4-factor structure. All items were answered on 5-point Likert-scale questions ("strongly disagree" (1) to "strongly agree" (5)).

4.4.3 Moderating variables

Internal attribution. Attribution was manipulated in the vignettes.

Fear of failure (Study 1 only). Fear of failure was measured using the short version of the Performance Failure Appraisal Inventory (PFAI) by Conroy, Willow, and Metzler (2002). The construct comprises five Likert-scale questions ("strongly disagree" (-2) to "strongly agree" (2)).

4.4.4 Control variables

To control for relevant firm-specific characteristics, the variables *firm size* (only in Study 1 – # full-time employees), *sector*, and *liability* (based on the firm's legal form) were assessed. Concerning owner-manager-specific factors, information on the owner-manager's *age* and *gender* was collected. Further, *prior firm failure experiences* of owner-managers were measured. Finally, participants were asked about *other income sources and financial assets* they could rely on if the firm would need to be shut down.

5. Results

Descriptive statistics are provided in Table 1. The mean of 2.14 for the degree of escalation of commitment suggests that owner-managers decided to invest between 2.5-5% of sales despite negative feedback. This finding points to a significant overall tendency towards escalation of commitment among owner-managers, regardless of the prevalence of SEW. Concerning the likelihood of founding a new firm, the mean score of 2.70 indicates that owner-managers are "rather unlikely" to find a firm after failure. Finally, the mean SEW score of 61.39 reveals a notable level of SEW among owner-managers in the sample.

Table 1: Descriptive Statistics

n=314	Mean	Std. Dev.	(1)	(2)	(3)	(4)	(5)
(1) Escalation of Commitment	2.14	1.09	1.00				
(2) Likelih. of Founding New Firm	2.70	1.79	N/A	1.00			
(3) SEW	61.39	9.39	0.14**	0.12**	1.00		
(4) Fear of Failure	-0.50	0.90	-0.08	N/A	0.06	1.00	
(5) Internal Attribution (Study 1)	0.50	0.50	-0.04	N/A	0.02	0.06	1.00
(6) Internal Attribution (Study 2)	0.48	0.50	N/A	-0.10*	0.08	N/A	N/A
(7) Firm Size	10.29	15.46	0.02	N/A	0.11**	0.09*	-0.03
(8) Finishing Trades	0.33	0.47	0.02	0.06	0.10*	-0.04	0.03
(9) Core Construction	0.34	0.47	-0.06	0.02	-0.00	0.01	0.00
(10) Trades for Private Demand	0.13	0.34	-0.06	-0.05	-0.12**	-0.00	0.01
(11) Trades for Comm. Demand	0.07	0.26	0.14**	-0.08	0.04	0.04	0.01
(12) Health Sector Trades	0.04	0.18	-0.01	0.04	-0.15***	-0.02	-0.02
(13) Motor Trades	0.05	0.21	0.07	0.03	0.01	0.01	-0.13**
(14) Food-Related Trades	0.05	0.22	-0.06	-0.07	0.03	0.03	0.06
(15) Age	52.56	10.68	0.02	-0.09*	0.05	0.02	-0.02
(16) Gender (Female)	0.15	0.35	-0.06	-0.08	-0.04	-0.05	0.00
(17) Legal Liability	0.60	0.49	-0.08	-0.06	-0.06	-0.15***	0.11*
(18) Prior Failure Experience	0.06	0.21	0.11*	0.13**	-0.06	-0.04	-0.02
(19) Income Sources & Fin. Assets	2.49	0.92	0.17***	0.15***	0.02	-0.24***	-0.07

n=314	Mean	Std. Dev.	(1)	(2)	(3)	(4)	(5)
	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(6) Internal Attribution (Study 2)	1.00						
(7) Firm Size	N/A	1.00					
(8) Finishing Trades	0.05	-0.05	1.00				
(9) Core Construction	-0.06	0.04	-0.50***	1.00			
(10) Trades for Private Demand	0.00	-0.13**	-0.27***	-0.28***	1.00		
(11) Trades for Comm. Demand	-0.00	-0.04	-0.20***	-0.20***	-0.11*	1.00	
(12) Health Sector Trades	0.06	-0.07	-0.13**	-0.14**	-0.07	-0.05	1.00
(13) Motor Trades	-0.07	-0.01	-0.16***	-0.16***	-0.09	-0.06	-0.04
(14) Food-Related Trades	0.04	0.33***	-0.16***	-0.17***	-0.09	-0.07	-0.04
(15) Age	0.11*	0.09	-0.05	-0.01	-0.03	0.13**	0.01
(16) Gender (Female)	-0.04	-0.09*	-0.11**	-0.18***	0.45***	-0.08	0.02
(17) Legal Liability	0.06	-0.31***	0.05	-0.26***	0.26***	-0.07	0.09
(18) Prior Failure Experience	-0.01	-0.07	0.00	-0.07	0.05	-0.01	0.04
(19) Income Sources & Fin. Assets	0.04	0.09	-0.03	0.01	-0.04	0.06	0.03
	(13)	(14)	(15)	(16)	(17)	(18)	(19)
(13) Motor Trades	1.00						
(14) Food-Related Trades	-0.05	1.00					
(15) Age	-0.01	0.02	1.00				
(16) Gender (Female)	-0.09*	0.11*	-0.09	1.00			
(17) Legal Liability	-0.03	0.10*	-0.02	0.20***	1.00		
(18) Prior Failure Experience	0.09	-0.05	-0.01	-0.05	0.06	1.00	
(19) Income Sources & Fin. Assets	-0.04	0.05	0.05	-0.01	-0.14**	-0.04	1.00

N/A = Not applicable as variables were not used in the same model / study
***** p<0.01, ** p<0.05, * p<0.1**

5.1 Results – Study 1

An ordered logistic regression analysis was performed to examine the underlying hypotheses on escalation of commitment (Table 2). Model 2 provides evidence that higher SEW increases the odds of commitment escalation, hence confirming H1. As hypothesized, a stronger identification and intertwining of the business with the owner-manager's identity seems to have a significant influence on endowment and identity protection via escalation of commitment. Further, while the moderation effect of attribution (H2) is not supported, the moderation effect of fear of failure is significant. However, the relationship between SEW and escalation of commitment is weakened by higher fear of failure, which contradicts H3.

Table 2: Ordered Logistic Regression Results

Escalation of Commitment	Model 1	Model 2	Model 3
	Odds Ratio	Odds Ratio	Odds Ratio
Control Variables			
Firm Size	1.002	1.001	1.003
Core Construction	0.749	0.784	0.784
Trades for Private Demand	0.838	0.958	1.029
Trades for Commercial Demand	2.227	2.226	2.383
Health Sector Trades	0.814	1.118	1.166

Escalation of Commitment	Model 1	Model 2	Model 3
	Odds Ratio	Odds Ratio	Odds Ratio
Motor Trades	1.495	1.475	1.447
Food-Related Trades	0.662	0.699	0.617
Age	0.999	0.997	0.998
Gender (Female)	0.867	0.869	0.825
Legal Liability	0.797	0.776	0.788
Prior Failure Experience	2.399**	2.458**	2.596**
Income Sources and Financial Assets	1.394**	1.373**	1.368**
Independent Variables			
SEW		1.033**	1.005
Fear of Failure		0.907	4.098*
Internal Attribution		0.885	0.223
Interactions			
SEW x Fear of Failure			0.976*
SEW x Internal Attribution			1.022
Prob > Chi-Squared	0.023	0.015	0.007
Pseudo R-Squared	0.028	0.038	0.042
Observations	314	314	314
*** p<0.01, ** p<0.05, * p<0.1			

5.2 Results – Study 2

Similar to Study 1, an ordered logistic regression analysis was performed to examine the hypotheses related to the likelihood of reentering entrepreneurship after failure (Table 3). Model 2 reveals significantly higher odds of reentering entrepreneurship when SEW is higher, hence confirming H4. Contrary to expectations, model 3 does not support the hypothesized moderation effect of internal attribution on the relationship between SEW and the likelihood of reentering entrepreneurship after failure. Rather, model 2 reveals that the manipulation of internal vs. external attribution has a significant main effect on the likelihood to find a new firm after failure. However, given that the odds ratio is below 1, the results suggest lower odds of reentering entrepreneurship if the causes for the firm's failure are attributed internally. This finding contradicts the positive effect one could expect from a need for identity restoration after failure.

Table 3: Ordered Logistic Regression Results

Likelihood of Founding a New Firm	Model 1	Model 2	Model 3
	Odds Ratio	Odds Ratio	Odds Ratio
Control Variables			
Core Construction	0.814	0.822	0.827
Trades for Private Demand	0.731	0.797	0.799
Trades for Commercial Demand	0.472*	0.463*	0.474*
Health Sector Trades	1.124	1.481	1.442
Motor Trades	0.852	0.824	0.832
Food-Related Trades	0.563	0.562	0.561
Age	0.982*	0.983*	0.983*
Gender (Female)	0.593	0.573	0.571
Legal Liability	0.898	0.910	0.913

Likelihood of Founding a New Firm	Model 1	Model 2	Model 3
	Odds Ratio	Odds Ratio	Odds Ratio
Prior Failure Experience	2.685*	2.715**	2.719**
Income Sources and Financial Assets	1.444***	1.467***	1.464***
Independent Variables			
SEW		1.030**	1.035**
Internal Attribution		0.691*	1.320
Interactions			
SEW x Internal Attribution			0.990
Prob > Chi-Squared	0.014	0.002	0.003
Pseudo R-Squared	0.024	0.032	0.033
Observations	314	314	314
*** p<0.01, ** p<0.05, * p<0.1			

6. Discussion

The findings of this paper provide evidence for a positive impact of SEW on the degree of escalation of commitment to a failing family firm, suggesting that SEW drives owner-managers to invest more resources in situations of failure, seemingly motivated by a desire to protect their firm, SEW, and identity. SEW might thus prove disadvantageous in situations of failure, as it can distort rational decision-making. Moreover, fear of failure was found to exert a significant negative moderation effect. Three lines of argumentation might explain these results. First, owner-managers might be more likely to “freeze” in such situations, which prevents them from “fighting” the failure. Accordingly, given the high stakes involved in the described escalation scenarios, owner-managers might be more hesitant in their investment choice or tend to abstain from additional investments. A second explanation might be that owner-managers with a higher fear of failure are more reluctant to conduct additional investments as they seek to avoid another failure (“flight” approach). Finally, a third explanation might be that owner-managers with a higher fear of failure subliminally expect or already accepted the failure. Regardless of the cause, fear of failure might therefore benefit owner-managers in situations of failure. Consequently, they might be less inclined to escalate commitment and rather seek clarity on the outcome. Concerning entrepreneurial intentions after failure, the findings yield evidence for a positive impact of SEW on the likelihood to start a new firm after failure, thus confirming the hypothesized desire among owner-managers to restore their SEW endowments, identity, and self-concept. Furthermore, the significant negative main effect of internal attribution suggests that owner-managers, who attribute the causes for the firm’s failure internally, might not be blindly driven by their desire for identity and endowment restoration. Rather, they might recognize the need to work on their internal capabilities before founding another firm or fully abstain from it altogether.

6.1 Theoretical Contributions

This paper provides several novel contributions to prior literature. Firstly, it extends family firm literature by providing evidence that SEW fuels escalation of commitment to a failing family firm and the likelihood to find a new firm after failure. Therefore, this research enriches findings on the “dark side” of SEW and underlines its relevance post-exit (Kellermanns, Eddleston, and Zellweger, 2012). Secondly, the results provide further clarity on antecedents of escalation of commitment in organizations. In this regard, the study introduces new quantitative insights to support propositions brought forward by prior research on escalation of commitment in the family firm context (e.g., Chirico et al., 2018; Symeonidou, DeTienne, and Chirico, 2022). Thirdly, this research provides contributions to grief literature by investigating the foundation of a new firm as a coping mechanism (Shepherd, 2003). Finally, this paper answers prior research calling for both an investigation of the role of fear of failure in escalation of commitment and further research on the role attribution in predicting future entrepreneurial engagement after failure (Cacciotti and Hayton, 2015; Costa, Ferreira, and Torres de Oliveira, 2023).

6.2 Practical Implications

Concerning practical implications, the analysis informs owner-managers with affective ties to their firms about its adverse influences, helping them to initiate countermeasures to avoid non-economic and impulsive decisions.

Moreover, this research holds informative value for governmental bodies. Given that owner-managers with high SEW share a tendency to accept non-economic decisions and escalate commitment to failing firms, a significant share of firms might survive solely due to their owner-managers' desire for endowment and identity preservation. The survival of failing businesses, however, can impose costs on the economy and society, for instance by slowing growth or blocking resources (Ucbasaran et al., 2013).

6.3 Limitations and Future Research

This research faces several limitations. Firstly, the findings rely on hypothetical scenarios rather than real-life business situations. However, this approach allowed to isolate behavior related to commitment escalation and career choices in controlled settings, which would be nearly impossible to assess in real life (Richards, Kammerlander, and Zellweger, 2019). Additional limitations arise from the focus of the sample on the German craft business sector and an overrepresentation of firms in the core construction segment. Future research should thus replicate the study to confirm its representativeness. Finally, limitations arise in the measurement of fear of failure, as researchers have criticized the PFAI's interpretation of fear of failure as a stable construct (Cacciotti et al., 2020). Hence, future research might use alternative measurements to validate the described findings on fear of failure. Further, future research could investigate whether SEW also drives the likelihood of reentering entrepreneurship if the firm is exited despite strong financial performance (e.g., firm sales).

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