1-1-2021

Three Essays Exploring Diversification Strategies in Family Firms: Evidence from the S&P 1500 on Acquisitions and Exits.

Chelsea Sherlock
University of Mississippi

THREE ESSAYS EXPLORING DIVERSIFICATION STRATEGIES IN FAMILY FIRMS:

EVIDENCE FROM THE S&P 1500 ON ACQUISITIONS AND EXITS

A Dissertation
presented in partial fulfillment of requirements
for the degree of Doctor of Philosophy
in the Department of Management
School of Business Administration
The University of Mississippi

by

CHELSEA SHERLOCK

May 2021

ABSTRACT

Family firms are not only the most prevalent form of business organization in the world, accounting for roughly 75% of all organizations (La Porta, Lopez-de-Silanes, & Shleifer, 1999; Miller, Steier, & Le Breton-Miller, 2003), they also represent “heterogeneous and complex enterprises” that offer a “challenging array of issues to study” (Sharma, Chrisman, & Gersick, 2012, p. 5). Accordingly, this series of essays explores diversification strategies in family firms by investigating the family specific factors which may influence strategic decision-making. I begin with a review of the diversification literature over the last 20 years. Next, using data from S&P 1500 firms, Essays 2 and 3 are quantitative studies that focus on firm performance following acquisitions as well as ownership exit routes for family owners. Specifically, in Essay 2, I focus on acquisition deals and investigate situations in which two governance forms (family and non-family) interact within a single transaction. Lastly, in Essay 3 I investigate the factors that may influence family business owners’ exit choice between an outright sale or a gradual exit.

ACKNOWLEDGEMENTS

This accomplishment would not be possible without the unwavering encouragement and assistance from my family. Thank you, Mom & Dad for everything.

I would like to thank my advisor, Dr. Dibrell, for his guidance and patience throughout the Ph.D. process and for dedicating time to help me become an independent scholar. I would also like to thank my colleagues at Louisiana State University for their collaboration, advice, and friendship throughout my time in Baton Rouge. Specifically, Drs. Danny Holt, Shane Reid, Sohrab Soleimanof, Joe Cabral, Reg Tucker, and Ed Watson. Lastly, cheers to Erik Markin and Gabby Swab for being the best coauthors, friends, and colleagues. You both paved the way before me and provided endless support along the way. I had a marvelous time writing papers and fighting dragons with you.

TABLE OF CONTENTS

LIST OF TABLES[1]

[1] All tables referenced within a particular essay are included at the end of each individual essay directly following the conclusion, rather than at the end of the entire dissertation in order to maintain organization.

LIST OF FIGURES[2]

[2] All figures referenced within a particular essay are included at the end of each individual essay directly after the presentation of any essay's tables rather than at the end of the entire dissertation, in order to maintain organization.

ESSAY 1: A MULTI-DISCIPLINARY REVIEW OF DIVERSIFICATION IN FAMILY FIRMS

INTRODUCTION

As family firms account for roughly one third to one half of all firms in the United States (Anderson & Reeb, 2003; Villalonga & Amit, 2008), understanding the key characteristics that influence their diversification strategies is warranted. The most notable characteristics that separate family firms from their non-family counterparts are: the owning family's desire to maintain control (Miller, Le Breton-Miller, & Lester, 2010), risk aversion due to wealth concentration (Schulze, Lubatkin, & Dino, 2003), and safeguarding of the family's socioemotional wealth (SEW) (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). While a variety of research has examined how ownership affects diversification decisions (i.e., family firms vs. non-family firms), more recent work has shifted to focus on differences between family firms by isolating conditions such as the institutional environment (Requejo, Reyes-Reina, Sanchez-Bueno, & Suárez-González, 2018), CEO career horizons (Strike, Berrone, Sapp, & Congiu, 2015), and the political connections of family management (Wang, Ma, Song, & Liu, 2016).

Despite the growth in this topic, contradictory results regarding diversification strategies in family firms still exist in the literature. For example, as emphasized by Gómez-Mejía and colleagues (2018), family firms are confronted with a dilemma; should they engage in diversification (e.g., acquisitions) in hopes of achieving financial gains (Chatterjee, 1986), or should they instead refrain from such activity to preserve the family's SEW? The current research surrounding family firm strategies has attempted to resolve this paradox by examining the influence of domestic vs. international diversification strategies (Gómez-Mejía, Makri, & Kintana, 2010), types of acquisition (Miller et al., 2010), the financial value of acquiring family firms (Granata & Chirico, 2010), as well as exit strategies for the family (Chirico, Gómez-Mejia, Hellerstedt, Withers & Nordqvist, 2019). While this work has provided a variety of insights, the field still lacks an effective integration of the situations and circumstances influencing family firms' diversification strategies.

Therefore, the purpose of this article is to systematically review and analyze previous studies on family firm diversification activity, as reviews are useful tools used to synthesize extant knowledge, uncover relevant gaps in the literature, and further to promote growth in the field (Short, 2009). For example, Haleblian and colleagues (2009) provide a multi-disciplinary review examining the trends of M&A research and similarly, Worek (2017) offers a review which highlights the implications of family governance forms on M&A activity. However, I argue that an update is warranted to broaden beyond M&A research in order to capture all diversification activities and to consider the motivations, (e.g., SEW), the types (e.g., FCB vs. FIF), as well as the identity and involvement of the family in diversified firms, as these may serve as heterogenous conditions (Melin & Nordqvist, 2007).

As such, I seek to extend family business research by reviewing studies on diversification strategies within family firms by taking stock of the literature published between the years 1999-2019. Specifically, my search of 23 management journals over the last 20 years yields an initial 61 studies for review. my review begins by summarizing the theoretical assumptions and key contributions made to the field. Then, within this work, I seek to reconcile the inconsistent findings regarding family firm diversification activity. Furthermore, to synthesize and organize this area of research, I offer an organizing framework which focuses on three key areas; (1) antecedents, highlighting both family ownership and family involvement; (2) moderators, including areas such as the institutional environment, CEO characteristics, and organizational slack; and (3) outcomes including areas related to family firm valuation, turnover, and related and unrelated diversification. Through my discussion and framework of extant research I also reveal gaps for future work.

The objective of this paper is to systematically review, analyze, and extend the literature surrounding diversification decisions in family firms. In doing so, I make three contributions to the literature, first I attempt to reconcile contradictory findings by looking in-depth at the definitions and criteria used to define family firms. Next, I examine contextual moderators of diversification strategies to provide evidence of family firm heterogeneity, and third, I provide areas for future research. Specifically, I offer guidance for future work to connect a variety of research streams within the broader management domain. The remainder of the article proceeds as follows, I begin by discussing my method for collecting the review sample and provide an organizing framework to report my results. Next, I provide a brief review of the literature covering diversification strategies within a family firm context, highlighting the key assumptions and contributions made in the field since 1999. Lastly, I discuss my findings, limitations, and conclude with areas for future research.

METHOD

The focus of this analysis is on one specific strategic decision, diversification, which is defined as "the combination of business units from separate industries under the roof of one single firm" (Schmid, Ampenberger, Kaserer, & Achleitner, 2015: 287) and follows several guidelines to ensure a comprehensive review capturing the scope of family firm diversification literature. First, the search covered the past 20 years of family firm diversification literature, spanning from 1999-2019. Second, the sample included in the literature review is limited to leading peer reviewed journals in the management, entrepreneurship, family business, and finance domains (Chrisman, Chua, Kellermanns, Matherne, & Debicki, 2008; Fayolle & Wright, 2014). The list of 23 journals includes: *Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Corporate Governance, Entrepreneurship: Theory and Practice, Family Business Review, International Small Business Journal, Journal of Banking and Finance, Journal of Business Research, Journal of Business Venturing, Journal of Corporate Finance, Journal of Family Business Management, Journal of Family Business Strategy*, *Journal of Finance, Journal of Financial Economics, Journal of Management, Journal of Management Studies, Journal of Small Business Management*, *Management Science, Organization Science, Small Business Economics, Strategic Entrepreneurship Journal,* and *Strategic Management Journal.*

The next step in the literature search included searching the title, abstracts, and keywords of articles from 1999-2019 in the aforementioned journals for the following terms: *diversification, diversify, merge, merger, acquisition, acquire, mergers and acquisitions,* and *divest** (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; Wan, Hoskisson, Short & Yiu, 2011). Given that the scope of this review is to examine work relating to diversification strategies in family firms, the following terms relevant to family firm literature were also included: *family firm, family business, family enterprise, family control*, family influence, family involve*, and family own** (Hiebl, 2013; López-Fernández, Serrano-Bedia, & Pérez-Pérez, 2016; Worek, 2017). The aforementioned search criteria yielded an initial 61 articles which were then reviewed for relevance and fit by examining each article independently. Corrigendums, erratums, commentaries (e.g., Combs, 2008) were removed, as well articles that were not relevant to the review topic. For example, some articles were removed due to their focus on knowledge acquisition (e.g., Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001; Duarte Alonso & Kok, 2018) or resource acquisitions (e.g., Blanco-Mazagatos, de Quevedo-Puente, & Castrillo, 2011), this resulted in final sample of 39 articles included in the review (see Table 1 for a complete list of articles by journal).

==================================

Insert Essay 1 Table 1 about here

==================================

To understand how the research surrounding diversification in family firms has evolved over the last 20 years, I plotted the published studies in the final sample by the year of publication (see Figure 1 and Table 2). Both Figure 1 and Table 2 indicate that diversification research across all fields was stagnant for a number of years until roughly 2007, where there is a consistent uptick in publications in each subsequent year, with the highest levels of publication occurring in 2010 and 2011. This uptick of growth in the family firm diversification literature coincidentally aligns with the introduction of the SEW perspective by Gómez-Mejía and colleagues in 2007, as this theoretical lens provided scholars with an alternative explanation for the strategic decision making within family firms. Additionally, Table 2 also reveals that the *Journal of Family Business Strategy* was the largest contributor to publications in the sample with 8 publications, followed by *Family Business Review* with 6 publications, respectively.

==================================

Insert Essay 1 Figure 1 about here

==================================

Given the multi-disciplinary approach of the review, I also plotted the published studies by their respective discipline to identify how interest in each domain evolved (see Figure 2). Referring to Table 2, the entrepreneurship category represented: *ETP, ISBJ, JSBM, SBE,* and *SEJ;* family business included: *FBR, JFBM,* and *JFBS;* the finance category comprised: *JBF, JCF, JOF,* and *JFE;* lastly, the management discipline included: *AMJ, AMR, ASQ, Corporate Governance, JBR, JBV, JOM, JMS, MS, OS,* and *SMJ.* Figure 2 reveals that the management field has contributed the most, in the total number of publications, to the knowledge on family firm diversification. Whereas research specific to family business journals has been a steady source of publications, entrepreneurship journals have lagged in numbers of publications over the last 20 years.

==================================

Insert Essay 1 Table 2 about here

==================================

==================================

Insert Essay 1 Figure 2 about here

==================================

From the initial search of the articles, I further analyzed each individual article along multiple dimensions. In this step, I coded for the type of article (e.g., empirical, conceptual, case study, review, meta-analysis), topic area (e.g., M&A, divestment, diversification), country of sample, theory(s) used, as well as, independent, dependent, and moderating variables. As a result of this coding, a framework was developed to synthesize the literature and interpret the significant findings produced over the last 20 years, which is summarized in Figure 3. This framework focuses on three critical areas of diversification research: (1) the antecedents, or the factors that influence diversification decisions; (2) moderators, including both internal (e.g., family CEO vs. non-family

CEO) and external (e.g., institutional environment) factors that moderate diversification decisions; and (3) diversification outcomes, including performance, valuation, and turnover, to name a few.

==================================

Insert Essay 1 Figure 3 about here

==================================

LITERATURE REVIEW

There are competing perspectives relative to a family firm's disposition to engage in diversification (Arregle, Duran, Hitt, & Van Essen, 2017). Traditional agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976) assumes that strategic decisions are made only on the basis of financial goals and therefore the agency perspective would suggest that family firms seek to diversify over concerns related to firm performance. But this perspective ignores the potential influence of non-financial goals on strategic decision making, which are highly prevalent in a family firm setting (Chrisman, Chua, Pearson, & Barnett, 2012; Gómez-Mejía et al., 2007). On the other hand, family business research (e.g., SEW perspective) argues that family firms are less likely to undertake diversification opportunities due to the fact that family firms are constrained by family control and family ownership, as these both act as barriers to such strategies due to concerns over the family's preservation of control (i.e., transgenerational intentions, SEW endowment) and further, the lack of experience and professionalism may be a barrier to diversification performance or related outcomes (Arregle et al., 2017).

The resulting tension between agency theory and the SEW literature has resulted in a paradox of whether family firms are more or less likely to engage in diversification based on their unique ownership structure (Gómez-Mejía, Patel, & Zellweger, 2018). As extant work suggests, family firms' overall diversification preferences are subject to two key characteristics; (1) the preservation of the firm's familiness (e.g., Anderson & Reeb, 2003; Habberson & Williams, 1999) and (2) the wealth family's wealth concentration in a single organization (e.g., Gómez-Mejía et al., 2010; Schulze et al., 2003; Zahra, 2005). Although the SEW perspective offers important insights into the decision preferences of family firms, the diversification conclusions from empirical findings remain mixed (Hussinger & Issah, 2019). As there may be issues with the assumption that family firms operate under the same SEW goals or preferences (Gu, Lu, & Chung, 2019) or that SEW preferences remain consistent over time or across generations (Nason, Mazzelli, & Carney, 2019).

Overall, the family business literature has concluded that there are stark differences between firms managed by families and those owned by families (Schmid et al., 2015). Specifically, through their sample of European family firms, Schmid et al. (2015) find that firms owned by families have higher levels of diversification, but this is not true for firms managed by family members. However, when examining family firms exclusively in the United States, other work suggests that family firms are less likely to undertake diversification strategies (van Essen, Carney, Gedajlovic, & Heugens, 2015). Therefore, in the following section I examine both family ownership and family involvement differences that have been extensively used in extant work and which I argue may serve as the source of such contradicting conclusions.

The Dilemma of Defining Family Firms

The dynamics unique to family firm have been evidenced to impact business strategies (Astrachan, 2010), as such, when researching family firms is it imperative to distinguish the differential effects of ownership, control, and management (Villalonga & Amit, 2006). While there have been a variety of definitions suggested (e.g. Chrisman, Chua, & Sharma, 2005; Chua, Chrisman, & Sharma, 1999), there is no concrete or universal definition used in the current family business or management literature to date (Schulze & Gedajlovic, 2010; Steiger, Duller, & Hiebl, 2015). This persistent lack of a uniform definition can lead to a large variation in family business research (Chua et al., 1999) as the organizations, contexts, and influence may vary across family firms and therefore may lead to conflicting findings (Miller, Le Breton-Miller, Lester, & Cannella, 2007).

While reviewing the articles generated from the systematic search, it was critical to consider how each publication defined their sample of family firms. Extant work has used ownership levels as a necessary condition for definition while others have placed emphasis on the family's involvement in the company, or some combination of the two (Steiger et al., 2015). Typically, the analyses included in this review included data from secondary sources (i.e., Hoover's, company websites, SEC proxy statements) and therefore adopt a loose definition of family firms (e.g., ownership at 5%) (see Table 3). While this lax definition of family firms is derived on the basis of the family's involvement in the company, whether controlled through shares, management, and/or governance (Chrisman et al., 2005), it only represents the family's potential to exert influence, not evidence of the actual influence (Zellweger, Eddleston, & Kellermanns, 2010) and therefore may not capture the real impact of the owning family. Regardless, the combination of both ownership and involvement has emerged as a common method to identify family firms (Gómez-Mejía et al., 2010; Villalonga & Amit, 2006) and therefore, I use both criteria as the basis for my antecedents in the following review section. Although the goal is this review is not to spur a definitional dispute, some of the contradictory findings in the literature may stem from this disparity. The question remains as to which family criteria (or both) under what circumstances has the most influence on strategic decision-making. As such, in the following section of the review I assess the particular influence both family ownership as well as family involvement on diversification strategies. Further, I evaluate the role contextual moderators (e.g., founder characteristics, family CEO, etc.) may play in this research stream.

==================================

Insert Essay 1 Table 3 about here

==================================

ANTECEDENTS: WHY DO (DON'T) FAMILY FIRMS DIVERSIFY?

Family firms are generally risk averse concerning their diversification strategies (Anderson & Reeb, 2003) and undiversified in their wealth position (Morck & Yeung, 2003), as a result, scholars have focused their efforts to examine situations where family firms chose to engage in diversification behaviors and why (e.g., Mickelson & Worley, 2003; Shim & Okamuro, 2011; Worek, De Massis, Wright, & Veider, 2018). Such work has revealed a variety of antecedents concerning diversification, which I categorize broadly into two areas: (1) the family presence, and (2) the value of the firm. The family presence includes the interaction of ownership structure and strategic behavior as well as the involvement of the family, which in family firms presents unique outcomes (Ducassy & Prevot, 2010; Miller & Le Breton-Miller, 2006). Whereas the value of the firm refers to the financial performance of the firm, as conditions of poor performance or periods of success may render some diversification options more attractive than others.

Family Presence

Family Ownership. Early work regarding family firm diversification was scant (Steier, Chrisman, & Chua, 2004), but as the field grew, contradictory evidence emerged from extant work regarding the influence of family ownership on diversification (e.g., Anderson & Reeb, 2003; Defranq, Huyghebaert, & Luypaert, 2016; Miller et al., 2010;). As Ducassy and Prevot (2010: 224) suggest, "there is a distinctive problem associated with the family business on the question of the relationship between ownership structure and the level of diversification" as such, a vast number of past studies examine the influence of family ownership on diversification behavior.

If the founder and their family members are the only large shareholder, it would be expected that these owners would subsequently have a very large influence over the firm's strategic choices through their ownership and management presence (Schmid et al., 2015). These family owners are likely to forgo diversification in order to preserve the family's SEW as well as their financial wealth (Bauguess & Stegemoller, 2008). However, this is not the case if there is another large (non-family) shareholder that may be able to exert influence over the decision making of the firm. These non-family shareholders are likely to have less risk aversion and therefore they may wish to diversify their portfolio. As recent work has considered the role of the second largest shareholder, for example, Sánchez-Bueno and Usero (2014) discern whether the second largest investor is a financial institution or another family firm and what effect these groups have on international diversification. They argue that there is more heterogeneity to be understood from diversification decisions by examining not only the family as the primary shareholder but also look to the second largest shareholder as a key source of influence.

At low levels of family ownership (i.e., non-majority levels) family firms prefer acquisitions targets that are related to their current industry. However, as the level of family ownership increases, family firms are more inclined to pursue an industry diversifying strategy. Defrancq et al. (2016) attribute this finding to the owning family's desire to lower the overall risk for their firm, as a diversifying M&A strategy would allow the dominant family owners to alter the profile of their investments. Similarly, Miller et al. (2010) agree that diversified acquisitions allow family firms to expand their portfolio of wealth and therefore serves as a mechanism through which family firms can lessen their overall risk. But as the level of family ownership increases, the propensity to engage in international diversification decreases (Sánchez-Bueno & Usero, 2014).

Compared to non-family firms, family firms are less likely to merge (Shim & Okamuro, 2011), but when ownership levels exceed 90%, the preferences shift to mirror those shared by non-family firms (i.e., more willing to merge). Contrary to this finding, Chirico et al. (2019) suggest that mergers, while not always the most financially lucrative option, is preferred by family firms as this strategy allows the family to maintain their SEW endowment through the continuation of the business. Whereas non-family firms are more likely to prioritize financial returns are thus are more likely to exit through a sale or dissolution.

Overall, the popularity of family ownership in diversification studies is well established, as the owning family is likely to have a significant influence on strategic decision making. But in addition to ownership, researchers also often use levels of family involvement to characterize family firms. Recent work has even suggested that together, ownership and management may counterbalance each other (Schmid et al., 2015). Therefore, the next section of my review focuses on the antecedents used in the literature to examine the influence of family involvement on diversification strategies.

Level of family involvement. The previous discussion highlights the importance of the definitions used to characterize family-controlled firms. Often scholars also include levels of family involvement as a necessary condition for family firms (Chrisman et al., 2012). For instance, Granata and Chirico (2010) use a 51% ownership threshold but also require that firms in their sample additionally have at least two family managers involved in the business. Although other scholars have used smaller ownership levels (i.e., greater than or equal to 5%), this is often accompanied by requirements of family involvement (e.g., Basu, Dimitrova, & Paeglis, 2009;

Bauguess & Stegemoller, 2008; Defrancq et al., 2016; Gómez-Mejía et al., 2018; Miller et al., 2010; Strike et al., 2015).

Early work in family firm research focused on the basic delimitation between family and non-family firms, but in line with recent literature, there is evidence that variance exists among family firms (De Massis, Kotlar, Mazzola, Minola, & Sciascia, 2018) signaling the recent popularity of arguments surrounding heterogeneity in the family firm literature (e.g., Chua, Chrisman, Steier, & Rau, 2012; Memili & Dibrell, 2019; Nason et al., 2019). The requirement of family involvement in either a management position or a seat on board of directors reflects how the role the family ownership structure may influence strategic decision making (Defrancq et al., 2016; Schmid et al., 2015). Whereby the involvement influences major decisions and extant work suggests that family members display a preference for synergistic diversification (Jain & Shao, 2014) that preserves their personal SEW endowment by safeguarding the survivability of the business. Not only are the strategic decisions in family firms influenced by the involvement of family members but the profitability of such decisions may also be impacted (Caprio, Croci, & Del Giudice, 2011). If family firms are monitored by family members, they may be motivated to avoid poor-performing takeovers or risky investments given that they are the most risk averse group of shareholders (Caprio et al., 2011; Gómez-Mejía et al., 2018; Schmid et al., 2015).

Firm Characteristics

Performance above/below aspiration levels. Family business scholars have recently focused attention on the role of past performance in diversification strategies, proposing that financial distress or performance below aspiration levels may significantly influence the point of reference concerning diversification options, growth strategies, or exit preferences. For example, using a mixed-gamble perspective, Gómez-Mejía et al. (2018) argue that family firms differ from non-family firms because they face two competing decision dimensions, financial utility and SEW. Given the uniqueness of the SEW endowment that family firms hold, their acquisition likelihood is largely dependent on their current level of performance (i.e., performance above or below aspiration levels). Similarly, Hussinger and Issah (2019) consider performance levels when examining related and unrelated acquisition decisions, arguing that the long-term orientation of family firms renders related acquisitions more favorable than unrelated targets.

Additionally, when performance is below aspiration levels, there is a threat to both the longevity of the firm as well as to the socioemotional endowment of the family. If the survivability of the firm is in question, this would suggest that families are faced with a total loss of both financial and nonfinancial priorities. Therefore, family firms may forgo their SEW concerns and instead pursue strategies aimed at keeping the firm afloat. However, when performance is good (i.e., above aspiration levels), there is no incentive for family firms to endanger their SEW and therefore they behave in a risk averse manner. Thus, current performance serves as an important antecedent to diversification decisions in family firms.

Through their work on exit strategies, Chirico and colleagues (2019) suggest that performance below aspiration levels is critical in understanding the different exit strategies undertaken by family firms versus non-family firms. They find that under poor performance conditions, family firms are more likely to exit via merger, as this options salvages SEW for the family whereas non-family firms are more likely to exit via sale or dissolution as this option offers higher financial returns. This provides evidence that performance heuristics, in addition to family ownership, serve as a considerable influence on decision making (Chirico et al., 2019).

MODERATORS

Although much of the extant work on diversification research evaluates family firms to non-family firms (i.e., Feldman, Amit, & Villalonga, 2016, Feldman, Amit, & Villalonga, 2019; Granata & Chirico, 2010; Jain & Shao, 2011), scholars have also assessed specific contextual variables surrounding diversification decisions to develop a stronger understanding of the diversification to performance relationship (Bauguess & Stegemoller, 2008; Defrancq et al., 2016; Miller et al., 2010). In the following sections, these conditions are organized into three levels of analysis: family (e.g., CEO, founder), firm (e.g., levels of slack and political connections), and environmental characteristics (e.g., legal system and institutional environments).

Family Characteristics

Founders. Distinguishing shareholders between founding family members and private shareholders is a critical distinction in family firm research (Miller et al., 2007; Villalonga & Amit, 2010). These differences are pronounced as founding families generally exhibit greater commitment and a stronger emotional connection to the business (Berrone, Cruz, & Gomez-Mejia, 2012; Schmid et al., 2015). Further, as some (e.g., Cannella, Jones, & Withers, 2015; Praet 2013; Villalonga & Amit 2006) have argued, there may be additional differences between firms with a founder presence versus firms where only descendants of the founding family are present.

Through their study on German family firms, Schmid and colleagues (2015) separate the effects of founders and non-founders on diversification strategies. Looking specifically to the active participation of founders, they find that founder ownership does not lead to higher diversification levels. However, founder presence on the management board does influence diversification, as they found that family firms with founders serving on the board of directors are typically less diversified. Overall, their results conclude that risk aversion is greater in later generation family firms compared to family firms where the founder is still active. This view is attributed to the founder's willingness to take risks during the start-up or IPO phase, whereas family descendants may not be willing (or required) to take such large risks (Schmid et al., 2015).

By examining divestment strategies, Praet (2013) argues that founders are not concerned with nonfinancial objectives, thus resulting in higher levels of divestment activity. Praet (2013) concludes that founders act as superior monitors of the firm and are therefore more willing to divest of subsidiaries to increase performance than other later generation family firms. These arguments may be more in line with the results of Villalonga and Amit (2006), who suggest that founders create value while heirs destroy value.

Family vs. non-family CEO. The presence of a family CEO has also been shown to demonstrate a strong influence on diversification decisions and subsequent performance (Villalonga & Amit, 2006). For example, Tsai, Kuo, and Hung (2009) suggest that compared to non-family members, family CEOs are more concerned with preserving the prestige and wealth of the firm and therefore have more incentive to reduce risky behaviors. Further, Bauguess and Stegemoller (2008) hold a divergent view that family firms destroy value through acquisitions due the entrenchment through family control. Whereas Caprio et al. (2011) argue that heir CEOs may not adhere to money hungry stereotype of corporate CEOs but instead are risk averse towards acquisitions.

While there is opportunity for family CEOs to behave in a self-serving manner and extract benefits from the firm, Caprio et al. (2011) conclude that family CEOs typically do not engage in takeovers as means to exploit their position. Rather, family CEOs (heirs not founder) behave in a restrained manner regarding acquisitions, suggesting that the family serves as a tight monitor of acquisition strategies (Caprio et al., 2011). Therefore, CEOs in family firms may not be able to use diversification strategies as means for promoting their own agenda (De Cesari, Gonenc, & Ozkan, 2016). Despite this reluctance towards acquisitions (Steen & Welch, 2006), when family do acquire other firms, the shareholder returns are greatest when a family CEO is at the helm buying a business from a non-family divestor (Feldman et al., 2019).

From a SEW perspective, Gómez-Mejía et al. (2010) argue that SEW is the most salient factor regarding diversification and as such, family firms structure CEO incentives as protection against diversification decisions. Further, Strike et al. (2015) examine the influence of career horizons on family CEOs acquisition strategies, finding that when family CEOs are closer to retirement, they acquire targets that are larger and culturally similar. Attributed to the fact that as retirement looms larger, the goal for control decreases and the concern for succession increases. Therefore, family CEOs may view diversification as means for growth for future generations as it may allow more room for future generations to have a position in the organization.

Lastly, when examining divestments, Feldman et al. (2016), argue that family firms are strongly against such strategies as they eradicate the nonfinancial objectives for the family (i.e., preserving legacy, family social status, family harmony, employing family members). Given the proclivity against divestitures, the financial value generated from these deals must be higher for family firms than non-family firms, in order for a family to engage. Specifically, Feldman et al. (2016) argue that the deal value will be greatest for family firms with either a founder or family CEO, as they are most strongly connected to the firm. Contrary to the findings of Feldman et al. (2016), Praet (2013) finds that the presence of a family CEO has no impact on the divestment decision but alternatively argues that founders have a larger role.

Firm Characteristics

Levels of slack. The availably of slack resources may afford family firms the ability to family firms to pursue noneconomic goals related to SEW, as slack acts as a buffer against inferior performance (Bourgeois, 1981; Gómez-Mejía et al., 2018). However, preserving organizational slack may only be suitable in times of economic prosperity but may be difficult to maintain during downturns (Sharma & Manikutty, 2005). Suggesting that the slack is a component of the firm's overall risk-bearing, levels of financial slack may also influence the likelihood that a family sells their firm (Worek, 2017) as well as the overall survivability of the firm (Bradley, Shepherd, & Wiklund, 2011; Chirico et al., 2019).

When evaluating the effect of slack resources on acquisition activity, extant work suggest that higher levels of slack will decrease the likelihood that family firms will pursue acquisitions (Gómez-Mejía et al., 2018). Whereas other literature would suggest that slack resources render acquisitions more likely (e.g., Levinthal & March, 1981), Gómez-Mejía et al. (2018) argue that slack combined with the family control counteract this traditional view in the literature. Further, bountiful slack resources indicate a strong financial position and therefore give the family room to emphasize their noneconomic goals. Additionally, Gómez-Mejía et al. (2018) find that slack resources not only influence acquisition propensity but also influence the type of target (e.g., related vs. unrelated) a family firm will acquire. They argue that higher levels of slack provide more security in the activities of the focal firm whereas low levels of slack make the family firm more vulnerable (i.e., likely to acquire an unrelated target).

Diversification experience. While the majority of literature regarding family firms' motivation to pursue diversification would suggest that family firms are risk averse due to their wealth concentration, broad management literature on the other hand regarding acquisitions suggests that previous experience is positively related to acquisition likelihood (Haleblian, Kim, & Rajagopalan, 2006). Specifically, the more often a firm completes an acquisition transaction, there is some learning associated and thus the likelihood of subsequent transactions increases (Barkema & Schijven, 2008).

Through a social capital lens, Jones, Makri, and Gomez-Mejia (2008) argue that affiliate directors will positively influence the diversification decisions in family firms. These affiliate directors are argued to have a more active role than independent directors as well as stronger relational link with the family in order to reduce the risk associated with diversification decisions. Further, the inclusion of this group of directors enables the family firm to pursue growth strategies because of the knowledge, experience, and networks the affiliate directors offer.

Political connections. Political connections provide many benefits to organizations, both family and non-family (Ge, Carney, & Kellermanns, 2019). Within family firms, research has examined how these ties may aid in overcoming the second-generation demise (Xu, Yuan, Jiang, & Chang, 2015) as well as counteracting institutional voids (Ge et al., 2019). Specifically, regarding diversification strategies, political connections have been examined as an influence of business transformation, concluding that family firms with strong political connections are more likely to use M&A strategies to enter new industries (Wang, Ma, Song, & Liu, 2016). Further, the presence of political connections increases the likelihood that family firms will enter government-regulated industries (Wang et al., 2016).

Environmental Characteristics

Scholars have argued an issue with diversification literature is that a majority of the research is based on data from firms in the United States and ignores the differences that other institutional environments may present (La Porta, Lopez de Silanes, & Shleifer, 1999). In order to answer this gap recent work has expanded outside the United States to explore contexts like emerging economies (e.g., Chung & Luo, 2008; Lien & Li, 2013), varying legal systems (e.g., Requejo et al., 2018), and institutional norms (e.g., Ducassy & Prevot, 2010). These efforts are reviewed below under two environmental characteristics, legal systems and institutional norms.

Legal system. Varying across the world, legal systems are important influences on strategic decision making (La Porta et al., 1999). Given the relevance of heterogeneity arguments in the family business literature (Memili & Dibrell, 2019; Nason et al., 2019), legal systems are considered yet another source on which family firms may differ (Requejo et al., 2018). Extant work has demonstrated that family firm behavior is dependent on both the level of family involvement as well as the legal system in which the firm operates (e.g., Berrone et al., 2012; Feito-Ruiz & Menéndez-Requejo, 2010; Nordqvist, Sharma, & Chirico, 2014; Peng, Sun, Vlas, Minichilli, & Corbetta, 2018; Requejo et al., 2018). For instance, when considering the acquisition likelihood of family firms, countries with stronger legal systems have been found to increase the likelihood that family firms will engage in acquisitions (Requejo et al., 2018). Extant work regarding acquisition propensity in family firms has concluded that family firms are more risk averse due to SEW concerns and therefore often forgo acquisitions but as Requejo et al. (2018) show, this assumption may be limited to particular legal environments. Further, the legal environment has been illustrated to influence the valuation in merger and acquisition transactions (Feito-Ruiz & Menéndez-Requejo, 2010), as weaker legal environments in the target country has a positive influence on shareholder valuation in the focal firm.

The structure of legal systems also alludes to the protection offered to shareholders. For example, France as a civil law country, offers very little protection for minority shareholders (Ducassy & Prevot, 2010; La Porta et al., 1999). As in most Western European Countries, family ownership is typically concentrated with many family shareholders present in the firm (Faccio & Lang, 2002), suggesting the family firm is likely to act in the interest of the family with little regard to other shareholders. Additionally, the variation across countries may explain why the discrepancy in findings as the SEW perspective may be more predictive in different institutional or legal settings (Berrone et al., 2012; Peng et al., 2018; Requejo et al., 2018).

Institutional norms/institutional environment. Institutional environments such as emerging economies offer a unique context for research as these environments are often filled family-controlled firms (Claessens, Djankov, & Lang, 2000; Filatotchev, Lien, & Piesse, 2005). These family firms tend to be highly diversified conglomerates (Lien & Li, 2013; Yiu, Bruton, & Lu, 2005) given that diversification strategies have been shown to supplement the limitations of this particular institutional environment (Bergh & Lawless, 1998). Further, the governance structure and goals of family-controlled firms differ across institutional environments (Bae, Kang, & Kim, 2002; Daspit, Chrisman, Sharma, Pearson, & Mahto, 2018) and may be more prolific in emerging economies (Worek, 2017).

Dominant families may have differing institutional norms in different environments thus serving as basis of heterogeneity of business strategies (Chung & Luo, 2008). For instance, Lien and Li (2013) find that diversification strategies are used by family-controlled firms in emerging economies in order to entrench corporate control so to safeguard the firm for future generations. Suggesting that institutional environments are a relevant factor when considering the strategies adopted by family-controlled firms. Additionally, Chung and Luo (2008) examine business group restructuring in emerging economies using a sample of family-controlled business groups from Taiwan. They argue that the institutional logics perspective, represented by the corporate governance model, may explain why family-controlled business groups differ in their acquisition and divestiture strategies. Their findings suggest that the institutional norm of equal inheritance may prevent family-controlled firms from engaging in unrelated acquisitions as this may shirk value from other shareholders.

Given that different legal systems and institutional environments exert different influences on family firms (La Porta et al., 1999), produces conflicting conclusions in the family business literature across the different environments. For example, Bauguess and Stegemoller (2008) find a negative value of acquisitions in family firms based on their study of publicly traded US firms, whereas Caprio and colleagues (2011) find that this is not true in Continental Europe, and attribute this opposite effect to the different institutional differences and that Europe serves as a more conducive legal environment for family firms to flourish.

DIVERSIFICATION OUTCOMES

Diversification likelihood or diversification activity is a common outcome evaluated the family firm diversification literature. However, there are also a subset of studies that examined additional outcomes associated with diversification strategies. Therefore, in the following section I highlight the variety of diversification outcomes in four areas: performance, internationalization, turnover, and related and unrelated diversification.

Outcome Variables Used in the Literature

Performance. Given that family firms are less diversified than non-family firms (van Essen et al., 2015) which may help the overall performance of family firms, as diversification has a tendency to impair performance. However, there have been competing results produced in the diversification literature regarding valuation of family firms with regards to particular diversification strategies. Regarding acquisitions, Bauguess and Stegemoller (2008), in line with agency theory, find evidence that family firms lose value with such strategies. Yet on the other hand, Feito-Ruiz, and Menéndez-Requejo (2010) reveal that family ownership has a positive influence on shareholder valuation following acquisitions, with the caveat that this positive effect is mitigated once ownership exceeds a 32% threshold. Additionally, when examining diversifying M&As, Defrancq and colleagues (2016) find that on average, industry diversifying M&As yield lower returns, however this negative effect is reversed when families serve as the majority shareholder and as such does not destroy shareholder value.

While some management research has concluded that family firms outperform non-family firms (e.g., Anderson & Reeb, 2003; Miller, Le Breton-Miller, & Scholnick, 2008), other work has suggested that family firms are seen as inefficient firms and therefore have a lower valuation than non-family firms. Specifically, when family firms are the target firm in an acquisition, they are acquired at a discount relative to the price paid for non-family firms (Granata & Chirico, 2010). Scholars attribute this price disparity to the fact that family owners are likely to attach a non-economic (e.g., SEW) element to the firm value, leading to the overpricing or overvaluing of the firm (Zellweger & Astrachan, 2008; Zellweger, Kellermanns, Chrisman, & Chua, 2012). But this (over)valuation does not hold up in the market, as buyers may search for similar non-family firms that do not carry a SEW price premium (Chirico et al., 2019; Feldman et al., 2016).

The conclusions regarding performance post-merger are rather decisive. On the outset, family firms are less likely to merge than non-family firms due to concerns over control (Shim & Okamuro, 2011) and concerns over complex family dynamics (Mickelson & Worley, 2003). Yet when the long-term survivability of the family firm is jeopardized, family firms are more likely to view mergers as an appropriate exit strategy (Chirico et al., 2019) in order to salvage noneconomic value attached to the business. However, when a family firm does engage in a merger it is expected that the gains realized from the transaction must compensate for the loss in control, however, on average, family firms experience lower performance from mergers than non-family firms (Shim & Okamuro, 2011).

Internationalization. As the amount of family control increases so does the reluctance for family firms to engage in international diversification (Sánchez-Bueno & Usero, 2014). This hesitation is centered around arguments concerning the owning family's desire to protect or maintain their SEW endowment through the pursuit noneconomic goals (Chrisman et al., 2012; Gómez-Mejía et al., 2007). "The negative effect of the level of family ownership has on international diversification underscores the significance of non-economic goals in family businesses" (Sánchez-Bueno & Usero, 2014: 1319).

The diversification literature has also concluded that family firms prefer similar (i.e., culturally close) targets rather than international diversification due to the concerns over managerial motives (Chen, Huang, & Chen, 2009) and as this strategy lessens the threat to the family's SEW (Gómez-Mejía et al., 2010). When going international is an option, family firms will focus on the culturally close targets because this may be an easier transition given the general lack of diversification experience. Cultural distance in this sense represents the differences in the managerial values, mind-sets, and norms (Hofstede, 1984). Therefore, culturally close targets may allow for more synergies across both firms and pose less of a threat to the SEW for the owning family (Gómez-Mejía et al., 2010) since this would reduce the information asymmetries and limit the conflicts.

Yet, other scholars caution that these preferences may differ under certain circumstances. As previously mentioned, Strike et al. (2015) explore the influence of CEO career horizons on acquisition strategies, finding that as CEOs get closer to retirement, they become more willing to undertake international acquisitions, despite the short-term risks. Strike et al. (2015) attribute this willingness to the shifting reference point, that near retirement CEOs become more concerned about future generations and therefore are willing to pursue growth strategies to ensure the long-term survivability of the firm and acquisition transactions are just one means for this goal.

Other work regarding diversification highlights the importance of the second largest shareholder in international diversification decisions. Specially, Sánchez-Bueno and Usero (2014) find in family firms when the second largest shareholder is another family, the likelihood of diversifying remains low. Implying that the goals of both families may be aligned towards noneconomic goals and the preservation of SEW for both families (Berrone et al., 2012; Memili, Chrisman, & Chua, 2011; Sánchez-Bueno & Usero, 2014). However, when the second largest shareholder is a financial institution, Sánchez-Bueno and Usero (2014) find a positive influence on international diversification. Suggesting that these financial institutions may inform family owners of international opportunities and also may help to reduce information asymmetries regarding foreign entry.

Turnover. A significant area of management research has focused on the relationship between top executives and diversification (e.g., Cannella & Hambrick, 1993; Kroll, Wight, Toombs, & Leavell, 1997; Krug, Wright, & Kroll, 2014). However, few studies have examined this relationship in a family business context despite the premise that the owning family may significantly influence this process (Gómez-Mejía et al., 2010; Shleifer & Vishny, 1989). While CEOs in non-family firms have the ability to use acquisition strategies to reduce the likelihood of replacement, CEOs in family-firm may not have the ability to pursue acquisitions due to the interests of the controlling family (De Cesari et al., 2016). Further, family firms are more likely to avoid creating CEO incentives that promote diversification strategies due to their concerns over maintaining family control. For instance, Gómez-Mejía et al. (2010) conclude that family firms are more risk averse than their non-family counterparts and therefore structure CEO incentive pay in a way that discourages diversification, especially international diversification.

Through their study of CEO turnover in family and non-family firms, De Cesari and colleagues (2016) find that following an acquisition, CEOs in family firms are not likely to be dismissed from the company. Similarly, Tsai et al. (2009) find that even under conditions of poor performance, the family control may deter turnover for CEOs. Which may suggest that while family firms are generally against diversification strategies, CEOs need not fear the threat of termination if they decide to engage in an acquisition.

Diversification: related & unrelated. The literature is split between whether family firms are more likely to diversify in related or unrelated areas of business. On one hand, family firms do not favor diversifying mergers or acquisitions due to their SEW and noneconomic perspectives causing them to be risk averse (Chung & Luo, 2008; Gómez-Mejía et al., 2018; Gu et al., 2019). From the SEW lens, Gómez-Mejía et al. (2018) posit that undiversified acquisitions are subject to uncertain future performance and further, an unrelated acquisition may deplete SEW for the family principals in the firm. Similarly, Defrancq et al. (2016) isolate the differences between lone founder and family firms and observe that family firms are the most cautious and are least likely to take over an unrelated firm. Therefore, when family firms do acquire, they prefer related targets, as this reconciles both financial as well as SEW concerns. Alternatively, from an agency perspective, Miller and colleagues (2010) argue diversification is one avenue through which family firms can reduce business risk associated with their undiversified portfolio and as such, they find that the likelihood of diversifying acquisition increases with the level of family ownership. Likewise, Ducassy and Prevot (2010: 224) in their study of French companies, show “that there is no difference between family and non-family businesses in terms of the choice of diversification type (related or unrelated)."

These differences in the unrelated and related diversification findings may be attributable to differing generations or the varying levels of ownership used in each sample. For instance, Ducassy and Prevot (2010) define a family firm as a one with family members involved in management that is beyond the first generation (see Table 3). While Miller et al. (2010) adopt a 5% ownership threshold in addition to requiring family involvement in either the management team or board of directors. As recent literature has proposed, SEW and risk preferences may differ between generations (Chua et al., 2015; Gu et al., 2019; Nason et al., 2019). Further, Ducassy and Prevot (2010) exclusively use a French sample of corporations and Miller et al. (2010) and Gómez-Mejía et al. (2018) rely on samples from the *Fortune 1000* firms and *S&P 1500*, respectively. Consequently, these contextual differences may attest to different risk preferences amongst family firms worldwide.

DISCUSSION

Areas for Future Research

Thus far, research covering diversification in the entrepreneurship, family business, finance, and management literatures has provided deep insights into antecedents, moderators, and outcomes associated with such strategic decisions. While this work has garnered significant findings and provided a rich understanding of diversification in family firms, there remains a lack of consistent results across the fields. Therefore, in the following section I shift my focus to the future research opportunities for scholars to continue to push the field forward. This discussion for future opportunities is not meant to be exhaustive, but instead, to identify the focal gaps in the current literature that may be most impactful for future research to explore.

As revealed in my review of the diversification literature, “different definitions can lead to completely different outcomes, although the same sample and research design are used.” (Schmid et al., 2015: 298) since the level of family involvement in family firms may significantly alter the goals the family pursues (De Massis et al., 2016; Worek et al., 2018) and the board structures and ownership composition may interact to influence strategic decision-making (Haleblian et al., 2009). Therefore, I recommend that future work consider whether different levels as well as the different types of family involvement influence diversification decisions. Gómez-Mejía et al. (2010) in their study of international diversification preferences in family firms suggest that the lack of diversification activity in family firms is attributed to concerns over protecting the socioemotional endowment of the family and that diversification directly puts SEW at risk. While I don’t disagree with this argument as SEW has been shown to have an impact on diversification decisions in numerous studies. However, I would suggest that this broad categorization of SEW is incomplete in that it does not account for family heterogeneity or rather it does not elude to which aspect of SEW the family is trying to preserve through this line of decision making (Miller & Le Breton-Miller, 2014). Whereas some families may choose not to diversify over concerns of family control, others may limit their diversification due to issues of a co-existing family-firm identity or transgenerational succession goals. Furthermore, the interaction of generational family involvement may also shape strategic goals (Gu et al., 2019; Worek et al., 2018). Therefore, I suggest that future research explore the antecedents of SEW in greater depths, as this may have implications for diversification strategies.

Future research should also examine contexts outside of the United States as these institutional norms or institutional environments may provide different results regarding family firm diversification. The contradictory findings between Capri et al. (2011) and Bauguess & Stegemoller (2008) regarding value creation following takeovers may be explained by the contextual differences from their samples (Capri et al. (2011) use a European sample whereas Bauguess and Stegemoller (2008) sample publicly traded firms in the U.S.), and further emphasize the importance of international studies. Further, incorporating cultural distance into family business literature may be a useful avenue to capture some of these international differences. Additionally, recent work suggests that legal systems and institutional norms have a large influence on family firm M&A strategic decisions (Requejo et al., 2018), so I suggest that other studies explore these influences outside of a Western context.

Recent acquisition literature suggests it is imperative that researchers consider the entire transaction, whereby both the target and the focal firm are considered simultaneously (Feldman et al., 2019), as evidence has shown that whether a family firm is the acquirer or divestor has a varying impact on the shareholder value following the transaction. Therefore, I suggest that future research continue this line of inquiry and analyze transactions as bilateral (i.e., consider both the focal firm and the target firm) rather than from a unilateral perspective. Further, I propose that future work consider the impact family firms may have in post-diversification efforts. For instance, management literature has found that following an acquisition the target firm top management teams are often replaced (Krug et al., 2014), but does this materialize when family firms are the target firm in such a transaction? Additionally, how might the integration of two family firms be resolved following a M&A?

From a performance perspective, I suggest future research explore the long-term effects diversification strategies may have on firm performance. The majority of the studies included in this review focus on performance from a rather limited view (e.g., cumulative annual return) and therefore, lack the capacity to predict the long-term performance outcomes of such strategies (Haleblian et al., 2009; Hussinger & Issah, 2019). As such, I suggest that future scholars consider other performance metrics (e.g., Tobin's Q, holding period returns) that capture a broader view of firm performance over a longer period of time (i.e., 6 months, vs. 18 month returns). As family owners are focused on the long-term longevity of their family business (Lumpkin, Brigham, & Moss, 2010; Lumpkin & Brigham, 2011), the performance outcomes following a diversification event may not be realized using a short-term financial measure.

Lastly, the majority of studies included in my review relied on data from publicly traded firms and therefore I am not sure to what extent these findings apply to privately held family firms. Utilizing data sources from private firms may offer additional nuance to the diversification strategies in family firms and while this data is not always readily available, I challenge scholars to explore this avenue in future work.

Limitations

The results of this review are directly influenced and potentially limited by my choice of 23 journals included in this study. However, the decision to utilize journals in the management, entrepreneurship, family business, and finance fields was made following the recommendations of other similar reviews (e.g., Debicki, Matherne, Kellermanns, & Chrisman, 2009; Haleblian et al., 2009; Worek, 2017). While there is a potential for other contributions outside of the scope of this review, I believe that I have accurately illustrated the research surrounding family firm diversification over the past 20 years. Additionally, the keyword search including both the diversification and family keywords may have resulted in some publications being excluded from my search. While the search was systematic in nature, I realize there may be other analyses resulting in additional publications.

The organizing framework used to organize and summarize the family firm diversification over the last 20 years is also not without limitations. This framework is not an exhaustive list of all antecedents, moderators, or outcomes studied in the literature but rather is meant to serve as a tool to synthesize the extant work in a concise manner. Future work may seek to consider other methods to summarize the literature which may add to our knowledge on diversification literature. Finally, the independent review of relevance and fit for each article in my initial 61 article sample is not without subjective assessment.

Conclusion

In this analysis, I discuss the diversification strategies in family firms and provide a review of the literature across a variety of disciplines over the last 20 years. Although each field provides a unique approach to examining diversification in family firms, the scope of each can be broadly summarized into an overarching framework (see Figure 3). This review reveals that the depth of this research stream largely relies on the criteria used to classify family firms from their non-family counterparts, and the discrepancies across these findings may be in part due to the varying definitions used in the family business field. I anticipate that diversification strategies in family firms will continue to be a topic of study for years to come and therefore strongly recommend family firm scholars continue to identify areas of family heterogeneity that may influence these strategies.

Essay 1. Table 1. Final Sample of Publications by Journal (count).

Final Article Source	Count
Academy of Management Journal	0
Academy of Management Review	0
Administrative Science Quarterly	0
Corporate Governance: An International Review	3
Entrepreneurship: Theory and Practice	2
Family Business Review	6
International Small Business Journal	0
Journal of Banking and Finance	2
Journal of Business Research	2
Journal of Business Venturing	0
Journal of Corporate Finance	4
Journal of Family Business Management	1
Journal of Family Business Strategy	8
Journal of Finance	0
Journal of Financial Economics	1
Journal of Management	3
Journal of Management Studies	2
Journal of Small Business Management	0
Management Science	0
Organization Science	1
Small Business Economics	1
Strategic Entrepreneurship Journal	0
Strategic Management Journal	3
total	39

Essay 1. Table 2. Journal Articles Published Each Year.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	**Total**
Entrepreneurship																						**3**
Entrepreneurship: Theory and Practice							1			1												2
International Small Business Journal																						-
Journal of Small Business Management																						-
Small Business Economics											1											1
Strategic Entrepreneurship Journal																						-
Family Business																						**14**
Family Business Review					1			1				2				1					1	6
Journal of Family Business Management																			1			1
Journal of Family Business Strategy												1	1	1	1			2		2		8
Finance																						**7**
Journal of Banking and Finance											1		1									2
Journal of Corporate Finance										1			2					1				4
Journal of Finance																						-
Journal of Financial Economics													1									1
Management																						**14**
Academy of Management Journal																						-
Academy of Management Review																						-
Administrative Science Quarterly																						-
Corporate Governance: An International Review											1						2					3
Journal of Business Research															1	1						2
Journal of Business Venturing																						-
Journal of Management																				1	2	3
Journal of Management Studies												1					1					2
Management Science																						-
Organization Science										1												1
Strategic Management Journal												1						1			1	3
Total	0	0	0	0	**1**	**0**	**1**	**1**	**0**	**3**	**3**	**5**	**5**	**1**	**2**	**2**	**3**	**4**	**1**	**3**	**4**	**39**

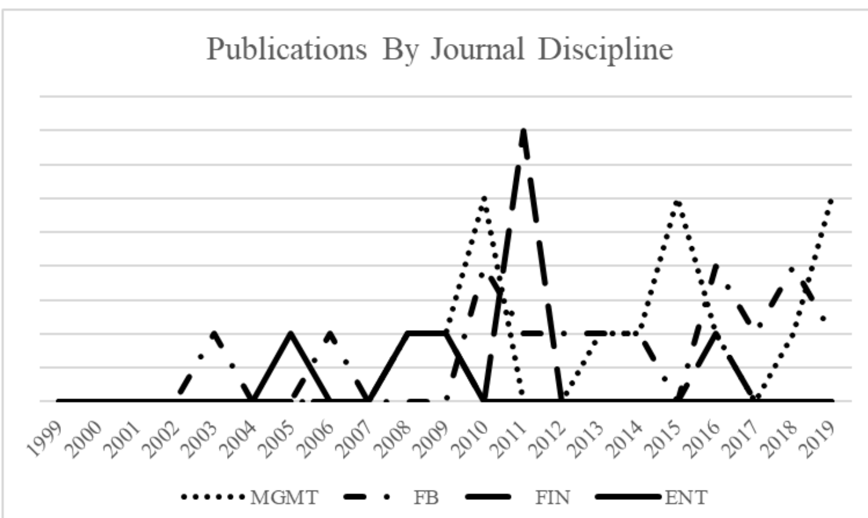
Essay 1. Table 3. Family Firm Definitions[3].

Authors	Family Definition (ownership)	Family Definition (other)
Almeida et al. (2011) *JFE*	-	controlling shareholder. A family controls a firm if and only if it holds more than *T* votes in it, directly or indirectly
Basu et al. (2009) *JBF*	≥5%	the founder or his/her descendants either holds at least a 5% of the firm's outstanding share or actively involved in the management (or governance) of the firm
Bauguess & Stegemoller (2008) *JCF*	≥5%	founder or members of the founding family with Family ownership or involvement as officer or manager
Caprio et al. (2011) *JCF*	≥20%	founder or a member of the founding family (by blood or marriage) is an officer, director, or blockholder, either individually or as a group.
Chen et al. (2009) *Corporate Governance*	≥20%	-
Chirico et al. (2019) *JOM*	-	owned and managed by two or more family members. Composite measure of *Family Involvement* = percentage of family owners, percentage of family members managing the business, presence of a family CEO, intergenerational involvement
Chung & Luo (2008) *Org Science*	-	family control as percentage of board chairs that were family members and chair overlap
De Cesari et al. (2016) *JCF*	≥25%	-
Defrancq et al. (2016) *JFBS*	≥5%	at least 2 owners, 2 directors, or 2 managers must be family members
Ducassy & Prevot (2010) *JFBS*	-	where the founder or a member of his/her family is an officer, director or blockholder, individually or as a group AND second generation or later
Feito-Ruiz & Menéndez-Requejo (2010) *FBR*	-	family member (or family group) is the largest shareholder
Feldman et al. (2019) *SMJ*	-	founder or a member of his/her by blood or marriage is an officer, director, or blockholder, either individually or as a group
Feldman et al. (2016) *SMJ*	-	founder or a member of his/her by blood or marriage is an officer, director, or blockholder, either individually or as a group
Gomez-Mejia et al. (2010) *JMS*	≥10%	at least 2 members on the board were family members
Gomez-Mejia et al. (2018) *JOM*	≥5%	additionally at least 1 family member serving as executive or board member
Granata & Chirico (2010) *FBR*	≥51%	at least 2 family managers involved in the business
Gu et al. (2019) *JOM*	-	family influence as 2 variables; chair overlap and percentage of board chairmen who are family members
Hussinger & Issah (2019) *FBR*	≥5%	Family firm represented by an ownership threshold of more than 5% OR where a member of the founding family is on the board of directors. Founder family firms defined if a member of the founding family is present in the firm as CEO, chairman, chairman emeritus, or member of the board and management
Jain & Shao (2014) *FBR*	≥50%	ownership threshold OR if two or more family members with combined ownership in excess of 5% are involved in management or on the board
Jones et al. (2008) *ETP*	≥10%	two or more directors must have a family relationship
Lien & Li (2013) *JBR*	-	total shareholdings of individuals who have the same family name as the largest owner
Miller et al. (2010) *SMJ*	≥5%	multiple members of the same family involved either by ownership or management position
Praet (2013) *JFBS*	≥10%	-
Requejo et al. (2018) *JFBS*	≥25%	family involvement composite: family ownership stake exceeds 50% OR if the family is present on the board
Sanchez-Bueno & Usero (2014) *JBR*	-	*family* = Shares held by family members with no board requirement. Also consider *second largest shareholders as family* if they hold more than 5% and at least 1 family members sits on the board
Schmid et al. (2015) *Corp Governance*	≥25%	*family owned* = founding family holds ≥25% voting rights. *Family managed* = founding family active on management board but holds ≤25% voting rights. *Family owned & managed = founding family holds ≥25%* voting rights AND active on management board
Shim & Okamuro (2011) *JBF*	-	family or founder must be among the 10 largest shareholders
Strike et al. (2015) *JMS*	≥5%	at least 2 family members are involved as insiders (directors or officers)
Tsai et al. (2009) *SBE*	5-10%	-
Wang et al. (2016) *JFBS*	≥20%	ownership threshold OR if a family member is chairman or general manager and hold 10% or more shares
Worek et al. (2018) *JFBS*	≥10%	two or more members of the family are actively engaged in the company, holding a position in the TMT
Zhou et al. (2011) *JCF*	-	family must be among the 10 largest shareholders

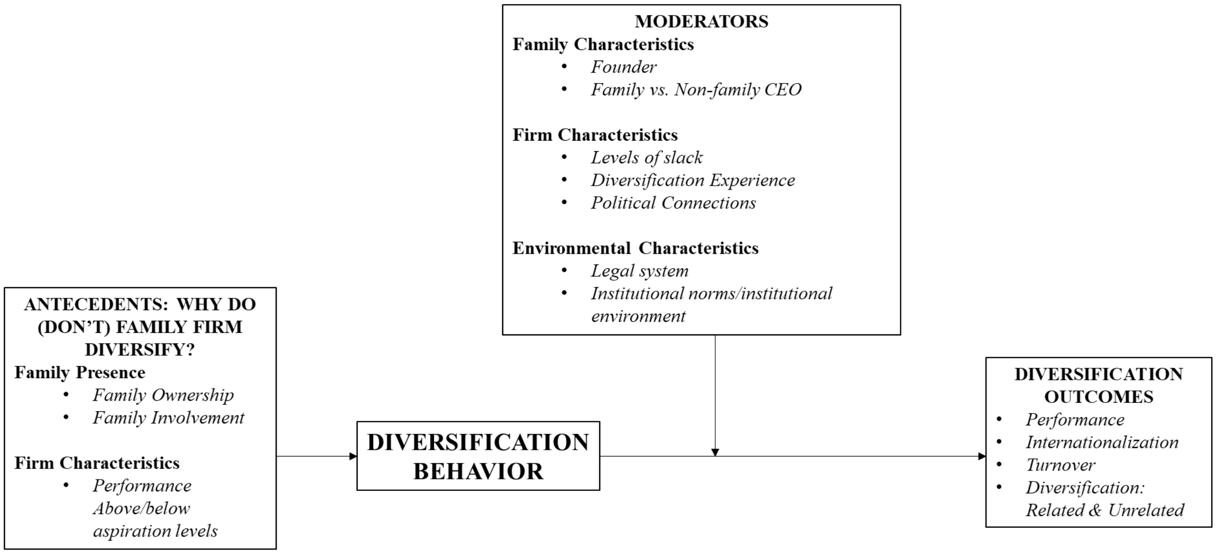
[3] This table excludes articles classified as reviews, meta-analyses, or case studies, as these articles did not include a definition for family firms or used subjective definitions based on case samples.

Essay 1. Figure 1. Overall Trend in Publications from 1999 to 2019.

Essay 1. Figure 2. Publications Charted by Journal Discipline.



Essay 1. Figure 3. Review Framework.



REFERENCES

Anderson, R., & Reeb, D. (2003). Founding family ownership, corporate diversification and firm leverage. *Journal of Law & Economics, 46*(2), 653–680.

Arregle, J. L., Duran, P., Hitt, M. A., & Van Essen, M. (2017). Why is family firms' internationalization unique? A meta–analysis. *Entrepreneurship Theory and Practice, 41*(5), 801-831.

Astrachan, J. H. (2010). Strategy in family business: Toward a multidimensional research agenda. *Journal of Family Business Strategy*, *1*(1), 6-14.

Bae, K.H., Kang, J.K. & Kim, J.M. (2002). Tunneling or value added? Evidence from mergers by Korean business groups. *The Journal of Finance, 57*(6), 2695-2740.

Barkema, H. G., & Schijven, M. (2008). How do firms learn to make acquisitions? A review of past research and an agenda for the future. *Journal of Management*, *34*(3), 594-634.

Bauguess, S., & Stegemoller, M. (2008). Protective governance choices and the value of acquisition activity. *Journal of Corporate Finance*, *14*(5), 550-566.

Basu, N., Dimitrova, L., & Paeglis, I. (2009). Family control and dilution in mergers. *Journal of Banking & Finance*, *33*(5), 829-841.

Bergh, D. D., & Lawless, M. W. (1998). Portfolio restructuring and limits to hierarchical governance: The effects of environmental uncertainty and diversification strategy. *Organization Science*, *9*(1), 87-102.

Berrone, P., Cruz, C., & Gomez-Mejia, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Review*, *25*(3), 258-279.

Bjursell, C. (2011). Cultural divergence in merging family businesses. *Journal of Family Business Strategy*, *2*(2), 69-77.

Blanco-Mazagatos, V., de Quevedo-Puente, E., & Castrillo, L. A. (2007). The trade-off between financial resources and agency costs in the family business: An exploratory study. *Family Business Review*, *20*(3), 199-213.

Bourgeois III, L. J. (1981). On the measurement of organizational slack. *Academy of Management Review*, *6*(1), 29-39.

Bradley, S. W., Shepherd, D. A., & Wiklund, J. (2011). The importance of slack for new organizations facing 'tough'environments. *Journal of Management Studies*, *48*(5), 1071-1097.

Cabrera-Suárez, K., De Saá-Pérez, P., & García-Almeida, D. (2001). The succession process from a resource-and knowledge-based view of the family firm. *Family Business Review*, *14*(1), 37-48.

Cannella Jr, A. A., & Hambrick, D. C. (1993). Effects of executive departures on the performance of acquired firms. *Strategic Management Journal*, *14*(S1), 137-152.

Cannella Jr, A. A., Jones, C. D., & Withers, M. C. (2015). Family-versus lone-founder-controlled public corporations: Social identity theory and boards of directors. *Academy of Management Journal*, *58*(2), 436-459.

Caprio, L., Croci, E., & Del Giudice, A. (2011). Ownership structure, family control, and acquisition decisions. *Journal of Corporate Finance*, *17*(5), 1636-1657.

Chatterjee, S. (1986). Types of synergy and economic value: The impact of acquisitions on merging and rival firms. *Strategic Management Journal*, *7*(2), 119-139.

Chen, Y. R., Huang, Y. L., & Chen, C. N. (2009). Financing constraints, ownership control, and cross-border M&As: evidence from Nine East Asian economies. *Corporate Governance: An International Review*, *17*(6), 665-680.

Chirico, F., Gómez-Mejia, L. R., Hellerstedt, K., Withers, M., & Nordqvist, M. (2019). To merge, sell, or liquidate? Socioemotional wealth, family control, and the choice of business exit. *Journal of Management*, 0149206318818723.

Chrisman, J. J., Chua, J. H., Kellermanns, F. W., Matherne III, C. F., & Debicki, B. J. (2008). Management journals as venues for publication of family business research. *Entrepreneurship Theory and Practice*, *32*(5), 927-934.

Chrisman, J. J., Chua, J. H., Pearson, A. W., & Barnett, T. (2012). Family involvement, family influence, and family–centered non–economic goals in small firms. *Entrepreneurship Theory and Practice*, *36*(2), 267-293.

Chrisman, J. J., Chua, J. H., & Sharma, P. (2005). Trends and directions in the development of a strategic management theory of the family firm. *Entrepreneurship Theory and Practice*, *29*(5), 555-575.

Chua, J. H., Chrisman, J. J., & Sharma, P. (1999). Defining the family business by behavior. *Entrepreneurship Theory and Practice*, *23*(4), 19-39.

Chua, J. H., Chrisman, J. J., Steier, L. P., & Rau, S. B. (2012). Sources of Heterogeneity in Family Firms: An Introduction. *Entrepreneurship Theory and Practice, 36*(6), 1103-1113.

Chung, C. N., & Luo, X. (2008). Institutional logics or agency costs: The influence of corporate governance models on business group restructuring in emerging economies. *Organization Science*, *19*(5), 766-784.

Claessens, S., Djankov, S., & Lang, L. H. (2000). The separation of ownership and control in East Asian corporations. *Journal of Financial Economics*, *58*(1-2), 81-112.

Combs, J. G. (2008). Commentary: The servant, the parasite, and the enigma: A tale of three ownership structures and their affiliate directors. *Entrepreneurship Theory and Practice*, *32*(6), 1027-1033.

Daspit, J. J., Chrisman, J. J., Sharma, P., Pearson, A. W., & Mahto, R. V. (2018). Governance as a source of family firm heterogeneity. *Journal of Business Research, 84*, 293-300.

De Cesari, A., Gonenc, H., & Ozkan, N. (2016). The effects of corporate acquisitions on CEO compensation and CEO turnover of family firms. *Journal of Corporate Finance*, *38*, 294-317.

De Massis, A., Kotlar, J., Mazzola, P., Minola, T., & Sciascia, S. (2018). Conflicting selves: Family owners' multiple goals and self-control agency problems in private firms. *Entrepreneurship Theory and Practice*, *42*(3), 362-389.

Debicki, B. J., Matherne III, C. F., Kellermanns, F. W., & Chrisman, J. J. (2009). Family business research in the new millennium: An overview of the who, the where, the what, and the why. *Family Business Review*, *22*(2), 151-166.

Defrancq, C., Huyghebaert, N., & Luypaert, M. (2016). Influence of family ownership on the industry-diversifying nature of a firm's M&A strategy: Empirical evidence from Continental Europe. *Journal of Family Business Strategy*, *7*(4), 210-226.

Duarte Alonso, A., & Kok, S. (2018). Adapting through learning and knowledge acquisition: the cases of four global family firms. *Journal of Family Business Management*, *8*(3), 274-292.

Ducassy, I., & Prevot, F. (2010). The effects of family dynamics on diversification strategy: Empirical evidence from French companies. *Journal of Family Business Strategy*, *1*(4), 224-235.

Faccio, M., & Lang, L. H. (2002). The ultimate ownership of Western European corporations. *Journal of Financial Economics*, *65*(3), 365-395.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law and Economics, 26*(2), 301-325.

Fayolle, A., & Wright, M. (Eds.). (2014). *How to get published in the best entrepreneurship journals: A guide to steer your academic career*. Edward Elgar Publishing.

Feito-Ruiz, I., & Menéndez-Requejo, S. (2010). Family firm mergers and acquisitions in different legal environments. *Family Business Review*, *23*(1), 60-75.

Feldman, E. R., Amit, R., & Villalonga, B. (2016). Corporate divestitures and family control. *Strategic Management Journal*, *37*(3), 429-446.

Feldman, E. R., Amit, R., & Villalonga, B. (2019). Family firms and the stock market performance of acquisitions and divestitures. *Strategic Management Journal*, *40*(5), 757-780.

Filatotchev, I., Lien, Y. C., & Piesse, J. (2005). Corporate governance and performance in publicly listed, family-controlled firms: Evidence from Taiwan. *Asia Pacific Journal of Management*, *22*(3), 257-283.

Ge, J., Carney, M., & Kellermanns, F. (2019). Who fills institutional voids? Entrepreneurs' utilization of political and family ties in emerging markets. *Entrepreneurship Theory and Practice*, *43*(6): 1124-1147.

Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, *52*(1), 106-137.

Gómez-Mejía, L. R., Makri, M., & Kintana, M. L. (2010). Diversification decisions in family-controlled firms. *Journal of Management Studies*, *47*(2), 223-252.

Gómez-Mejía, L. R., Patel, P. C., & Zellweger, T. M. (2018). In the horns of the dilemma: Socioemotional wealth, financial wealth, and acquisitions in family firms. *Journal of Management*, *44*(4), 1369-1397.

Granata, D., & Chirico, F. (2010). Measures of value in acquisitions: family versus nonfamily firms. *Family Business Review*, *23*(4), 341-354.

Gu, Q., Lu, J. W., & Chung, C. N. (2019). Incentive or disincentive? A socioemotional wealth explanation of new industry entry in family business groups. *Journal of Management*, *45*(2), 645-672.

Habbershon, T. G., & Williams, M. L. (1999). A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, *12*(1), 1-25.

Haleblian, J., Devers, C. E., McNamara, G., Carpenter, M. A., & Davison, R. B. (2009). Taking stock of what I know about mergers and acquisitions: A review and research agenda. *Journal of Management*, *35*(3), 469-502.

Haleblian, J., Kim, J. Y., & Rajagopalan, N. (2006). The influence of acquisition experience and performance on acquisition behavior: Evidence from the US commercial banking industry. *Academy of Management Journal*, *49*(2), 357-370.

Hiebl, M.R. (2013). Risk aversion in family firms: what do I really know?. *The Journal of Risk Finance, 14*(1) 49-70.

Hofstede, G. (1984). *Culture's consequences: International differences in work-related values* (Vol. 5). sage.

Hussinger, K., & Issah, A.-B. (2019). Firm Acquisitions by Family Firms: A Mixed Gamble Approach. *Family Business Review*, *32*(4), 354–377.

Jain, B. A., & Shao, Y. (2014). Family involvement and post-IPO investment policy. *Family Business Review*, *27*(4), 287-306.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360.

Jones, C. D., Makri, M., & Gomez–Mejia, L. R. (2008). Affiliate directors and perceived risk bearing in publicly traded, family–controlled firms: The case of diversification. *Entrepreneurship Theory and Practice, 32*(6), 1007-1026.

Kroll, M., Wright, P., Toombs, L., & Leavell, H. (1997). Form of control: A critical determinant of acquisition performance and CEO rewards. *Strategic Management Journal*, *18*(2), 85-96.

Krug, J. A., Wright, P., & Kroll, M. J. (2014). Top management turnover following mergers and acquisitions: Solid research to date but still much to be learned. *Academy of Management Perspectives*, *28*(2), 147-163.

La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999). Corporate ownership around the world. *Journal of Finance*, *54*(2), 471-517.

Levinthal, D., & March, J. G. (1981). A model of adaptive organizational search. *Journal of Economic Behavior & Organization*, *2*(4), 307-333.

Lien, Y. C., & Li, S. (2013). Does diversification add firm value in emerging economies? Effect of corporate governance. *Journal of Business Research*, *66*(12), 2425-2430.

López-Fernández, M.C., Serrano-Bedia, A.M. and Pérez-Pérez, M. (2016). Entrepreneurship and family firm research: a bibliometric analysis of an emerging field. *Journal of Small Business Management, 54*(2), 622-639.

Lumpkin, G. T., & Brigham, K. H. (2011). Long–term orientation and intertemporal choice in family firms. *Entrepreneurship Theory and Practice*, *35*(6), 1149-1169.

Lumpkin, G. T., Brigham, K. H., & Moss, T. W. (2010). Long-term orientation: Implications for the entrepreneurial orientation and performance of family businesses. *Entrepreneurship & Regional Development*, *22*(3-4), 241-264.

Melin, L., & Nordqvist, M. (2007). The reflexive dynamics of institutionalization: The case of the family business. *Strategic Organization*, *5*(3), 321-333.

Memili, E., & Dibrell, C. (Eds.). (2019). *The Palgrave Handbook of Heterogeneity Among Family Firms*. Palgrave Macmillan.

Memili, E., Chrisman, J. J., & Chua, J. H. (2011). Transaction costs and outsourcing decisions in small-and medium-sized family firms. *Family Business Review*, *24*(1), 47-61.

Mickelson, R. E., & Worley, C. (2003). Acquiring a family firm: A case study. *Family Business Review*, *16*(4), 251-268.

Miller, D., & Le Breton-Miller, I. (2014). Deconstructing socioemotional wealth. *Entrepreneurship Theory and Practice*, *38*, 713-720.

Miller, D., & Le Breton-Miller, I. (2006). Family governance and firm performance: Agency, stewardship, and capabilities. *Family Business Review*, *19*(1), 73-87.

Miller, D., Le Breton-Miller, I., & Lester, R. H. (2010). Family ownership and acquisition behavior in publicly-traded companies. *Strategic Management Journal*, *31*(2), 201-223.

Miller, D., Le Breton-Miller, I., Lester, R. H., & Cannella Jr, A. A. (2007). Are family firms really superior performers?. *Journal of Corporate Finance*, *13*(5), 829-858.

Miller, D., Le Breton-Miller, I., & Scholnick, B. (2008). Stewardship vs. stagnation: An empirical comparison of small family and non-family businesses. *Journal of Management Studies*, *45*(1), 51-78.

Miller, D., Steier, L., & Le Breton-Miller, I. (2003). Lost in time: Intergenerational succession, change, and failure in family business. *Journal of Business Venturing*, *18*(4), 513-531.

Morck, R., & Yeung, B. (2003). Agency problems in large family business groups. *Entrepreneurship Theory and Practice, 27*(4), 367-382.

Nason, R., Mazzelli, A., & Carney, M. (2019). The ties that unbind: Socialization and business-owning family reference point shift. *Academy of Management Review*, *44*(4), 846-870.

Nordqvist, M., Sharma, P., & Chirico, F. (2014). Family firm heterogeneity and governance: A configuration approach. *Journal of Small Business Management*, *52*(2), 192-209.

Peng, M. W., Sun, W., Vlas, C., Minichilli, A., & Corbetta, G. (2018). An institution-based view of large family firms: A recap and overview. *Entrepreneurship Theory and Practice*, *42*(2), 187-205.

Praet, A. (2013). Family firms and the divestment decision: An agency perspective. *Journal of Family Business Strategy*, *4*(1), 34-41.

Requejo, I., Reyes-Reina, F., Sanchez-Bueno, M. J., & Suárez-González, I. (2018). European family firms and acquisition propensity: A comprehensive analysis of the legal system's role. *Journal of Family Business Strategy*, *9*(1), 44-58.

Sánchez-Bueno, M. J., & Usero, B. (2014). How may the nature of family firms explain the decisions concerning international diversification?. *Journal of Business Research*, *67*(7), 1311-1320.

Schmid, T., Ampenberger, M., Kaserer, C., & Achleitner, A. K. (2015). Family firm heterogeneity and corporate policy: Evidence from diversification decisions. *Corporate Governance: An International Review*, *23*(3), 285-302.

Schulze, W. S., & Gedajlovic, E. R. (2010). Whither family business?. *Journal of Management Studies*, *47*(2), 191-204.

Schulze, W. S., Lubatkin, M. H., & Dino, R. N. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, *18*(4), 473-490.

Sharma, P., & Manikutty, S. (2005). Strategic divestments in family firms: Role of family structure and community culture. *Entrepreneurship Theory and Practice, 29*(3), 293-311.

Sharma, P., Chrisman, J. J., & Gersick, K. E. (2012). 25 years of family business review: Reflections on the past and perspectives for the future. *Family Business Review, 25*(1), 5-25.

Shim, J., & Okamuro, H. (2011). Does ownership matter in mergers? A comparative study of the causes and consequences of mergers by family and non-family firms. *Journal of Banking & Finance*, *35*(1), 193-203.

Shleifer, A., & Vishny, R. W. (1989). Management entrenchment: The case of manager-specific investments. *Journal of Financial Economics*, *25*(1), 123-139.

Short, J. (2009). The art of writing a review article. *Journal of Management*, *35*(6), 1312-1317.

Steen, A., & Welch, L. S. (2006). Dancing with giants: Acquisition and survival of the family firm. *Family Business Review*, *19*(4), 289-300.

Steier, L. P., Chrisman, J. J., & Chua, J. H. (2004). Entrepreneurial management and governance in family firms: An introduction. *Entrepreneurship Theory and Practice*, *28*(4), 295-303.

Steiger, T., Duller, C., & Hiebl, M. R. (2015). No consensus in sight: an analysis of ten years of family business definitions in empirical research studies. *Journal of Enterprising Culture*, *23*(1), 25-62.

Strike, V. M., Berrone, P., Sapp, S. G., & Congiu, L. (2015). A socioemotional wealth approach to CEO career horizons in family firms. *Journal of Management Studies*, *52*(4), 555-583.

Tsai, W. H., Kuo, Y. C., & Hung, J. H. (2009). Corporate diversification and CEO turnover in family businesses: self-entrenchment or risk reduction?. *Small Business Economics*, *32*(1), 57-76.

van Essen, M., Carney, M., Gedajlovic, E. R., & Heugens, P. P. (2015). How does family control influence firm strategy and performance? A meta-analysis of US publicly listed firms. *Corporate Governance: An International Review*, *23*(1), 3-24.

Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value?. *Journal of Financial Economics*, *80*(2), 385-417.

Villalonga, B., & Amit, R. (2008). How are US family firms controlled?. *The Review of Financial Studies*, *22*(8), 3047-3091.

Villalonga, B., & Amit, R. (2010). Family control of firms and industries. *Financial Management*, *39*(3), 863-904.

Wan, W. P., Hoskisson, R. E., Short, J. C., & Yiu, D. W. (2011). Resource-based theory and corporate diversification: Accomplishments and opportunities. *Journal of Management*, *37*(5), 1335-1368.

Wang, D., Ma, G., Song, X., & Liu, Y. (2016). Political connection and business transformation in family firms: Evidence from China. *Journal of Family Business Strategy*, *7*(2), 117-130.

Worek, M. (2017). Mergers and acquisitions in family businesses: current literature and future insights. *Journal of Family Business Management*, *7*(2), 177-206.

Worek, M., De Massis, A., Wright, M., & Veider, V. (2018). Acquisitions, disclosed goals and firm characteristics: A content analysis of family and nonfamily firms. *Journal of Family Business Strategy*, *9*(4), 250-267.

Xu, N., Yuan, Q., Jiang, X., & Chan, K. C. (2015). Founder's political connections, second generation involvement, and family firm performance: Evidence from China. *Journal of Corporate Finance*, *33*, 243-259.

Yiu, D., Bruton, G. D., & Lu, Y. (2005). Understanding business group performance in an emerging economy: Acquiring resources and capabilities in order to prosper. *Journal of Management Studies*, *42*(1), 183-206.

Zahra, S. A. (2005). Entrepreneurial risk taking in family firms. *Family Business Review*, *18*(1), 23-40.

Zellweger, T. M., & Astrachan, J. H. (2008). On the emotional value of owning a firm. *Family Business Review*, *21*(4), 347-363.

Zellweger, T. M., Eddleston, K. A. and Kellermanns, F. W. (2010). Exploring the Concept of Familiness: Introducing Family Firm Identity. *Journal of Family Business Strategy 1*(1), 54–63.

Zellweger, T. M., Kellermanns, F. W., Chrisman, J. J., & Chua, J. H. (2012). Family control and family firm valuation by family CEOs: The importance of intentions for transgenerational control. *Organization Science*, *23*(3), 851-868.

Zhou, Y. M., Li, X., & Svejnar, J. (2011). Subsidiary divestiture and acquisition in a financial crisis: Operational focus, financial constraints, and ownership. *Journal of Corporate Finance*, *17*(2), 272-287.

ESSAY 2: FIRM PEFORMANCE FOLLOWING FAMILY FIRM ACQUISITIONS

INTRODUCTION

Acquisition behavior is an activity that provides means through which a firm can adapt to the changing environment by acquiring another company (Harrison, Hitt, Hoskisson, & Ireland, 1991). On a worldwide scale, acquisition activity accounts for trillions of dollars spent between tens of thousands of firms (King, Dalton, Daily, & Covin, 2004). However extant research has suggested that family firms often lack the ability to adapt to change (Casson, 1999) and are often unwilling to work with individuals outside the family due to concerns over authority, power, and influence (Schulze, Lubatkin, & Dino, 2003). As "incorporating new products and entering new markets may induce important changes in the way the family-owned firm is organized, and this is likely to engender resistance from family members who may feel their tradional sphere of influence is being threatened," (Gómez-Mejía, Makri, & Kintana, 2010; pg. 228).

Family business scholars have recognized that the business family, serving as a dominant coalition of the firm, display certain strategic behaviors that are focused on the long-term performance and survivability of the organization (i.e., Lumpkin & Brigham, 2011; Miller, Le Breton-Miller, & Scholnick, 2008; Lumpkin, Brigham, & Moss, 2010) and as such, family firms are generally reluctant to engage in acquisition activity as it poses a threat to the socioemotional wealth and transgenerational control of the owning family (Miller, Le Breton-Miller, & Lester, 2010; Gómez-Mejía, Patel & Zellweger, 2018; Requejo, Reyes-Reina., Sánchez-Bueno, & Suárez-González, 2018; Chirico, Gómez-Mejia, Hellerstedt, Withers & Nordqvist, 2019). However, when family firms do engage in acquisitions, there is evidence that they benefit from greater performance and valuation compared to non-family firms (Ben-Amar & André, 2006; Feito-Ruiz & Menéndez-

Requejo, 2010; Feldman, Amit, & Villalonga, 2019), prefer related to unrelated acquisitions (Gómez-Mejía et al., 2010; Miller et al., 2010), yet overall invest less in acquisition strategies overall (Caprio, Croci, Del Giudice, 2011; Mickelson & Worley, 2003; Sharma & Manikutty, 2005).

Most analyses in this domain focus on strategic acquisition decision differences between family and non-family firms (e.g., Steen & Welch, 2006; Gómez-Mejía et al., 2010; Miller et al., 2010), arguing that family firms' strategic decision making is different than those of non-family firms due to their concerns of maintaining the firm's familiness (e.g., Anderson & Reeb, 2003; Habbershon & Williams, 1999; Hussinger & Issah, 2019), their predisposition to be more risk averse due to their concentration of wealth in a single firm (Schulze et al., 2003; Zahra, 2005; Zellweger, 2007), as well as over fears over the implied loss of their socioemotional wealth (Gómez-Mejía et al., 2010). As a result, rather than pursing acquisition opportunities, family firms are more likely to forgo growth opportunities such as acquisitions in order to safeguard the family's control and socioemotional wealth (Chirico et al., 2019; Steen & Welch, 2006).

Therefore, the purpose of this analysis is to examine the firm performance of family firms when they do engage in an acquisition. Specifically, I focus on transactions where the focal engaging in the acquisition deal is a family firm and the target firm is a non-family firm. Typically acquisition studies focus on measuring the focal firm's performance post-acquisition without regard to the influence of the target firm. But recent work on mergers and acquisitions has highlighted the importance of simultaneously considering both parties involved in the acquisition, as both firms have a potential influence on the outcome of the transaction (Haleblain, Devers, McNamara, Carpenter, & Davison, 2009; Feldman et al., 2019). In this spirit, rather than evaluating family firm outcomes to their non-family counterpart's performance outcomes, I move to evaluate situations in which the two governance forms interact within a single transaction and to do so, I examine the scenario of family firms acquiring non-family firms.

Through an agency theory and social identity theory lens, I argue that family firms acquiring non-family firms will benefit from increased post-transaction performance. This performance benefit is argued to stem from the family's due diligence pre-acquisition, suggesting that given the inherent risks associated with acquisitions, family firms are only willing to engage in such behavior when the performance benefits outweigh any costs associated with non-financial losses. Next, I argue that the relationship between acquisitions and performance is moderated by a number of family-specific factors. Thus, in order to capture the unique family influences of family involvement and family ownership (van Essen, Carney, Gedajlovic, & Heugens 2015), this analysis also explores the moderating effects of family voting rights, non-family CEOs, family involvement, as well as the level of ownership held by institutional investors.

This article proceeds as follows, first a review of relevant literature from both agency and social identity theories as well as the socioemotional wealth perspective is provided. Second, the hypotheses related to the performance of the family to non-family acquisitions are established along with four hypotheses for each of the moderating factors. Next, the sample, methodology, and findings are discussed. Lastly, I conclude with a discussion of the contributions and limitations along with recommendations for future research.

LITERATURE REVIEW

Family firms are defined as an organization where a family has a majority ownership stake in the firm and where family members are employed in top management positions (Miller, Le Breton-Miller, Lester, & Cannella, 2007). The focus in this analysis centers on the strategic decisions concerning acquisitions and draws on literature from both agency theory (Jensen & Meckling, 1976; Eisenhardt, 1989), social identity theory (Ashforth & Mael, 1989; Deephouse & Jaskiewicz, 2013) as well as the socioemotional wealth (SEW) perspective (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Berrone, Cruz, & Gómez-Mejía, 2012), because from a family business perspective, strategic decisions (e.g., acquisitions) are not only based on the family's desire to maximize not only monetary outcomes, but also noneconomic outcomes related to their SEW endowment (Miller & Le Breton-Miller, 2014; Gu, Lu, Chung, 2019). Further, engaging in acquisitions weakens the control, familial ties, as well as family identity that the owning family derives from their business (Gómez-Mejía et al., 2018).

The agency theory perspective would suggest that family firms are different than other forms of businesses (Chrisman, Chua, Kellermanns, & Chang, 2007; Miller & Le Breton-Miller, 2005) due to their ability as owners to monitor the managers involved in the firm. As family members or descendants of the firm founder typically have a large ownership stake in the firm, they are often effective monitors (Fama, 1980). These family shareholders have a strong incentive to closely monitor the managers to ensure that the strategic actions are in the best interest of the family as well as the firm (Villalonga & Amit, 2006). Further, as many family owners are also often members of management within the family business, a strong alignment of interests exists between the two and thus leads to overall lower agency costs (Jensen & Meckling, 1976). However, more recent work in the family business literature suggests that family firms do not always benefit from lower agency costs due to a variety of factors such as, altruistic motives (Schulze, Lubatkin, Dino, & Buchholtz, 2001), conflicts within the family group (Eddleston & Kellermanns, 2007), or conflicting interests in private wealth (Morck & Yeung, 2003).

Agency issues occur in organizations when managers engage in actions that are positioned for their own self-interest rather than engaging in strategic behaviors that are in the best interest of shareholders (Hoskisson, Hitt, & Hill, 1993). The extent to which principal-agent problems affect organizations varies largely on the monitoring mechanisms in place (Berle & Means, 1932; Fama & Jensen, 1983; Jensen & Meckling, 1976). Family firms offer a unique setting in which principal-agent conflicts may be reduced or even avoided due to the presence of family shareholders who may also serve as managers within the same company (Villalonga & Amit, 2006). As a consequence, the costs of investing resources to monitor and incentive managers is relatively lower in family firms than in non-family firms (Le Breton-Miller, Miller, & Lester, 2011). On the other hand, managers in non-family firms may not be subject to such strict monitoring, so they may pursue actions that are positioned for their own self-interest rather than those aimed at maximizing shareholder value. In order to limit these self-serving behaviors, the cost of monitoring managers in non-family firms is higher. Therefore, relative to non-family firms, the agency conflicts and associated agency costs in family firms are likely to manifest in unique ways.

Acquisitions create a unique situation ripe with potential agency conflicts, due to the fact that the managers may view the acquisition opportunities as a chance for them to better their own wellbeing at the expense of the firm or the other shareholders (Feldman et al., 2019). This creates a situation where the interests of the managers and the owners are misaligned. Although engaging in acquisitions has been shown to be used as a growth mechanism for firms (Kim, Haleblian, & Finkelstein, 2011), not all firms are able to capture value or quality improvements post-acquisition given the fact that acquisitions are complex transactions (Capron & Pistre, 2002). In fact, despite the popularity of acquisitions, management research contends that most acquisitions fail to capture value (King et al., 2004).

When compared to non-family firms, family firms are more unwilling to engage in acquisitions (Miller et al., 2010; Caprio et al., 2011), especially unrelated acquisitions (Gómez-Mejía et al., 2018). Further, even when family firms do engage in acquisitions, they are more selective (Mickelson & Worley, 2003), focus on strategic fit (Worek, De Massis, Wright, & Veider, 2018), and have a high concern for their family legacy (Steen & Welch, 2006). The agency arguments suggest that family firms are less likely to incur agency conflicts associated with acquisition strategies partly due to the principal-agent overlap but also due to the reluctance of family firms to engage in acquisitions (Miller et al., 2010). That is, the self-serving performance benefits are limited in family firms due to the overlap between principals and agents and further, the general reluctance of acquisitions limits the misalignment of goals within the family. Based on this behavior and agency theory, some findings in the family firm literature submit that when family firms do engage in acquisitions, shareholders expect a higher future value associated with the transaction (Felito-Ruiz & Menéndez-Requejo, 2010, Defrancq, Huyghebaert, & Luypaert, 2016; Feldman et al., 2019).

Although the financial outcomes associated with an acquisition transaction are largely uncertain (Hitt, Harrison, & Ireland, 2001), what is certain is the family's SEW loss with the same transaction (Gómez-Mejía et al., 2007; Gómez-Mejía, Campbell, Martin, Hoskisson, Makri, & Sirmon, 2014). SEW reflects the owning family's emotional, social, and affective endowments in the family business (Zellweger, Kellermanns, Chrisman, & Chua, 2012) and is often reflected in the risk averse behavior of family firms as they have a desire to protect their SEW by balancing the potential returns and costs associated with such decisions (Gómez-Mejía et al., 2014). These nonfinancial concerns are relevant concerns for family firms and given the overlap between the family and the business, these nonfinancial goals are assumed to be a predominant concern

(Berrone et al., 2012). Therefore, recent work has moved to focus on the heterogeneity of family firms by considering the simultaneous influence of both financial and SEW considerations on strategic decision making (Gómez-Mejía et al., 2018).

From a SEW perspective, family firms also safeguard their identity as owning families often see the family business as extension of themselves (Zellweger, Nason, Nordqvist, & Brush, 2013). Broadly, social identity theory suggest that an individual's role identification is derived from their role represent and similarly, an organizational identification can develop as an individual's cohesion with their organization (Mael & Ashforth, 1992). A threat to the organization's image may damage an individual's connection with the organization (Dutton, Dukerich, & Harquail, 1994) and may further weaken the degree to which a family employee associates the family business as a part of their identity. Thus, given the strong overlap between family members and the family firm, family members may be motivated to actively avoid situations or strategies (e.g., acquisitions) that pose a threat to the organization's identity.

Taken together, these literatures suggest that family firms are risk averse concerning acquisition decisions but given the heterogeneity of strategic making in family firms, this reluctance may not be uniform across all family firms (Chrisman, Chua, Pearson, & Barnett, 2012). Therefore, in the following sections a variety of moderating variables are discussed in order to account for this heterogeneity (see Figure 1). First, I hypothesize the impact the type of acquisition target (i.e., non-family firms) has on family firm performance, using a two-year lead measurement of performance. Next, the level of family voting rights and level of family involvement (board of directors and management) are examined. Third, I hypothesize the moderating effect of non-family CEOs and the impact the level of ownership held by institutional investors has on firm performance post-acquisition.

==================================

Insert Essay 2 Figure 1 about here

==================================

HYPOTHESIS DEVELOPMENT

Acquisition to Performance Relationship: The Influence of Nonfamily Targets

In an acquisition process there are two different perspectives that arise, the sell-side and the buyside. In this analysis the focal firm refers to the family firms that buy or acquire another firm, and the target firm denotes a non-family firm that will sell or be acquired. As Villalonga & Amit (2010) argue, the distinction between founding family firms and other family shareholders is a critical separation in family business research. Specifically, compared to non-founding shareholders, founding family members display heightened emotional attachment and stronger commitment to the family firm (Schmid, Ampenberger, Kaserer, & Achleitner, 2015).

Family firms have been characterized as being inflexible, resistant to change, and are more inclined to limit the growth of the firm due to concerns over control and maintaining the family wealth (Granata & Chirico, 2010). Extant work emphasizes the notion that family firms "make strategic choices that will avoid these potential SEW losses even if achieving this objective might come at the expense of other principals (e.g., institutional investors) who do not share in these SEW utilities. For the family principals, risk averseness to socioemotional endowment takes priority over risk averseness to financial losses" Berrone et al. (2012: 260). Acquisition behavior could very well endanger the social relationships as well as the reputation of the family firm and are therefore, this behavior is expected to be avoided by family firms (Miller & Le Breton-Miller, 2005). If the goal of the family is to maintain control over the business, diversifying the business through acquisitions may not be a suitable decision as it would dilute the equity and control held by the family (Ward, 1997). Moreover, acquiring other businesses may threaten the identify of the family members as a larger number of non-family members would be integrated into management or board of directors.

On the other hand, previous research has identified that when family firms *do* acquire, they typically enjoy higher post-acquisition performance because their risk averse position precludes them to only undertake acquisitions in instances where performance benefit or synergies can be realized (Feito-Ruiz & Menéndez-Requejo, 2010; Worek 2017; Gómez-Mejía et al., 2018). Similarly, family firms are more selective than non-family firms when selecting acquisition targets (Sharma & Manikutty, 2005; Feldman et al., 2019) and are more conscious about the integration of targets as to not disrupt the current operations or existing firm value (Deephouse & Jaskiewicz, 2013; Worek, 2017). Together, the aforementioned arguments suggest that family firms are more careful in the acquisitions that they undertake and are expected to acquire firms with good strategic fit that pose a low risk to the existing firm performance (Zahra, 2005). As a result, the performance post-acquisition is likely to be greater when family firms acquire a non-family firms (Ben-Amar & André, 2006; Basu, Dimitrova, & Peglis, 2008; Feito-Ruiz & Menéndez-Requejo, 2010; Caprio et al., 2011). Thus, I formally hypothesize the following relationship between family firm acquisitions and firm performance:

Hypothesis 1: *A family firm acquiring a non-family firm will positively influence post-acquisition focal family firm performance.*

The performance effects may fluctuate based on family specific characteristics that are present in family firms (Krug, Wright, & Kroll, 2014; Feldman et al., 2019). Therefore, in the following sections I propose four characteristics that are likely to influence the acquisition to performance relationship. While there are a variety of factors that may contribute to the variation in acquisition to performance relationship, I argue that these four characteristics are relevant to the present analysis as they are family-specific and therefore may also influence the outcome of acquisition transactions. These family-specific variables also highlight the heterogeneity of family firms, suggesting that differences in both the ownership and management structure of the business are relevant dimensions and are potentially more complex than previous research has assumed. These predicted moderating effects along with Hypothesis 1 are represented in Figure 1.

Family Involvement in the Focal Firm

Family firm researchers contend that family involvement results in distinctive goals and performance outcomes (Chrisman, Chua, & Sharma, 2005; Chrisman et al., 2012). Family firms and the corresponding family shareholders have been shown to be risk averse as well as favor undiversified positions and moreover that family firm owners are most concerned with financial outcomes alone (Morck & Yeung, 2003). As the "nonfinancial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence and the perpetuation of the family dynasty" (Gómez-Mejía et al., 2007: 106) are considered a more salient goal for the family than the goal of maximizing financial returns. Despite the preference for nonfinancial objects, the literature suggest that performance benefits can arise when key executives are members of the founding family (Mickelson & Worley, 2003).

With the heterogeneity of family firms, the identity overlap between the family and the firm is expected to vary largely among family firms. As Zellweger et al. (2013) suggest, the strongest identity overlap between the family and the firm is expected to occur when family members are involved in the management of the business due to the ability of family members to directly influence strategic decisions through their active participation. Conversely, the identity overlap may be weakest when the family just serves as a shareholder of the business (Zellweger et al., 2013). Therefore, it is expected that the presence of family members in the management of the firm (i.e., family member serving as CEO), will increase the identity overlap between the owning family and the firm and would thus lead to a heighted awareness concerning identity preservation.

Further, the heightened concern for noneconomic goals is intensified as multiple generations join the business whereby, as the number of generations involved in the firm increases, so does the SEW salience (Chrisman et al., 2012; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015). Similarly, the generation of control is an important point of differentiation within family firms (Miller et al., 2007; Schmid et al., 2015). As Bennedsen and colleagues (2007) and Miller et al. (2007) argue, founders often display more entrepreneurial behaviors and as such have a large influence on corporate performance. But maintaining a consistent family identity from the business is challenged when a firm acquires another organization (Gómez-Mejía et al., 2018), therefore the proclivity of family members to safeguard their identity and SEW endowment (Chrisman et al., 2012), suggests that family shareholders may be unwilling to endanger these priorities through acquisitions.

The involvement of family members in the organization is critical for post-acquisition success as they provide firm specific knowledge as well as a high level of coordination to aid with integration throughout the takeover (Buchholtz & Ribbens, 1994; Coff, 2004; De Cesari, Gonenc, & Ozkan, 2016). The integration process following an acquisition is thought to be a complicated process as it requires the combination of different cultures and strategies (Ellis, Reus, & Lamont, 2009; Lakshman, 2011). Moreover, the turnover of executives may disrupt operations and negatively influence the performance (Bilgili, Calderon, Allen, & Kedia, 2017). From the family firm acquirers' point of view, retaining family members in top management or board positions may help to speed up the integration efforts, as these family employees are likely highly committed to the newly combined organization (Bjursell, 2011; Krug et al., 2014). These family member executives in the focal firm are often required to maintain employment with the firm given that they are essential in completing the transaction and ensuring the value is realized and therefore their employment continuity is often part of the acquisition deal structure (Romano, Tanewski, & Smyrnios, 2001; Mickelson & Worley, 2003). Therefore, given the unique firm-specific knowledge as well as the long-term commitment of family executives to the success of the newly integrated organization, the involvement of family executives should positively influence the firm performance following an acquisition.

Hypothesis 2: *A family firm to non-family firm acquisition will be more positively associated with firm performance when the level of focal family involvement increases.*

Family Voting Rights

Building off the arguments presented in Hypothesis 1, the performance associated with family to non-family firm acquisitions are influenced by the level of voting rights owned by the controlling family in the focal firm. Based on the definition of family firms—as an organization where a family has a majority ownership stake in the firm and where family members are employed in top management positions (Miller et al., 2007)—a large proportion of family ownership implies that family members have both the ability and power to influence the strategic decision making of the firm through their controlling ownership stake as well as their presence on top management teams or board of directors. As family owners value control, they are often cautious to engage in strategic decisions (e.g., acquisitions) that may dilute their voting power. The voting rights controlled by family members have been argued to be a critical determinant of family influence (Defrancq et al., 2016) and previous research suggests that as the level of family voting rights increases, the likelihood of acquisitions decreases (Caprio et al., 2011).

Given that family firms are more selective with their choice of acquisition targets. especially as ownership levels increase (Praet, 2013; Feldman et al., 2019), higher levels of voting rights are likely to render acquisitions unlikely. Further, the cost of an acquisition also negatively influences the likelihood of acquisition, as the larger the price, the more unlikely a family will be to risk their ownership stake (Caprio et al., 2011). This reluctance to surrender voting rights extends the argument that family firms will undertake acquisitions only as the potential performance benefits outweigh the ownership sacrifice. As such, I hypothesize that the level of family voting rights in the focal family firm will positively influence the acquisition to performance relationship, such that as voting rights increase as does the performance post-acquisition.

Hypothesis 3: *A family firm to non-family firm acquisition will be more positively associated with firm performance as the level of family voting rights in the focal firm increases.*

The Presence of Non-family CEOs in Family Firms

According to agency theory, agency issues arise due to divergent goals between principals and agents (Jensen & Meckling, 1976). Research in this domain suggests that when principals and agents share family ties, these issues are reduced because the involvement of family members in both positions can enable the alignment of goals (Chrisman et al., 2007; Fama & Jensen, 1983; Jensen & Meckling, 1976). However, because non-family CEOs do not share the family ties with the family owners, they are unlikely to share the same goals, thus increasing the opportunity of a misalignment and increased agency costs. Further, non-family CEOs are positioned to behave opportunistically and pursue strategies that benefit them at the expense of the business (Chua, Chrisman, & Bergiel, 2009; Fang, Randolph, Memili, & Chrisman, 2016).

Despite these issues, family firms employ non-family CEOs because these executives can provide additional knowledge and skills that family members do not possess (Carney, 2005). Additionally, given that "non-family CEOs are responsible for generating superior business performance like their peers at other businesses" (Blumentritt, Keyt, & Astrachan, 2007, p. 321), non-family CEOs positively influence family firm performance (Miller, Minichilli, & Corbetta, 2013) as they align with family owners regarding their commitment to the financial success of the family firm. Accordingly, non-family CEOs typically prioritize the economic firm performance (Tabor, Chrisman, Madison, & Vardaman, 2018) and are less likely to a strong emotional attachment to the organization (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010). Because SEW and nonfinancial goals related to the business are derived from family ownership (Gómez-Mejía et al., 2007), non-family CEOs do not benefit from strategies that contribute to such objectives. Therefore, SEW concerns are not likely to be a salient consideration in the decision-making process so it is expected that non-family CEOs are more likely to tolerate risk taking behaviors such as acquisitions as this strategic behavior may satisfy their economic concerns (Haleblian et al., 2009; Huybrechts et al., 2013).

Consequently, the disregard for nonfinancial objectives and heightened risk-taking willingness of non-family CEOs suggests that unlike family-CEOs, there is no mixed gamble involving the gains and losses of both the SEW endowment and the financial wealth of the firm (Gómez-Mejía et al., 2018). Additionally, although acquisitions typically weaken the identity ties of the family with the business (Deephouse & Jaskiewicz, 2013; Sharma & Manikutty, 2005) an acquisition would not pose the same threat to the identity of the non-family CEO because they are not associated with the owning family. These arguments suggest that acquisitions undertaken by non-family CEOs may be driven by their personal interests—as CEOs often receive increased compensation and secured employment as a result (De Cesari et al., 2016)—rather than driven by the interests of other shareholders. As previous research has concluded, acquisitions destroy shareholder value (Bauguess & Stegemoller, 2008; King et al., 2004) and as a result I hypothesize that the presence of non-family CEOs in family firms will negatively influence the acquisition to performance relationship due to their opportunistic behavior and disregard for non-financial objectives.

Hypothesis 4: *A family firm to non-family firm acquisition will be negatively associated with firm performance when they are undertaken by focal non-family-CEOs.*

The Influence of Institutional Investors

Institutional investors can alter the strategic behavior of firms due to their substantial ownership stake and often favor risk taking strategies generally in pursuit of growth opportunities (Wright, Ferris, Sarin, & Awasthi, 1996). The presence of institutional investors is generally associated with profit maximization because through their ownership they can compel the family firm to reach the maximum the market can provide. Additionally, extant work suggests that a positive relation between firm value and institutional ownership exists (Aggarwal, Erel, Ferreira, & Matos, 2011; McConnell & Servaes, 1990; Wright et al., 1996). While the voting rights controlled by family members have been argued to be a critical determinant of family influence (Defrancq et al., 2016), the role of institutional investors as the (potential) second largest shareholders has been demonstrated to have an impact (Sánchez-Bueno & Usero, 2014). This group of shareholders offers an additional source of monitoring (Brickley, Lease, & Smith, 1988; Croci, Gonenc, & Ozkan, 2012), as they interact with the owning family and serve as an effective monitor for the firm and protect the interest of minority shareholders. The presence of institutional investors may result in the professionalization of the family firm, pressing them to behave similarly to their non-family competitors due to the fact that the financial goals of institutional investors are typically in contrast to the SEW priorities of the owning family (Fernando, Schneible, & Suh, 2014), suggesting that institutional investors may encourage the family firm to engage in acquisitions. Therefore, I hypothesize the following:

Hypothesis 5: *A family firm to non-family firm acquisition will be more positively associated with firm performance as the level of institutional investors increases.*

METHOD

Sample and Data

I constructed a longitudinal sample which includes publicly traded companies in the United States listed on the Standard & Poor's 1500 (S&P 1500). Given the topic of this essay focuses on acquisitions, data related to each deal was obtained from Thomson Reuter's SDC Platinum Mergers and Acquisitions database. The data pertaining to family ownership, family involvement, family voting rights, and institutional investors was manually collected from proxy statements (e.g., DEF 14A) filed annually with the Securities and Exchange Commission (SEC). The BoardEx database was used to gather data related to company executives and their biographies. All financial and market data was collected from Compustat. The initial sample of S&P 1500 firms included a panel dataset of 22,404 observations across 2,704 firms listed from 2003 to 2017, of which, 532 were identified as family firms and 2,172 classified as non-family firms. From this sample, roughly 19.6% of firms are classified as founding-family influenced firms, which is consistent with previous family business studies (Gentry, Dibrell, & Kim, 2016).

Acquisition deals were identified using SDC Platinum by searching for domestic acquisitions announced between January 1st, 2003 and December 31st, 2017. Several filters were used during the search, thus the initial sample was limited to include only deals that were classified as completed and where both the target and the acquiring firm were based in the United States. This search criteria resulted in an initial sample of 107,582 acquisition transactions in the United States spanning the years 2003 to 2017. To identify transactions that included firms listed on the S&P 1500, I used unique firm identifiers (ticker symbol, CUSIP code, and company name) of both the focal firm and target firm of the acquisition deals in SDC Platinum and matched this information with the ownership data. Deals included in SDC Platinum that did not match the ownership data were dropped from the sample. This resulted in a panel dataset with 13,830 acquisitions across 15,424 unique firms (including both acquirers and targets). Next, to identify which acquisition deals involved family firms (as either the focal firm or as the target firm), I matched the SDC platinum data with the ownership data that was manually collected from annual company proxy statements. This resulted in 2,957 transactions involving family firms. More precisely, deals with family firms as both the acquiring and the target firm represented 10 transactions and deals with a family acquirer and a non-family target accounted for 2,947 transactions. After excluding observations with incomplete data and firms with multiple acquisitions in one time period (fyear), the final sample consisted of a panel dataset with 996 acquisitions from years 2003 – 2017 across 315 unique firms.

Measures

Dependent variable. The dependent variable used in this analysis relies on *firm performance*. Firm performance was measured through common financial measures (return on assets and Tobin's Q) used in family business literature (Graves & Shan, 2014; Holt, Pearson, Carr, & Barnett, 2017, Hussinger & Issah, 2019). First, return on assets (ROA) is a measure of the firm's ability to use its resources effectively. ROA is calculated as a ratio of net income to total assets in a given year. Given that acquisitions take time and the effects of integration are not often realized until after the transaction is complete, the ROA measure was computed as t +2, allowing for a 2-year lead. The choice for a 2-year lead follows prior studies (Hussinger & Issah, 2019) and was also selected due to data limitations. Second, an alternative measure of firm performance is Tobin's Q, which is measured as a ratio between the market value of the firm over the replacement costs of its assets (Gompers, Ishii, & Metrick, 2003; Kaplan & Zingales, 1997). Relative to ROA, Tobin's Q offers a more long-term performance assessment as it accounts for the future performance of the firm. Similar to ROA, a 2-year lead was also used for the Tobin's Q measurement.

Independent variables. Within the sample of S&P 1500 firms, I identified *family firms* by extracting ownership data from annual proxy statements filed with the SEC. Additionally, internet searches and company websites were used to identify founders, as well as current officers and directors that were descendants of the founder. Following previous literature, firms were designated as family controlled if either the founder or a member of his/her family is a blockholder, officer, or director (Anderson & Reeb, 2003; Villalonga & Amit, 2006). To indicate the family firm status, a dummy indicator variable was assigned to the sample, where (1) represented family firms and (0) represented non-family firms. Next, in line with the theoretical arguments, I am particularly interested in acquisitions within family firms, it was necessary to identify which family firms within the S&P 1500 sample engaged in at least one acquisition deal a year as the focal firm. Using the SDC platinum database the variable, *acquisition,* was captured as a dummy indicator variable where (1) represented if a firm undertook at least one acquisition in a given year, and zero (0) if not (Hussinger & Issah, 2019).

Moderating variables. To distinguish the potential influence of family owners in the family firm (Berrone et al., 2010; Chirico et al., 2019; Chrisman et al., 2012), several moderating variables were operationalized. First, *family involvement* is a measure of the involvement of members of the founding family in the family firm. This variable was identified from proxy statements and is an aggregate sum of two indicators: the number of family members managing the business and the number of family members serving on the board of directors (Chrisman & Patel, 2012). Next, *family voting rights* was identified through proxy statements and captures the voting rights held by the family and represents the control the family has over the business. This variable was calculated as a ratio of the number of shares held by the family relative to the total shares outstanding. The number of shares held by the family includes all classes of shares in which the family has control or voting power (i.e., family represented trusts) (Villalonga & Amit, 2006). Third, the moderating effect of *non-family CEO* was measured as an indicator variable with a one (1) indicating that the presence of a CEO that is not a member of the founding family, and a zero (0) if the CEO position is held by the founder or a member of the founding family. Lastly, evaluating firm proxy statements, *focal firm institutional investors* was calculated as the ratio of the number of shares held by non-family blockholders relative to the total shares outstanding. Non-family blockholders are represented by either individuals or institutional owners holding at least five percent (5%) of the firm (Villalonga & Amit, 2006).

Control variables. Multiple control variables were included in the analysis to account for both firm level and family level influences. First, there are firm level financial influences that could possibility alter the performance of firm's that undertake acquisitions. Specifically, *firm size,* measured as the natural log of total assets, *slack resources* (absorbed and unabsorbed slack), and *relative indebtedness* (debt/equity) were controlled for. The *deal value* of the transaction was also included as a control, as it represents the dollar value (in millions) that was paid for each transaction (Feldman et al., 2019).

Control variables were also used to capture the governance controls and CEO characteristics. First, to identify the quality and intensity of monitoring, *outside directors,* was used to reflect the percentage of outside directors present on the board of directors (Feldman et al., 2019). *Firm age* (in years) is indicated by the year the firm was founded (Dehlen, Zellweger, Kammerlander, & Halter, 2014). Next, to account for CEO characteristics that could influence the firm performance following an acquisition, *CEO gender* and *CEO age*, were included as controls.

Analysis

To identify whether fixed or random effects are appropriate for my model, I ran a Hausman test in STATA. The null hypothesis for the Hausman test is that the preferred model is random effects instead of the alternative of fixed effects (Greene, 2003). Because the Hausman test was not significant (p = 0.3359), random effects will be used in the analysis. Next, to test for random effects and determine whether a random effects regression or a simple ordinary least squares regression is more appropriate, I ran the Breusch-Pagen Lagrange multiplier (LM) test. The null hypothesis for the LM test is that there is no significant difference across units. Because the LM test was significant (p = 0.0000), there is evidence of significant differences across the panel data and therefore a random effects regression will be used. To test Hypothesis 1 which predicts that family firm acquisitions will be positively associated with firm performance, random effects regression (*xtreg, re)* was used in STATA (Feldman et al., 2019). The same method for analysis was used to test all five hypotheses.

RESULTS

The descriptive statistics and correlations for all the variables used in the model are provided in Table 1. For the correlations, the intercorrelations ranged from -0.6627 to 0.3094, suggesting little evidence of multi-collinearity. Further, the variable inflation factors (VIF) of the variables ranged from 1.76 to 1.02, with an average value of 1.26, and as these were well below the accepted threshold of 10, suggesting the issue of multicollinearity is limited (Hair, Black, Babin, Anderson, & Tatham, 2006).

==================================

Insert Essay 2 Table 1 about here

==================================

To limit concerns related to endogeneity caused by omitted variable bias (Antonakis, Bendahan, Jacquart, & Lalive, 2014), it was necessary to identify instrumental variables that are significantly correlated to the independent variables (i.e., acquisition, family voting rights, non-family CEO, institutional shareholders, family involvement) but are unrelated to the dependent variable of interest (i.e., ROA and Tobin's Q). The instrumental variables used to control for endogeneity were board of director chair and board of director's gender. Board of director chair was operationalized as a dummy variable that equals (1) if the chair is a member of the founding family, and zero (0) otherwise. The board of director's gender ratio is a measure of the number of men and women on a board of directors in a given year. Based on previous research these two instrumental variables are expected to be strongly correlated to the family and firm variables in the model. Indeed, the instrumental variables were significantly related to the independent variables but were not related to the dependent variables. Next, running the 2-stage least squares analysis along with the Durbin-Wu-Hausman test, the results indicate that endogeneity is not a concern, as I cannot reject the null hypothesis that the variable are exogenous ($F(1, 2862) = 0.023457$, $p = 0.8783$). These results indicate that endogeneity has limited effects on the results (Cameron & Trivedi, 2010).

To analyze the direct effect of the binary independent variable (*acquisition*) on ROA and Tobin's Q, I employed random effects regression. Table 2 presents the full results for the full sample. Overall, these Models suggest that family firms do not benefit financially from engaging in acquisitions. The coefficients presented in Model 1 include the control variables and show that absorbed slack ($ß = -1.051$; $p = 0.001$) and CEO age ($ß = -0.051$; $p = 0.007$) are both negatively and significantly related to Tobin's Q. Model 1 also indicated that the ratio of board of director outsiders is negatively and marginally significantly related to Tobin's Q ($ß = -3.156$; $p = 0.088$). With regard to ROA, the results indicate that unabsorbed slack exerts a negative but weakly significant effect ($ß = -0.025$; $p = 0.09$).

Next, Model 2 includes the control variables in addition to the independent dummy variable of whether or not the family firm engaged in at least one acquisition in a given year. These results indicate that an acquisition is negatively related to Tobin's Q but is not significant ($ß = -0.054$; $p = 0.914$). Alternatively, a family firm acquisition is positively related to ROA but is also not significant ($ß = 0.002$; $p = 0.924$). Model 3 of Table 2 includes the addition of the four moderating variables and Model 4 includes the full model with all variables as well as the interaction of the moderators.

The results in Model 4 suggest that family firms do not realize a financial performance benefit following an acquisition as measured by ROA nor Tobin's Q, as neither have a significant direct effect. More specifically, a family acquisition exerts an insignificant positive influence on Tobin's Q (β = 1.017; p = 0.636) but in contrast, a family firm acquisition has a negative insignificant effect on ROA (β = -0.127; p = 0.174). Therefore, Hypothesis 1 is not supported. When considering the influence of the moderating variables Model 4 reveals that the level of focal family involvement does not result in a significant effect on either ROA (β = 0.0003; p = 0.985) nor Tobin's Q (β = -0.0415; p = 0.172) and as a result, Hypothesis 2 is not supported. Further, the moderating effect of family voting rights is also not significant. More precisely, family voting rights has a negative insignificant effect on ROA (β = -0.064; p = 0.169) but a positive insignificant effect on Tobin's Q (β = 0.234; p = 0.439). These insignificant effects provide conflicting directionality and therefore, Hypothesis 3 is not supported. Model 4 indicates that the presence of a non-family CEO positively and significantly influences the ROA following an acquisition (β = 0.089; p = 0.034). This result in is the opposite direction of the hypothesized effect and does not significantly influence Tobin's Q (β = -0.681; p = 0.405). Therefore, Hypothesis 4 is not supported. Lastly, the level of institutional investor ownership has a significant and positive influence on ROA (β = 0.342; p = 0.03) but also has a positive but insignificant effect on Tobin's Q (β = 2.666; p = 0.415) two years post-acquisition. Thus, Hypothesis 5 is partially supported.

================================

Insert Essay 2 Table 2 about here

================================

DISCUSSION

The objective of this study was to investigate the influence of acquisitions on firm performance in a family firm setting while also considering the effect of several family specific variables. By integrating agency and social identity theory with the SEW perspective, I hypothesize how family firms provide the opportunity to realize financial gains from acquisitions due to the long-term focus and affective endowment attached to the business. Specifically, I hypothesized that an acquisition would positively influence firm performance (H1), using two different measures of firm performance (Tobin's Q and ROA). However, neither two-year lead measurement of performance provided empirical support for Hypothesis 1. Although neither measure was significant, the operationalization of firm performance had differing coefficient signs. A family firm to non-family firm acquisition had a negative effect on firm performance two years post-transaction when measured as Tobin's Q but had a positive effect on ROA two years post-acquisition. This finding is in contrast to previous work that suggests that compared to non-family firms, family firms are able to add value via acquisitions (Defrancq et al., 2016; Feito-Ruiz & Menéndez-Requejo, 2010; Gómez-Mejía et al., 2018; Worek 2017). However, this study focuses exclusively on the heterogeneity of family firms and thus the performance discrepancies may be due to the sample selection. Recent arguments in the literature consider a mixed gamble perspective of whether or not the value of SEW or the value financial wealth is more influential in strategic decision making (Chirico et al., 2019; Gómez-Mejía et al., 2014; Gómez-Mejía et al., 2018; Hussinger & Issah, 2019). Or rather, that diversification decisions require a trade-off between financial and nonfinancial goals (Berrone et al., 2012; Swab, Sherlock, Markin, & Dibrell, 2020; Worek, 2017). The arguments and results from this study indicate that acquisitions do not necessarily destroy financial wealth, so the simultaneous goals may be achievable for family firms pursuing diversification.

Additionally, this work contributes to the literature by considering the moderating effects of family ownership and family involvement variables (Ben-Amar & André, 2006; Feldman et al., 2019; Gómez-Mejía et al., 2018). To account for the positive family influence that family managers and family officers would exert due to their heightened identity and commitment to the success of the business, I hypothesized that increased levels of family involvement would positively moderate the relationship between acquisition and firm performance. The results of the random effects regression suggest that family involvement positively moderates the relationship when ROA is the dependent variables but has a negative effect on firm performance when Tobin's Q is operationalized for firm performance. However, neither resulted in significant relationship and therefore, Hypothesis 2 is not supported. These findings suggest that family involvement has a mixed influence on acquisition performance and mirrors some of the conflicting findings that exist in the family business literature (Granata & Chirico, 2010; Worek, 2017). On one hand, the presence of family members in management and on the board of director indicates a long-term orientation with family members committed to the longevity of the business and thus suggests that family members are risk averse to diversification strategies such as acquisitions (Steen & Welch, 2006). Conversely, other arguments in the family business literature indicate that family member executives lack the experience to effectively manage acquisitions and therefore suffer financially. Therefore, from the inconsistent effect of the family involvement in this study, it is difficult to discern the actual effect of family involvement.

This essay also extends the work of Feldman and colleagues (2019) to consider additional family variables that influence the performance following an acquisition. Specifically, the arguments related to Hypothesis 3 focused on the moderating influence of family voting rights. Similar to Hypothesis 2, the family voting rights had both a positive effect (Tobin's Q) and a negative effect (ROA) on firm performance. Neither measure of firm performance yielded significant results and therefore there is no support for Hypothesis 3. Further, Hypothesis 4 considered the moderating effect of non-family CEOs in the focal family firm and argued that this would be a negative influence. The results of the random effect regression indicate that the presence of a non-family CEO positively and significantly moderated the relationship between acquisitions and firm performance when ROA was used. However, the results of this influence are in the opposite direction of the hypothesis and therefore, Hypothesis 4 is not supported. These results reveal that the presence of a non-family CEO may be beneficial for family firms engaging in diversification strategies. Specifically, a non-family CEO may provide outside experience and additional knowledge related to acquisitions. Further, although there is a risk for increased agency costs due to the additional monitoring of non-family member executives, it appears that the performance benefits outweigh these costs.

Overall, this study provides contributions to the literature on family firm strategic diversification by developing a better understanding of the influence the family ownership, family involvement, and non-family management have on diversification strategies and financial performance. Also, by considering agency and social identity theory to account for family influences such as family voting rights, family involvement, and non-family CEOs. This theoretical framework and empirical results suggest that family firms undertaking acquisitions do not benefit financially from this diversification and additionally, neither the level of family voting rights nor family involvement significantly moderate this relationship. In contrast, the presence of a non-family CEO in the focal firm exerts a significant and positive influence on the ROA following an acquisition and suggests that family firms benefit from employing a non-family executive. Further, Hypothesis 5, which argued that the acquisition to firm performance relationship would be positively moderated by institutional investors, was marginally supported. Specifically, the level of institutional investor ownership had a significant and positive effect on ROA two year following an acquisition. These findings illustrate that family firms are able to benefit financially by incorporating non-family management and large non-family blockholders.

Limitations and Future Research

This study is not without limitations. Specifically, the work in this study is limited by the sample which only included transactions between family and non-family firms. I do not evaluate the differences between all dyadic relationships that may manifest in an acquisition deal. The extent to which the family specific characteristics interact between firms in the deal is not captured, yet considerable differences may exist between deals where a family firm acquires another family firm versus when a non-family firm acquires another non-family firm. Although considering all possible ownership combinations is outside the scope of this analysis, future research may wish to explore the differences in performance from the different pairings. It would also be interesting for future research to consider how two family dynamics interact within an acquisition transaction and how family specific goals are balanced. Next, the independent variable measure of family firms is limited to only those as either family or non-family firms and therefore, does not capture lone-founder firms. As lone-founder firms have been demonstrated to be significantly different from family and non-family firms (Cannella, Jones, & Withers, 2015), future research may wish to provide a finer analysis of firm ownership and how performance varies across different ownership forms following an acquisition. Further, given that the data for this study was collected from the S&P 1500, the family information pertaining to all firms is incomplete and thus could represent a sample selection bias. To mitigate this potential issue, future research should run a Heckman (1979) selection procedure two step model to identify the inverse mills ratio and include this information in the statistical equation.

Additionally, this analysis is limited to evaluating the financial performance following an acquisition but does not capture the interorganizational changes (e.g., change in top management teams) that may transpire following the deal. As integration following an acquisition is a prominent topic in the management literature (Birkinshaw, Bresman, & Håkanson, 2000), I suggest that other research examine the retention of target firms' executives post-acquisition, since retaining these key employees may serve as a source of value creation and these effects may be stronger when executives are members of the owning family targeted firm. For instance, how are family members, as top management team members, integrated into non-family firms? Or conversely, are family members not integrated into non-family firms and why? Another limitation is that I use a sample of S&P 1500 firms. These organizations are large to very large in size and as a consequence, either possess or have access to the resources necessary for acquisitions. Moreover, these firms are publicly traded and therefore must answer to shareholders. Thus, the extent to which the findings of this analysis apply to privately held or small- or medium-sized firms may be limited. Future research should explore settings as there is a predominance of privately held family businesses across the world (Fang et al., 2016) and understanding acquisition deals within this context would be very beneficial both practically and theoretically.

This study focuses on acquisition deals but does not take into account whether the deals were related or unrelated. As previous research has demonstrated, family firms prefer related targets (Gómez-Mejía et al., 2018; Miller et al., 2010) as related targets more compatible with the risk propensity and prioritization of noneconomic objectives of family owners. Therefore, future work could extend the work in this study to explore how performance outcomes vary when firms acquire a related or unrelated target. Additionally, the random effect regression model in this essay does not capture previous performance as a control variable. Previous performance may have a substantial impact on the strategic decision making of the firm, as the performance either above or below aspiration levels may alter the risk profile of the family firm (Chrisman & Patel, 2012; Patel & Chrisman, 2014). Related, the SEW perspective was used as a part of the theoretical framework but the measurements (other than family control) included in the essay do not directly measure SEW or other nonfinancial goals related to the construct (e.g., identity, binding social ties, emotional attachment, or succession intentions) (Debicki, Kellermanns, Chrisman, Pearson, & Spencer, 2016). Future research should consider operationalizing SEW scales (i.e., Hauck, Sues-Reyes, Beck, Prügl, & Frank, 2016) in additional diversification studies. Lastly, the strategy literature on acquisitions is rather fragmented due to the lack of precision of what is meant by acquisition performance. Although the performance variable used in my analysis follows prior literature (Hussinger & Issah, 2019), other variables are commonly used especially in event studies such as acquisitions. For instance, the cumulative abnormal return (CAR) of the firm following the transaction (Haleblian et al., 2009; Feldman et al., 2019) captures performance in a specific time period. Therefore, to extend this area of research, future work should evaluate performance as a CAR measure from a longer time frame, as the limited snapshot in this essay may not adequately observe the unique effect of family firm acquisitions.

Conclusion

By integrating agency theory and social identity theory, this analysis explores the financial performance following an acquisition. Specifically, by examining acquisitions from a bilateral perspective, which captures the influence of both the focal firm as well as the target firm, this study responds to recent calls of understanding how family specific characteristics may influence firm performance following an acquisition. As such, my study contributes to the discussion on the heterogeneous nature of family firms by exploring how four family-specific variables influence the acquisition to performance relationship. The results suggest that family firms do not add value through acquisitions, but non-family factors such as non-family CEO and institutional investors weaken this negative relationship, adding to the value post-acquisition.

Essay 2. Table 1. Means, Standard Deviations, and Pearson Correlations.

		Mean	S.D	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Acquisition Dummy	0.25	0.44															
2	Family Involvement	4.00	2.06	-0.0599*														
3	Voting Rights	0.18	0.24	-0.0277	0.1967*													
4	Nonfamily CEO	0.42	0.49	0.0332*	-0.6627*	-0.0985*												
5	Institutional Shareholders	0.23	0.16	-0.0218	-0.0445*	-0.0435*	-0.0219											
6	Tobin's Q_{t+2}	3.83	3.51	0.0142	0.0210	0.0081	0.0453*	-0.0919*										
7	ROA_{t+2}	0.15	0.48	-0.0099	0.0327	0.0372*	-0.0058	-0.0852*	0.3094*									
8	Firm Size	6.52	1.30	0.1159*	-0.1612*	-0.1028*	0.1851*	-0.1929*	-0.1125*	0.0077								
9	Absorbed Slack	0.22	0.23	-0.0146	-0.0242	0.0308	0.0312	0.0265	0.0524*	-0.0719*	-0.1084*							
10	Unabsorbed Slack	2.37	1.60	-0.0916*	0.0622*	0.0183	-0.1262*	0.0434*	-0.0907*	-0.0774*	-0.1506*	0.1708*						
11	Indebtedness	1.33	50.01	-0.0063	-0.0059	-0.0138	-0.0112	0.0065	-0.0070	-0.0194	-0.0107	0.0034	-0.0057					
12	Deal Value ($mil)	74.22	703.20	0.1807*	-0.0051	0.0006	0.0174	-0.0286	0.0302	0.0170	0.1219*	-0.0216	-0.0596*	0.0017				
13	BOD Outside Ratio	0.15	0.18	0.0235	0.0300	-0.0971*	-0.0502*	-0.0715*	-0.0588*	-0.0283	-0.0448*	-0.0213	0.0152	0.0207	-0.0296			
14	Firm Age	17.58	6.89	0.0137	-0.1355*	0.0803*	0.0841*	0.0938*	0.0167	0.0384	0.0243	-0.0208	-0.1072*	0.0573	0.0418	0.1349*		
15	CEO Gender	0.96	0.20	0.0511*	-0.0266	-0.0514*	0.0435	-0.0472*	0.0390	0.0111	0.0967*	-0.0173	-0.0829*	0.0036	0.0139	-0.0810*	-0.0404	
16	CEO Age	55.54	7.73	-0.0196	0.0388	0.0328	-0.0631*	0.0341	-0.0398	-0.0122	-0.0440	-0.0559*	-0.0253	0.0521*	-0.0031	-0.0555*	0.0484	-0.0003

*p <.05

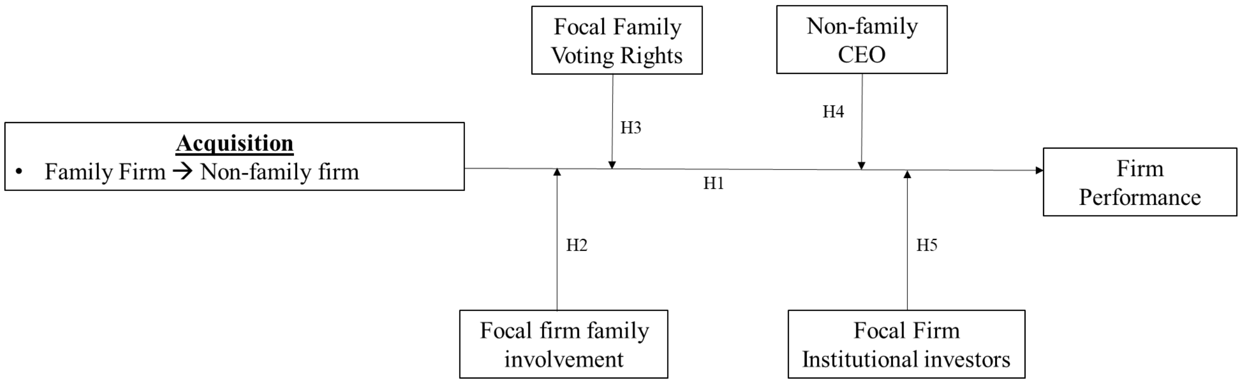
Essay 2. Table 2. Regression Analysis

	Model 1		Model 2		Model 3		Model 4	
Dependent Variable	Tobin's Q_{t+2}	ROA_{t+2}	Tobin's Q_{t+2}	ROA_{t+2}	Tobin's Q_{t+2}	ROA_{t+2}	Tobin's Q_{t+2}	ROA_{t+2}
Constant	13.634 (5.153)**	0.318 (0.258)	13.637*** (5.149)	0.318 (0.259)	14.927*** (4.961)	0.447 (0.280)	14.836*** (4.938)	0.486* (0.289)
Independent Variable								
Acquisition Dummy			-0.054 (0.500)	0.002 (0.027)	-0.103 (0.511)	0.0004 (0.029)	1.017 (2.151)	-0.127 (0.093)
Moderating Variables								
Non-Family CEO					0.531 (0.732)	-0.055 (0.034)	0.685 (0.750)	-0.073** (0.036)
Voting Rights					0.087 (0.128)	0.022 (0.017)	0.065 (0.266)	0.073* (0.040)
Family Involvement					0.083 (0.208)	0.007 (0.010)	0.147 (0.223)	0.005 (0.010)
Institutional Shareholders					-4.872** (2.129)	-0.354** (0.159)	-5.671** (2.559)	-0.444*** (0.174)
Interactions								
Acquisition x Non-Family CEO							-0.681 (0.817)	0.089** (0.042)
Acquisition x Voting Rights							0.234 (0.303)	-0.064 (0.046)
Acquisition x Family Involvement							-0.415 (0.303)	0.0003 (0.018)
Acquisition x Institutional Shareholders							2.666 (3.271)	0.342** (0.157)
Controls								
Firm Size	-0.832 (0.528)	-0.010 (0.017)	-0.832 (0.523)	-0.010 (0.017)	-0.958* (0.529)	-0.012 (0.016)	-0.980* (0.528)	-0.014 (0.016)
Absorbed Slack	-1.051*** (0.320)	-0.046 (0.029)	-1.055*** (0.320)	-0.045 (0.029)	-0.971** (0.331)	-0.032 (0.025)	-0.974*** (0.332)	-0.027 (0.024)
Unabsorbed Slack	-0.009 (0.182)	-0.025* (0.015)	-0.008 (0.183)	-0.025* (0.015)	-0.036 (0.180)	-0.028* (0.015)	-0.059 (0.176)	-0.030** (0.015)
Indebtedness	0.012 (0.018)	0.0007 (0.0006)	0.012 (0.018)	0.0006 (0.0006)	0.014 (0.018)	0.0009* (0.0005)	0.013 (0.018)	0.0008 (0.0006)
Deal Value ($mil)	-0.0002 (.000)	-0.000007 (0.000009)	-0.0002 (0.0002)	-0.000007 (0.000009)	-0.0002 (0.0002)	-0.000006 (0.00001)	-0.0002 (0.0002)	-0.000008 (0.000008)
BOD Outside Ratio	-3.156* (1.849)	0.106 (0.113)	-3.126* (1.864)	0.107 (0.114)	-3.336** (1.768)	0.088 (0.111)	-3.353** (1.766)	0.098 (0.109)
Firm Age	0.008 (0.058)	-0.001 (0.004)	0.008 (0.059)	-0.001 (0.004)	0.039 (0.060)	0.0006 (0.004)	0.039 (0.059)	0.0005 (0.004)
CEO Gender	-0.362 (0.857)	-0.044 (0.071)	-0.373 (0.854)	-0.044 (0.071)	-0.299 (0.863)	-0.039 (0.063)	-0.188 (0.773)	-0.031 (0.064)
CEO Age	-0.051*** (0.0285)	0.001 (0.002)	-0.050* (0.028)	0.001 (0.002)	-0.056** (0.028)	0.00004 (0.002)	-0.056** (0.028)	-0.000002 (0.002)

*** p <.01; ** p<.05; *p<.10. Two-tailed tests.

Note. Standard errors are reported in parentheses; ROA = return on assets.

Essay 2. Figure 1. Research Model and Hypotheses.



REFERENCES

Aggarwal, R., Erel, I., Ferreira, M., & Matos, P. (2011). Does governance travel around the world? Evidence from institutional investors. *Journal of Financial Economics, 100*(1), 154-181.

Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: evidence from the S&P 500. *The Journal of Finance*, *58*(3), 1301-1328.

Ashforth, B. E., & Mael, F. (1989). Social identity theory and the organization. *Academy of Management Review*, *14*(1), 20-39.

Basu, N., Dimitrova, L., & Paeglis, I. (2009). Family control and dilution in mergers. *Journal of Banking & Finance*, *33*(5), 829-841.

Bauguess, S., & Stegemoller, M. (2008). Protective governance choices and the value of acquisition activity. *Journal of Corporate Finance*, *14*(5), 550-566.

Ben-Amar, W., & André, P. (2006). Separation of ownership from control and acquiring firm performance: The case of family ownership in Canada. *Journal of Business Finance & Accounting*, *33*(3-4), 517-543.

Bennedsen, M., Nielsen, K. M., Pérez-González, F., & Wolfenzon, D. (2007). Inside the family firm: The role of families in succession decisions and performance. *The Quarterly Journal of Economics*, *122*(2), 647-691.

Berle, A.A., & Means, G.C. (1932). *The Modern Corporation and Private Property*. Harcourt, Brace, & World: New York.

Berrone, P., Cruz, C., & Gómez-Mejía, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Review*, *25*(3), 258-279.

Berrone, P., Cruz, C., Gómez-Mejía, L. R., & Larraza-Kintana, M. (2010). Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less?. *Administrative Science Quarterly*, *55*(1), 82-113.

Bjursell, C. (2011). Cultural divergence in merging family businesses. *Journal of Family Business Strategy*, *2*(2), 69-77.

Blumentritt, T. P., Keyt, A. D., & Astrachan, J. H. (2007). Creating an environment for successful non-family CEOs: An exploratory study of good principals. *Family Business Review*, *20*(4), 321-335.

Bilgili, T. V., Calderon, C. J., Allen, D. G., & Kedia, B. L. (2017). Gone with the wind: a meta-analytic review of executive turnover, its antecedents, and postacquisition performance. *Journal of Management*, *43*(6), 1966-1997.

Birkinshaw, J., Bresman, H., & Håkanson, L. (2000). Managing the post-acquisition integration process: How the human iintegration and task integration processes interact to foster value creation. *Journal of Management Studies*, *37*(3), 395-425.

Brickley, J. A., Lease, R. C., & Smith Jr, C. W. (1988). Ownership structure and voting on antitakeover amendments. *Journal of Financial Economics*, *20*, 267-291.

Buchholtz, A. K., & Ribbens, B. A. (1994). Role of chief executive officers in takeover resistance: Effects of CEO incentives and individual characteristics. *Academy of Management Journal*, *37*(3), 554-579.

Cannella Jr, A. A., & Hambrick, D. C. (1993). Effects of executive departures on the performance of acquired firms. *Strategic Management Journal*, *14*(S1), 137-152.
Cannella Jr, A. A., Jones, C. D., & Withers, M. C. (2015). Family-versus lone-founder-controlled public corporations: Social identity theory and boards of directors. *Academy of Management Journal*, *58*(2), 436-459.
Caprio, L., Croci, E., & Del Giudice, A. (2011). Ownership structure, family control, and acquisition decisions. *Journal of Corporate Finance*, *17*(5), 1636-1657.
Capron, L., & Pistre, N. (2002). When do acquirers earn abnormal returns?. *Strategic Management Journal*, *23*(9), 781-794.
Carney, M. (2005). Corporate governance and competitive advantage in family–controlled firms. *Entrepreneurship Theory and Practice*, *29*(3), 249-265.
Casson, M. (1999). The economics of the family firm. *Scandinavian Economic History Review*, *47*(1), 10-23.
Chirico, F., Gómez-Mejia, L. R., Hellerstedt, K., Withers, M., & Nordqvist, M. (2019). To merge, sell, or liquidate? Socioemotional wealth, family control, and the choice of business exit. *Journal of Management*, 0149206318818723.
Chrisman, J. J., & Patel, P. C. (2012). Variations in R&D investments of family and nonfamily firms: Behavioral agency and myopic loss aversion perspectives. *Academy of Management Journal*, *55*(4), 976-997.
Chrisman, J.J., Chua, J.H., Kellermanns, F., & Chang, E. (2007). Are family managers agents or stewards? An exploratory study in privately held family firms. *Journal of Business Research 60*(10), 1030-1038.
Chrisman, J.J., Chua, J.H., & Sharma, P. (2005). Trends and directions in the development of a strategic management theory of the family firm. *Entrepreneurship Theory and Practice*, *29*(5), 555-575.
Chrisman, J.J., Chua, J.H., Pearson, A.W., & Barnett, T. (2012). Family involvement, family influence, and family-centered non-economic goals in small firms. *Entrepreneurship Theory and Practice*, *36*(2), 267-293.
Chua, J.H., Chrisman, J.J., & Bergiel, E.B. (2009). An agency theoretic analysis of the professionalized family firm. *Entrepreneurship Theory and Practice*, *33*(2), 355-372.
Coff, R.W. (2002). Human capital, shared expertise, and the likelihood of impasse in corporate acquisitions. *Journal of Management*, *28*(1), 107-128.
Croci, E., Gonenc, H., & Ozkan, N. (2012). CEO compensation, family control, and institutional investors in Continental Europe. *Journal of Banking & Finance*, *36*(12), 3318-3335.
De Cesari, A., Gonenc, H., & Ozkan, N. (2016). The effects of corporate acquisitions on CEO compensation and CEO turnover of family firms. *Journal of Corporate Finance*, *38*, 294-317.
Debicki, B.J., Kellermanns, F.W., Chrisman, J.J., Pearson, A.W., & Spencer, B.A. (2016). Development of a socioemotional wealth importance (SEWi) Scale for family firm research. *Journal of Family Business Strategy, 7*(1), 47-57.
Deephouse, D.L., & Jaskiewicz, P. (2013). Do family firms have better reputations than non-family firms? An integration of socioemotional wealth and social identity theories. *Journal of Management Studies*, *50*(3), 337-360.
Defrancq, C., Huyghebaert, N., & Luypaert, M. (2016). Influence of family ownership on the industry-diversifying nature of a firm's M&A strategy: Empirical evidence from Continental Europe. *Journal of Family Business Strategy*, *7*(4), 210-226.

Dehlen, T., Zellweger, T., Kammerlander, N., & Halter, F. (2014). The role of information asymmetry in the choice of entrepreneurial exit routes. *Journal of Business Venturing*, *29*(2), 193-209.

Dutton, J.E., Dukerich, J.M., & Harquail, C.V. (1994). Organizational images and member identification. *Administrative Science Quarterly*, 239-263.

Eddleston, K.A., & Kellermanns, F.W. (2007). Destructive and productive family relationships: a stewardship theory perspective. *Journal of Business Venturing, 22*(4), 545-565.

Eisenhardt, K.M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, *14*(1), 57-74.

Ellis, K.M., Reus, T.H., & Lamont, B.T. (2009). The effects of procedural and informational justice in the integration of related acquisitions. *Strategic Management Journal*, *30*(2), 137-161.

Fama, E.F., & Jensen, M.C. (1983). Separation of ownership and control. *The Journal of Law and Economics, 26*(2), 301-325.

Fang, H.C., Randolph, R.V., Memili, E., & Chrisman, J.J. (2016). Does size matter? The moderating effects of firm size on the employment of nonfamily managers in privately held family SMEs. *Entrepreneurship Theory and Practice*, *40*(5), 1017-1039.

Feito-Ruiz, I., & Menéndez-Requejo, S. (2010). Family firm mergers and acquisitions in different legal environments. *Family Business Review*, *23*(1), 60-75.

Feldman, E.R., Amit, R., & Villalonga, B. (2016). Corporate divestitures and family control. *Strategic Management Journal*, *37*(3), 429-446.

Feldman, E.R., Amit, R., & Villalonga, B. (2019). Family firms and the stock market performance of acquisitions and divestitures. *Strategic Management Journal*, *40*(5), 757-780.

Fernando, G.D., Schneible Jr, R. A., & Suh, S. (2014). Family firms and institutional investors. *Family Business Review*, *27*(4), 328-345.

Gentry, R., Dibrell, C., & Kim, J. (2016). Long–term orientation in publicly traded family businesses: Evidence of a dominant logic. *Entrepreneurship Theory and Practice*, *40*(4), 733-757.

Gómez-Mejía, L.R., Campbell, J.T., Martin, G., Hoskisson, R.E., Makri, M., & Sirmon, D.G. (2014). Socioemotional wealth as a mixed gamble: Revisiting family firm R&D investments with the behavioral agency model. *Entrepreneurship Theory and Practice*, *38*(6), 1351-1374.

Gómez-Mejía, L.R., Haynes, K.T., Núñez-Nickel, M., Jacobson, K.J., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, *52*(1), 106-137.

Gómez-Mejía, L.R., Makri, M., & Kintana, M.L. (2010). Diversification decisions in family-controlled firms. *Journal of Management Studies*, *47*(2), 223-252.

Gómez-Mejía, L.R., Patel, P.C., & Zellweger, T.M. (2018). In the horns of the dilemma: Socioemotional wealth, financial wealth, and acquisitions in family firms. *Journal of Management*, *44*(4), 1369-1397.

Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate governance and equity prices. *The Quarterly Journal of Economics*, *118*(1), 107-156.

Granata D. and Chirico F. (2010). Measures of value in acquisitions: Family versus nonfamily firms. *Family Business Review*, *23*(4), 341–354.

Graves, C., & Shan, Y.G. (2014). An empirical analysis of the effect of internationalization on the performance of unlisted family and nonfamily firms in Australia. *Family Business Review*, *27*(2), 142-160.

Greene, W. H. (2003). *Econometric analysis*. Pearson Education India.

Gu, Q., Lu, J.W., & Chung, C.N. (2019). Incentive or disincentive? A socioemotional wealth explanation of new industry entry in family business groups. *Journal of Management*, *45*(2), 645-672.

Habbershon, T.G., & Williams, M.L. (1999). A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, *12*(1), 1-25.

Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E., & Tatham, R. (2006). Multivariate data analysis. Uppersaddle River.

Haleblian, J., Devers, C.E., McNamara, G., Carpenter, M.A., & Davison, R.B. (2009). Taking stock of what we know about mergers and acquisitions: A review and research agenda. *Journal of Management*, *35*(3), 469-502.

Harrison, J.S., Hitt, M.A., Hoskisson, R.E., & Ireland, R.D. (1991). Synergies and post-acquisition performance: Differences versus similarities in resource allocations. *Journal of Management*, *17*(1), 173-190.

Hauck, J., Sues-Reyes, J., Beck, S., Prügl, R., & Frank, H. (2016). Measuring socioemotional wealth in family-oriented and-managed firms: A validation and short form of the FIBER scale. *Journal of Family Business Strategy, 7*(3), 133-148.

Hitt, M.A., Harrison, J.S., & Ireland, R.D. (2001). *Mergers & acquisitions: A guide to creating value for stakeholders*. Oxford University Press.

Holt, D.T., Pearson, A.W., Carr, J.C., & Barnett, T. (2017). Family firm(s) outcomes model: Structuring financial and nonfinancial outcomes across the family and firm. *Family Business Review*, *30*(2), 182-202.

Hoskisson, R.E., Hitt, M. A., & Hill, C. W. (1993). Managerial incentives and investment in R&D in large multiproduct firms. *Organization Science*, *4*(2), 325-341.

Hussinger, K., & Issah, A. B. (2019). Firm acquisitions by family firms: A mixed gamble approach. *Family Business Review*, *32*(4), 354-377.

Jensen, M.C., & Meckling, W.H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305-360.

Kaplan, S.N., & Zingales, L. (1997). Do investment-cash flow sensitivities provide useful measures of financing constraints?. *The Quarterly Journal of Economics*, *112*(1), 169-215.

Kim, J.Y., Haleblian, J., & Finkelstein, S. (2011). When firms are desperate to grow via acquisition: The effect of growth patterns and acquisition experience on acquisition premiums. *Administrative Science Quarterly*, *56*(1), 26-60.

King, D.R., Dalton, D.R., Daily, C.M., & Covin, J.G. (2004). Meta-analyses of post-acquisition performance: Indications of unidentified moderators. *Strategic Management Journal*, *25*(2), 187-200.

Krug, J.A., Wright, P., & Kroll, M. J. (2014). Top management turnover following mergers and acquisitions: Solid research to date but still much to be learned. *Academy of Management Perspectives*, *28*(2), 147-163.

Lakshman, C. (2011). Postacquisition cultural integration in mergers & acquisitions: A knowledge-based approach. *Human Resource Management*, *50*(5), 605-623.

Le Breton-Miller, I., Miller, D., & Lester, R.H. (2011). Stewardship or agency? A social embeddedness reconciliation of conduct and performance in public family businesses. *Organization Science, 22*(3), 704-721.
Lumpkin, G.T., & Brigham, K.H. (2011). Long-term orientation and intertemporal choice in family firms. *Entrepreneurship Theory and Practice*, *35*(6), 1149-1169.
Lumpkin, G.T., Brigham, K.H., & Moss, T.W. (2010). Long-term orientation: Implications for the entrepreneurial orientation and performance of family businesses. *Entrepreneurship & Regional Development*, *22*(3-4), 241-264.
Mael, F., & Ashforth, B.E. (1992). Alumni and their alma mater: A partial test of the reformulated model of organizational identification. *Journal of Organizational Behavior*, *13*(2), 103-123.
McConnell, J.J., & Servaes, H. (1990). Additional evidence on equity ownership and corporate value. *Journal of Financial Economics*, *27*(2), 595-612.
Mickelson, R.E., & Worley, C. (2003). Acquiring a family firm: A case study. *Family Business Review*, *16*(4), 251-268.
Miller, D., & Le Breton-Miller, I. (2005). *Managing for the long run: Lessons in competitive advantage from great family businesses*. Harvard Business Press.
Miller, D., & Le Breton-Miller, I. (2014). Deconstructing socioemotional wealth. *Entrepreneurship Theory and Practice*, *38*, 713-720.
Miller, D., Le Breton-Miller, I., & Lester, R.H. (2010). Family ownership and acquisition behavior in publicly-traded companies. *Strategic Management Journal*, *31*(2), 201-223.
Miller, D., Le Breton-Miller, I., & Scholnick, B. (2008). Stewardship vs. stagnation: An empirical comparison of small family and non-family businesses. *Journal of Management Studies*, *45*(1), 51-78.
Miller, D., Le Breton-Miller, I., Lester, R.H., & Cannella Jr, A.A. (2007). Are family firms really superior performers?. *Journal of Corporate Finance*, *13*(5), 829-858.
Miller, D., Minichilli, A., & Corbetta, G. (2013). Is family leadership always beneficial?. *Strategic Management Journal*, *34*(5), 553-571.
Morck, R., & Yeung, B. (2003). Agency problems in large family business groups. *Entrepreneurship Theory and Practice, 27*(4), 367-382.
Patel, P. C., & Chrisman, J. J. (2014). Risk abatement as a strategy for R&D investments in family firms. *Strategic Management Journal*, *35*(4), 617-627.
Praet, A. (2013). Family firms and the divestment decision: An agency perspective. *Journal of Family Business Strategy*, *4*(1), 34-41.
Romano, C. A., Tanewski, G. A., & Smyrnios, K.X. (2001). Capital structure decision making: A model for family business. *Journal of Business Venturing*, *16*(3), 285-310.
Requejo, I., Reyes-Reina, F., Sanchez-Bueno, M.J., & Suárez-González, I. (2018). European family firms and acquisition propensity: A comprehensive analysis of the legal system's role. *Journal of Family Business Strategy*, *9*(1), 44-58.
Sánchez-Bueno, M.J., & Usero, B. (2014). How may the nature of family firms explain the decisions concerning international diversification?. *Journal of Business Research*, *67*(7), 1311-1320.
Schmid, T., Ampenberger, M., Kaserer, C., & Achleitner, A.K. (2015). Family firm heterogeneity and corporate policy: Evidence from diversification decisions. *Corporate Governance: An International Review*, *23*(3), 285-302.

Schulze, W.S., & Kellermanns, F.W. (2015). Reifying Socioemotional Wealth. *Entrepreneurship Theory and Practice, 39*(3), 447.
Schulze, W.S., Lubatkin, M.H., & Dino, R.N. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, *18*(4), 473-490.
Schulze, W.S., Lubatkin, M.H., Dino, R.N., & Buchholtz, A.K. (2001). Agency relationships in family firms: theory and evidence. *Organization Science, 12*(2), 99-116.
Sharma, P., & Manikutty, S. (2005). Strategic divestments in family firms: Role of family structure and community culture. *Entrepreneurship Theory and Practice, 29*(3), 293-311.
Steen, A., & Welch, L.S. (2006). Dancing with giants: Acquisition and survival of the family firm. *Family Business Review*, 19(4), 289-300.
Swab, R. G., Sherlock, C., Markin, E., & Dibrell, C. (2020). "SEW" What Do We Know and Where Do We Go? A Review of Socioemotional Wealth and a Way Forward. *Family Business Review*, *33*(4), 424-445.
Tabor, W., Chrisman, J.J., Madison, K., & Vardaman, J.M. (2018). Nonfamily members in family firms: A review and future research agenda. *Family Business Review*, *31*(1), 54-79.
van Essen, M., Carney, M., Gedajlovic, E. R., & Heugens, P. P. (2015). How does family control influence firm strategy and performance? A meta-analysis of US publicly listed firms. *Corporate Governance: An International Review*, *23*(1), 3-24.
Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value?. *Journal of Financial Economics*, *80*(2), 385-417.
Villalonga, B., & Amit, R. (2010). Family control of firms and industries. *Financial Management*, *39*(3), 863-904.
Walters, B.A., Kroll, M., & Wright, P. (2010). The impact of TMT board member control and environment on post-IPO performance. *Academy of Management Journal*, *53*(3), 572-595.
Ward, J.L. (1997). Growing the family business: Special challenges and best practices. *Family Business Review*, *10*(4), 323-337.
Worek, M. (2017). Mergers and acquisitions in family businesses: current literature and future insights. *Journal of Family Business Management*, *7*(2), 177-206.
Worek, M., De Massis, A., Wright, M., & Veider, V. (2018). Acquisitions, disclosed goals and firm characteristics: A content analysis of family and nonfamily firms. *Journal of Family Business Strategy*, *9*(4), 250-267.
Wright, P., Ferris, S.P., Sarin, A., & Awasthi, V. (1996). Impact of corporate insider, blockholder, and institutional equity ownership on firm risk taking. *Academy of Management Journal*, *39*(2), 441-458.
Zahra, S.A. (2005). Entrepreneurial risk taking in family firms. *Family Business Review*, *18*(1), 23-40.
Zellweger, T.M. (2007). Time horizon, costs of equity capital, and generic investment strategies of firms. *Family Business Review*, *20*(1), 1-15.
Zellweger, T.M., Kellermanns, F.W., Chrisman, J.J., & Chua, J.H. (2012). Family control and family firm valuation by family CEOs: The importance of intentions for transgenerational control. *Organization Science*, *23*(3), 851-868.
Zellweger, T.M., Nason, R.S., Nordqvist, M., & Brush, C.G. (2013). Why do family firms strive for nonfinancial goals? An organizational identity perspective. *Entrepreneurship Theory and Practice*, *37*(2), 229-248.

ESSAY 3: FAMILY FIRM EXIT ROUTES

INTRODUCTION

Succession is one of the most frequently studied topics in family business research (Debicki, Matherne, Kellermanns, & Chrisman, 2009; Yu, Lumpkin, Sorenson & Brigham, 2012), as owning families typically favor passing the business onto the next generation in order to keep the business in the family (Le Breton-Miller, Miller, & Steier, 2004; Chua, Chrisman, & Sharma, 1999). But when intra-family succession is not an option, selling the family business or transferring the ownership to outside parties are strong alternatives as these exit routes provide the family the option to secure firm survival (Scholes, Westhead, Burrows, 2008; Wennberg, Wiklund, DeTienne, & Cardon, 2010). Despite the various options for ownership exit, there remains a lack of understanding and empirical evidence surrounding the sources of influence pertaining to family firm exit strategies outside of succession (DeTienne, 2010; Dehlen, Zellweger, Kammerlander, & Halter, 2014; Chirico, Gómez-Mejía, Hellerstedt, Withers, & Nordqvist, 2019).

Rather than assuming that ownership exit is an unattractive or last resort option compared to succession, recent research proposes that external exit routes may serve as optimal strategy. DeTienne (2010) defines entrepreneurial exit as “the process by which the founders of privately held firms leave the firm they helped to create; thereby removing themselves, in varying degree, from the primary ownership and decision-making structure of the firm” (2010: 203). Applying this definition of the entrepreneur’s decision to leave a firm to the family business context, researchers have found evidence that different ownership structures have differing exit preferences, such that family exit preferences differ from those of non-family firms (Chirico et al., 2019). This research assumes that family firm exit preferences differ based on the socioemotional wealth attachment and other nonfinancial concerns the owning family has for their business. To advance this stream of literature, in this analysis I examine the differences across family firms suggesting that the family ownership may not exert a homogenous influence on exit routes but rather there may be considerable nuance in exit routes depending on the levels of family influence. Using a sample of publicly traded family firms, this analysis specifically examines four particular family variables (e.g., family voting rights, family involvement, non-family CEO, and institutional investors) which may alter the preference of exit routes for owning families. Specifically, I look at two different exit outcomes, gradual exit and outright sale.

As Mickelson and Worley (2003: 252) explain, "complex family dynamics can lead to the perception that selling the business means selling out the family." As a result, family firms represent a unique group of sellers as they are often more committed to the transaction and make conscious decisions regarding who they will sell their business to (Ahlers, Hack, Madison, Wright, & Kellermanns, 2017) as they are concerned with not only the financial outcomes associated with the transaction but place a high value on preserving their noneconomic interests (Zellweger & Astrachan, 2008). In this sense the business is not only a source of revenue for the family but also represents the family's pride and identity (Zellweger, Nason, Nordqvist, & Brush, 2013) which makes exiting a particularly challenging endeavor (De Massis, Chua, & Chrisman, 2008).

By blending literature from agency and social identity theories as well as the socioemotional wealth (SEW) perspective, this study examines family ownership exit strategies by developing hypotheses on two ownership exit routes—outright sale and gradual exits. Using data from S&P 1500 firms, I argue that a gradual exit may appeal to family owners as the level of family voting rights increases, whereas an outright sale may portray as a less attractive route when there are high levels of family involvement. Further, I examine how the presence of a non-family

CEO and institutional investors may render an outright sale more likely than other ownership exit choices. This work contributes to the literature by adding to the knowledge on ownership exit strategies in family firms by considering alternatives to intra-family succession. Specifically, this analysis contributes by providing an investigation of how ownership exit preferences are heterogenous based on a variety of family specific factors and I shed light on these differences amongst external ownership transfer options.

LITERATURE REVIEW

Family firms, defined as an organization where either the founder or a member of his/her family is a blockholder, officer, or director (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; Villalonga & Amit, 2006), account for roughly one third to one half of all firms in the United States (Anderson & Reeb, 2003; Villalonga & Amit, 2009). Given the predominance of family firms, it is important to understand how the owners of this large segment of firms are able to successfully exit. Indeed, the current literature surrounding exit research proposes that the transfer of ownership is an important component of family firms' strategy (Wennberg, Wiklund, Hellerstedt, & Nordqvist, 2011). Most research in this area focuses on succession as the main form of ownership transfer as the continuity of the family firm is often a goal of the owning family (Chua et al., 1999; Sharma, 2004). However, despite the prevalence of family firms, there is limited research exploring business exits as an alternative to the traditional succession strategy and there is lack of understanding of the factors influencing business exit. For instance, continuity may become an obstacle for family owners who wish to exit the business completely, as exiting is typically a challenging task particularly when the owners are emotionally attached to the business (DeMassis et al., 2008; DeTienne & Chirico, 2013).

Recent research pertaining to exit strategies presents arguments regarding the factors influencing founder exits and the options available for founders of entrepreneurial ventures (DeTienne, 2010; Wennberg & DeTienne, 2014). The development of this work in entrepreneurship research primarily centers the exit of venture founders and has only recently shifted to consider a broader perspective of founder exit strategies in later generation family firms (Salvato, Chirico, & Sharma, 2010b). The motivation of this essay is on the latter. Specifically, in family firms, how do certain family-specific factors influence the exit decision of the owning family? How does the presence of non-family management and non-family blockholders affect exit preferences? And lastly, is there an opportunity for owning families to exit that preserves their embedded identity and affective endowment related to socioemotional wealth? The objective of this essay is to answer these research questions by empirically testing four hypotheses. The following section presents literature related to agency theory to understand how family ownership can alter the exit decisions. Next, social identity theory and the socioemotional wealth literature is discussed, highlighting how family member identity and nonfinancial objectives can impede exit strategies.

Agency theory posits that ownership among managers should exert a positive influence on the organizational functions due to the natural alignment of the owner's interests and the interest of managers (Jensen & Meckling, 1976). Research on family firms has built on this perspective, assuming that family involvement in both ownership and management roles should strengthen the positive effect and also be more effective in aligning interests between principals and agents due to the inherent good will among family members (Zellweger & Kammerlander, 2015). Further, the ownership in family firms is concentrated amongst family owners which produces a concentrated decision-making structure between family members (Carney, 2005). However, as later generations and more family members join the growing family business, the ownership becomes more dispersed (Schulze, Lubatkin, & Dino, 2003) and thus can lead to inefficient monitoring. As a result, agency conflicts can manifest in family firms because it can become difficult for family members to effectively monitor and sanction other family members due to altruistic family ties (Schulze et al., 2003).

Agency conflicts can also appear in family firms due to the misalignment of goals amongst family members. These conflicts are unlike traditional principal-agent problems due to the personal wealth family members have tied to the business and their ability to also extract private benefits. As a result, such conflicts and concerns over control and ownership may impede the exit process. Further, agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976) assumes that strategic decisions are made purely from a financial standpoint and therefore suggests that family firms would pursue the exit route that ensures the largest financial return for the owning family.

However not all decisions are uniform across family firms as the characteristics of the family, the business, and the dominant coalition lead to variations in the decision making of the family firm (DeMassis et al., 2008; Chrisman, Chua, Pearson, & Barnett, 2012). Decisions are most often made in the best interest of the owning family (Bertrand & Schoar, 2006; Morck & Yeung, 2003) but the motivations that underlie these exit decisions (e.g., boredom, no heir, financial constraints, etc.) may differ (Mickelson & Worley, 2003). From a socioemotional wealth (SEW) perspective, owner's preferences are likely to be shaped by noneconomic factors such as legacy, family prestige, harmony (Zellweger, Kellermanns, Chrisman, & Chua, 2012; Hammond, Pearson, & Holt, 2016) as the "ownership stake in the firm becomes part of the owner's legacy and comes to be seen as sort of heirloom" (Dehlen et al., 2014: 198). For instance, recent work by Chirico and colleagues (2019) concludes that family firms (when compared to non-family firms) are most likely to exit by a merger, followed by dissolution, and lastly, an outright sale is the least likely to occur. Their arguments posit that mergers are the most favorable exit option as this alternative keeps the possibility of dynastic succession available whereas the outright sale does not afford family owners the ability to derive any SEW benefits for future generations.

A great deal of family business literature has provided extensive evidence that when family firm owners face strategic decisions, safeguarding of SEW is often a strong priority that underlies their decision making (Berrone, Cruz, & Gómez-Mejía, 2012; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Salvato et al., 2010b). Family sellers are generally more reluctant than non-family owners to sell their business due to the emotional attachment with the business (Ahlers et al., 2017; Gómez-Mejía et al., 2007; Salvato, Chirico, & Sharma, 2010a). As exiting is not just about relinquishing control or ownership, it also has psychological consequences as well (DeTienne, 2010) with family members often referring to the business as their "baby" (Sharma & Irving, 2005).

In addition to the SEW literature, researchers have also argued that a favorable reputation or identity is a relevant noneconomic goal, as owning families often see the family business as extension of themselves (Zellweger et al., 2013). The theoretical explanation of this particular noneconomic goal relies on social identity theory. Broadly, social identity theory suggests an individual's social identity is not just a personal identity but also includes the identity derived from group belonging. That is, that an individual's role identification encompasses their role and similarly, an organizational identification can develop as an individual's cohesion with their organization (Mael & Ashforth, 1992). An individual's self-classification into certain groups enables them to view themselves in relation to others and also aids in making sense of their social environment (Ashforth & Mael, 1989). Further, the part of social identity related to group belonging requires that individuals be emotionally invested in belonging (Ashforth, Harrison, & Corley, 2008), which is particularly relevant for family firms as family members often possess an emotional investment in the business (Deephouse & Jaskiewicz, 2013).

The heightened identification family owners have with the family firm also reflects the value family members associates with the membership. Such affective value developed from belonging to the family is a core tenet of the SEW perspective (Berrone et al., 2012; Gómez-Mejía et al., 2007; Schulze & Kellermanns, 2015). Consisting of five interrelated dimensions (family control and influence, identification among family members, binding social ties, emotional attachment to the business, and the renewal of family bonds through transgenerational control), initial SEW research developed by Gómez-Mejía and colleagues (2007) argues that family firms have a long-term perspective and decision-making is a function of both economic and noneconomic goals. This long-term orientation is also associated with the firm's tendencies to forgo short-term financial gains in hopes of obtaining long-term gains (Zellweger, 2007) as well as favoring an organizational structure that allows the family to retain control instead of a profit maximizing structure (Gómez-Mejía et al., 2007; Wennberg et al., 2011). In this regard, succession is a principal concern of the family as it allows families to retain control of the business in order to pass it on to future generations in the family (Arregle, Hitt, Sirmon, & Very, 2007; Gómez-Mejía et al., 2007) and would suggest that exiting the business is not preferred as it eliminates the family's control. Further, exiting the business may pose a threat or loss of the organization's image may damage an individual's connection with the organization (Dutton, Dukerich, & Harquail, 1994) and may further weaken the degree to which a family employee associates the family business as a part of their identity. Thus, given the strong overlap between family members and the family firm, family members may be motivated to actively avoid situations or strategies (e.g., exits) that pose a threat to the organizations or individuals identity. Despite these arguments in the family business literature, there is evidence that family firms do exit (Salvato et al., 2010a; Sharma & Manikutty, 2005) and therefore the purpose of this essay is to consider the antecedents of such strategies. Specifically, how do certain family-specific factors influence the exit decision of the owning family? How does the presence of non-family management and non-family blockholders affect exit preferences? And lastly, is there an opportunity for owning families to exit that preserves their embedded identity and affective endowment related to socioemotional wealth?

In order to empirically examine the research questions and theoretical arguments presented above, this study focuses on two ownership exit routes. The first option, an outright sale, is an option whereby the family exits whereby dissolving all ownership and management at the time of sale. Typically, family business literature has assumed that a sale of the business signals a failure for the family however, more recent work suggests that an outright sale also presents an opportunity for the family to benefit financially and reward the owners for their hard work (Mickelson & Worley, 2003; Ahlers et al., 2017). In fact, some family businesses are managed with the intention of cashing out (Sharma & Manikutty, 2005). By relinquishing control and selling the ownership rights to an outside party, the family can increase their short-term financial wealth. Conversely, the alternative exit option is a gradual exit, which represents instances where family owners gradually sell off large portions of their shares while also remaining in the company in some capacity (e.g., as CEO, officer, or director). This exit strategy allows family members to exert their influence in the organization through management roles all the while they slowly exit the organization by gradually reducing their ownership shares. Taken together, these literatures suggest that family firms make decisions with their noneconomic goals in mind and thus strategic decisions concerning ownership transfer are not uniform across all family firms (Chrisman et al., 2012). Therefore, in the following section four hypotheses related to family- and firm-specific variables are discussed in order to account for this heterogeneity.

HYPOTHESIS DEVELOPMENT

The Presence of Non-family CEOs in Family Firms

The appointment of a non-family CEO is a signal that there is no clear apparent heir who can serve as a suitable leader (Chua, Chrisman, & Sharma, 2003). This outside appointment may also be the first indication that the owning family is forward looking towards an outright sale to outsiders (Bjuggren, Wiberg, & Sund, 2008; Wiklund, Nordqvist, Hellerstedt, & Bird, 2013). That is, that with the appointment of a non-family CEO, family owners are demonstrating a preference towards the professionalization of the business and have forgone the traditional intra-family succession route. Further, the deliberate selection of a non-family CEO may allude to decreasing or weak emotional attachment from the owning family. Because a family member no longer holds the CEO position, an identity loss for other family blockholders is likely to have occurred at the time of appointment (Deephouse & Jaskiewicz, 2013).

From a social identity theory lens, a non-family CEO does not have the same in-group identity as a family CEO possesses (Tabor, Chrisman, Madison, & Vardaman, 2018). This is because such in-group membership rests on the assumption that the individual is a member of the family (Zellweger et al., 2013). For instance, family firm employees that are not a a part of the owning family do not benefit from the nonfinancial benefits bestowed to the family nor the job security that stems from trangenerational control. As a result, the social identity of non-family CEOs is different than that of family CEOs as family members are more emotionally invested in the business than non-family members. Therefore, SEW concerns are not likely to be a salient consideration in the decision-making process when non-family CEOs are at the helm. Given that "non-family CEOs are responsible for generating superior business performance like their peers at other businesses" (Blumentritt, Keyt, & Astrachan, 2007, p. 321), non-family CEOs positively influence family firm performance (Miller, Minichilli, & Corbetta, 2013) as they align with family owners regarding their commitment to the success of the family firm. Accordingly, non-family CEOs typically prioritize the economic firm performance (Tabor et al., 2018) and are less likely to pursue noneconomic goals pertinent to the family due their lack of a strong emotional attachment to the organization (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010).

As the CEO and the top management team are critical decision makers in that they can have a voice in when and to whom the business will transferred to (Dehlen et al., 2014), the personal objectives of the CEO are likely to influence the exit strategy. The weaker social identity and economic priorities of the non-family CEO indicate that motivations underlying the exit strategy are likely different than those of a family CEO. Taken together, these arguments indicate that the presence of a non-family CEO will likely lead to an outright sale of the family firm as they may stand to benefit financially from the sale and do not embody the emotional attachment of the family owners. Further, the noneconomic and identity losses that family members have already incurred due to the appointment of a non-family CEO suggest that continuity of control is not a salient goal thus lessening the likelihood of a gradual exit where family members retain their management roles. Following this line of argument, I posit that the under the presence of non-family CEOs in family firms an outright sale is a more likely ownership transfer route than a gradual exit. This is formally hypothesized below:

Hypothesis 1: *Of the two exit routes, the probability of an outright sale is the greatest when there is a non-family CEO present.*

Family Voting Rights

A large proportion of family ownership implies that family members have both the ability and the power to influence the strategic decision making of the firm through their controlling ownership stake as well as through their presence on top management teams or board of directors. The voting rights controlled by family members have been argued to be a critical determinant of family influence (Defrancq, Huyghebaert, & Luypaert, 2016). When families hold the most votes, they also have the most control which allows them to have a large influence on the decision-making processes (Feldman, Amit, & Villalonga, 2016). Yet when ownership levels are weaker (e.g., holding less than 50% of the voting rights) family firms display risk averse behaviors (Caprio, Croci, & Del Giudice, 2011), which implies that the decisions of ownership transfer alternatives may be made due to fears over diluted control.

Given this hesitancy to let go of their business, I argue that family owners with large amounts of voting rights are more likely to prefer gradual exits as this exit strategy may preserve some of the control for the owners. Pursuing a gradual exit route may provide the owners the ability to maintain their socioemotional wealth endowment attached to the business, whereas an outright sale may render all socioemotional wealth lost for the owning family (Chirico et al., 2019). Over time, the identity of the owning family becomes increasingly intertwined with that of the business and thus family owners may be reluctant to sell the business to an outsider (Salvato et al., 2010b; Berrone et al., 2010; Dehlen et al., 2014)

Additionally, other family business research has found that due to the emotional value that family members attach to the firm, they often overprice their business in the market (Zellweger et al., 2012) suggesting that bidders may have to pay a ‘family premium’ to compensate the family for the control that they are giving up. However other work provides evidence that despite this tendency for family firms to overvalue their business, most bidders view family firms as unprofessional which ultimately negatively impacts their valuation (Granata & Chirico, 2010) and thus are often sold at a discount in the market (Salvato et al., 2010b; Ahlers, Hack, & Kellermanns, 2014). This reluctance to surrender voting rights and emotionally charged overvaluation extends the argument that family firms are unlikely to disband or seek an outright sale for a short-term financial gain. As such, I hypothesize that higher levels of family voting rights in the focal firm will increase the likelihood of a gradual exit.

Hypothesis 2: *Of the two exit routes, the probability of a gradual exit is the greatest when the level of family voting rights increases.*

Family Involvement

Family firm researchers contend that family involvement results in distinctive goals and performance outcomes (Chrisman, Chua, & Sharma, 2005; Chrisman et al., 2012). Family firms and the corresponding family shareholders have been shown to be risk averse as well as favor undiversified positions and moreover that family firm owners are most concerned with nonfinancial outcomes alone (Morck & Yeung, 2003). As the "nonfinancial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence and the perpetuation of the family dynasty" (Gómez-Mejía et al., 2007: 106) are considered a more salient goal for the family than the goal of maximizing financial returns. Further, the heightened concern for noneconomic goals is intensified as multiple generations join the business whereby, as the number of generations involved in the firm increases, as does the SEW salience (Chrisman et al., 2012; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015). Similarly, the generation of control is an important point of differentiation within family firms (Miller, Le Breton-Miller, Lester, & Cannella, 2007; Schmid, Ampenberger, Kaserer, & Achleitner, 2015) as greater generational control suggests that family firms will not relinquish their position through a takeover due to their long-term orientation (Caprio et al., 2011).

Additionally, the identity overlap between the family and the firm is expected to vary largely among family firms. As Zellweger et al. (2013) suggest, the strongest identity overlap between the family and the firm is expected to occur when family members are involved in the management of the business due to the ability of family members to directly influence strategic decisions through their active participation. Conversely, the identity overlap may be weakest when the family just serves as a shareholder of the business (Zellweger et al., 2013). Therefore, it is expected that the presence of multiple family members in the management of the firm will increase the identity overlap between the owning family and the firm and would thus lead to a heightened awareness concerning identity preservation.

Yet maintaining a consistent family identity from the business is challenged when the business in no longer in the hands of the family (Gómez-Mejía, Patel, & Zellweger, 2018), therefore the proclivity of family members to safeguard their identity and SEW endowment suggests that family owners may avoid an outright sale strategy as this would deplete their affective SEW endowment. On the other hand, a gradual exit alternative may afford the owning family to maintain active in the company via a board of directors role while simultaneously transferring the ownership to an outside party. A gradual exit may extend the exit horizon, such that family owners can preserve their identity through employment in the business while quietly exiting as an owner. For family members, this extended exit period has the potential to satisfy both economic and noneconomic priorities and thus would appear to be a more satisfactory exit route. Also, due to the fact that family owners are unlikely to sell their ownership stakes, especially when family members are involved in management (Caprio et al., 2011), I expect that as the level of family involvement increases so will the tendency for family members to pursue the gradual exit alternative, which is reflected in the in the hypothesis below:

Hypothesis 3: *Of the two exits routes, the probability of a gradual exit is the greatest when the family involvement increases.*

The Influence of Institutional Investors

Institutional investors can alter the strategic behavior of firms due to their substantial ownership stake and often favor risk taking strategies generally in pursuit of growth opportunities (Wright, Ferris, Sarin, & Awasthi, 1996). The presence of institutional investors is generally associated with profit maximization because through their ownership they can compel the family firm to reach the maximum the market can provide. While the voting rights controlled by family members have been argued to be a critical determinant of family influence (Defrancq et al., 2016), the role of institutional investors as (potential) second largest shareholders has been demonstrated to have an impact (Sánchez-Bueno & Usero, 2014).

The presence of institutional investors may result in the professionalization of the family firm, pressing them to behave similarly to their non-family competitors due to the fact that the financial goals of institutional investors are typically in contrast to the SEW priorities of the owning family (Fernando, Schneible, & Suh, 2014), suggesting that institutional investors may encourage the family firm to exit via an outright sale as it would provide an influx of short-term capital. Similarly, Wright et al. (1996) suggest that intuitional investors are more interested in maximizing firm value and therefore pursue growth maximizing strategies and therefore we would expect that they would be more interested in the exit strategy that results in the highest value. Given that this group of owners are not considered about noneconomic outcomes like their family owners, I hypothesize that they would value the outright sale of the firm and therefore, I hypothesize the following:

Hypothesis 4: *Of the two exit routes, the probability of an outright sale is the greatest when the level of ownership held by institutional investors increases.*

METHOD

Sample and Data

To test the hypotheses in this analysis, I use a sample of large publicly traded companies based in the United States that are listed on the Standard & Poor's 1500 (S&P 1500). Firms within this sample either transferred ownership to one or several individuals or exited through a gradual exit between 2003 and 2017. To create this longitudinal sample, data pertaining to family ownership, family involvement, family voting rights, and institutional investors was manually collected from proxy statements (e.g., DEF 14A) filed annually with the Securities and Exchange Commission (SEC). The BoardEx database and proxy statements were used to gather data related to company executives and their biographies. All financial and market data was collected from Compustat. The initial sample of S&P 1500 firms included a panel dataset of 22,404 observations across 2,704 firms listed from 2003 to 2017, of which, 532 were identified as family firms and 2,172 classified as non-family firms. After cleaning the data and removing missing observations, the final sample for this essay included 5,973 observations across 532 family firms.

Exits via an outright sale represent transactions where the family firm was bought by another organization, yet the business continues in operation under different ownership and management (Chirico et al., 2019). With an outright sale, all family involvement and family ownership were eliminated once the transaction was complete. An initial search in SDC Platinum for all mergers, acquisitions, and leveraged buyouts that occurred between 2003 and 2017 resulted in 16,074 transactions. This initial sample included buyers that were located inside and outside of the United States but was limited to only include target firms that were based in the United States. After removing transactions that did not involve a target firm that was both listed on the S&P 1500 and that was classified as a family firm (n= 15,930), the final sample contained 144 outright sale transactions. The alternative exit route, gradual exit, was identified through a variety of data sources (proxy statements, SEC filings, company websites, and BoardEx) and the final sample included 258 observations.

Measures

Dependent variable. The dependent variable in this analysis, *exit mode,* is represented by two different exit choices that family firms and their owners may have. The two exit choices are, 1) *outright sale*, in which the business continues in operation but is operates under different ownership and management (Chirico et al., 2019), and 2) *gradual exit*, whereby the family members exit through a partial sale of their voting rights but remain on the board of directors or as an executive (e.g., CEO, TMT) in the organization. Using data filed with the SEC, gradual exits represent instances when owners sell a portion of their shares, which is reported through schedules 13D and 13G. The dependent variable contains a (1) for the selected exit route of outright sales, or a (2) for exit routes via gradual exits, and (0) for non-selected alternatives.

Independent variables. Following the suggestions and applications of previous literature (Anderson & Reeb, 2003; Gedajlovic et al., 2012; Villalonga & Amit, 2006), *family firms* are defined as an organization where either the founder or a member of his/her family is a blockholder, officer, or director. To identify firms that are family controlled, I extracted ownership data from annual proxy statements (e.g., DEF 14a) filed with the SEC. Additionally, internet searches and company websites were used to identify founders, as well as current officers and directors that were descendants of the founder. To indicate the family firm status, a dummy indicator variable was assigned to the sample, where (1) represented family firms and (0) represented non-family firms.

To distinguish the potential influence of family owners (Berrone et al., 2010; Chirico et al., 2019; Chrisman et al., 2012) on the exit strategy undertaken by family firms, a number of variables were operationalized. First, to capture the influence of the top executive in the family firm, *non-family CEO* was gathered using details from company proxy statements, the BoardEx database, and information extracted from company websites. This variable was measured as indicator variable with a one (1) indicating that the presence of a CEO that is not a member of the founding family, and a zero (0) if the CEO was a family member (Feldman et al., 2016). Second, *family voting rights* were identified through proxy statements and captures the voting rights held by the family, demonstrating their ability (or inability) to influence the strategic decision making. Family voting rights is calculated as a ratio of the number of shares held by the family relative to the total shares outstanding. The number of shares held by the family includes all classes of shares in which the family has control or voting power (i.e., family represented trusts) (Villalonga & Amit, 2006).

The involvement of family members (*family involvement*) in the firm was identified in annual proxy statements using the aggregate of two indicators: (1) the number of family members managing the business and (2) the number of family members on the board of directors (Chirico et al., 2019). By evaluating firm proxy statements, *institutional investors* in the business was calculated as the ratio of the number of shares held by non-family blockholders relative to the total shares outstanding. Non-family blockholders are represented by either individuals or institutional owners holding at least five percent (5%) of the firm (Villalonga & Amit, 2006).

Control variables. Multiple control variables were included in the analysis to account for both firm level and family level influences. First, calculated as the natural log of total assets, *firm size,* was also included as a control variable. Next, *founder involvement* was calculated using a dummy variable (e.g.,1/0) of whether the founder is still involved in any organizational activity, such as, serving on the board of directors, owner, manager, or as an employee (Kellermanns, Eddleston, Barnett, & Pearson, 2008; Morck & Yeung, 2003). Additionally, a number of firm level characteristics were used as controls to account for financial performance which may render one exit choice more desirable than another. This includes the *market-to-book ratio,* which is indicative of the investor's expectations of a firm's growth prospects; the *firm profitability*, (EBITDA/sales); the *relative indebtedness* of the firm (debt/equity); firm performance (*Tobin's Q*); and the slack resources (*absorbed slack* and *unabsorbed slack*). To control for the governance of the firm, the number of *outside directors*, calculated as the proportion of independent directors serving on the board of directors, was utilized as a control.

Analysis

Due to the categorical nature of the dependent variable in this study, multinomial logit regression (*mlogit*) was utilized to test the likelihood of the two family firm ownership exit routes (e.g., gradual exit or outright sale) against the baseline of no exit (Dehlen et al., 2014; Hoetker, 2007).

RESULTS

The correlation matrix and descriptive statistics for all variables utilized in the analysis is reported in Table 1. The variance inflation factors of the variables in the model were examined and ranged in value from 1.03 to 3.07, with an average of 1.57. Thus, the VIF is below the established threshold of 10 (Hair, Black, Babin, Anderson, & Tatham, 2006) and indicates that multicollinearity was not a concern in this analysis.

==================================

Insert Essay 3 Table 1 about here

==================================

To limit concerns related to endogeneity caused by omitted variable bias (Antonakis, Bendahan, Jacquart, & Lalive, 2014), it was necessary to identify instrumental variables that are significantly correlated to the independent variables (i.e., family voting rights, non-family CEO, institutional shareholders, family involvement) but are unrelated to the dependent variable of interest (i.e., exit mode). The instrumental variables used to control for endogeneity were firm age and return on assets (ROA). Firm age is indicated by the year the firm was founded. ROA is a measure of the firm's ability to use its resources effectively and is calculated as a ratio of net income to total assets in a given year. Based on previous research (e.g., Dehlen et al., 2014; Gómez-Mejía et al., 2018; Hussinger & Issah, 2019) these two instrumental variables are expected to be strongly correlated to the family and firm variables in the model. Indeed, the instrumental variables were significantly related to the independent variables but were not related to the exit mode dependent variable. Next, running the 2-stage least squares analysis along with the Durbin-Wu-Hausman test, the results indicate that endogeneity is not a concern, as I cannot reject the null hypothesis that the variable are exogenous ($F(1, 796) = 1.21858$, $p = 0.2700$). These results indicate that endogeneity has limited effects on the results (Cameron & Trivedi, 2010).

The results of the direct effects of the independent variables on the multiple binary outcome variables are presented in Table 2 (gradual exit) and Table 3 (outright sale). Referring to Table 2 and Table 3, which test the occurrence of a gradual exit (1) as opposed to no exit (0) and the occurrence of an outright sale exit route (2) as opposed to no exit (0); Model 1 includes only the control variables and Model 2 includes the controls as well as the independent variables. The Chi-squared value in Model 2 (179.59) for both gradual exits and outright sales is greater than the value in Model 1, and the AIC value (3589.871) in Model 2 is smaller than Model 1, indicating that Model 2 is the best fitting model (Hoetker, 2007).

The coefficients included in Model 1 and Model 2 indicate the effect of the variables on the logarithmic odds ratios (Hoetker, 2007) of gradual exits (Table 2) and outright sale exits (Table 3) versus no exit. Model 1 indicates the logarithmic odds that a family firm will exit via gradual sale is negatively and significantly related to the size of the firm ($\beta = -0.3141298$; $p = 0.001$). In contrast, the involvement of the founder in the firm ($\beta = 0.3447052$; $p = 0.002$) and the presence of outsiders on the board of directors ($\beta = 1.033358$; $p = 0.001$) both exert a positive and significant effect on the odds that the family will exit gradually from the business. Whereas, both indebtedness ($\beta = -0.0015324$; $p = 0.063$) and Tobin's Q ($\beta = -0.032562$; $p = 0.034$) exert a negative influence on the likelihood of a gradual exit. Overall, the results of Model 1, which included only the control variables of the analysis yielded a chi-squared value of 119.720.

In Model 2 of Table 2, the independent variables—family voting rights, non-family CEO, institutional shareholders, and family involvement—were added to the equation. The presence of a non-family CEO had a significant negative influence on the likelihood of gradual exit (β = -

0.2978222; p = 0.035). The level of family involvement present in the family firm affected the logarithmic odds of a gradual exit negatively and significantly (β = -0.0676721; p = 0.029). Therefore, although family involvement significantly predicts the odds of a gradual exit, the coefficient is in the opposite direction of the hypothesized effect and therefore, Hypothesis 3 is not supported. Additionally, Model 2 Table 2 indicates that the control held by institutional investors had a positive and significant influence on gradual exits (β = 1.363771; p = 0.001) and the level of voting rights had a negative impact on the likelihood of gradual exit but did not yield a significant result. Therefore Hypothesis 2, which argues that the probability of a gradual exit is the greatest when the level of family voting rights increases, is not supported.

To analyze the results pertaining to outright sales (see Table 3) the coefficients in Models 1 and 2 represent the influence of the variables on the logarithmic odds ratio of outright sale exits in contrast to not exiting the business. Model 1 reveals that the logarithmic odds that a family will exit via an outright sale is negatively and significantly related to the level of unabsorbed slack the business possesses (β = -0.1116497; p = 0.048). Overall, Model 1 containing on the control variables in the equation yielded a chi-squared value of 119.720.

In Model 2 of Table 3, the independent variables—family voting rights, non-family CEO, institutional shareholders, and family involvement—were added to the equation. Model 2 reveals that the logarithmic odds that a family will exit via an outright sale is negatively and significantly related to the size of the firm (β = -0.1859061; p = 0.007). Whereas the level of indebtedness exerts a negative and marginally significant effect (β = -0.160819; p = 0.063). Furthermore, there is a marginally significant positive effect of the market-to-book ratio (β = 0.000022; p = 0.091) on the odds a family will exit via a sale route.

Regarding the impact of the independent variables in Model 2, the presence of a non-family CEO affected the logarithmic odds of an outright sale exit positively and significantly (β = 0.6021467; p = 0.005). Therefore Hypothesis 1, which argues that the probability of an outright sale is greatest when a non-family CEO is present in the family firm, is supported. In contrast, the level of family involvement in the family business had a negative and marginally significant influence on likelihood of an outright sale exit (β = -0.0890401; p = 0.082). The level of family voting rights had a negative impact on the likelihood of outright sale but did not yield a significant result (β = -0.8880921; p = 0.190). Contrary to Hypothesis 4, the level of institutional ownership present in the family firm exerted a negative influence on the logarithmic odds of the family firm exiting via an outright sale and was not statistically significant (β = -0.1681748; p = 0.769), thus Hypothesis 4 is not supported.

==================================

Insert Essay 3 Table 2 about here

==================================

==================================

Insert Essay 3 Table 3 about here

==================================

Robustness Check

To ensure the robustness of the findings in this analysis, I employed additional definitions of family firms (minimal level of ownership threshold) and compared the results against the original findings. This test was conducted because no consistent definition of what constitutes a family firm exists in the literature (Gedajlovic et al., 2012). To conduct the robustness test, I ran a multinomial logistic regression using two different levels of family ownership of common stock (5% and 10% thresholds). The majority of the results held across the previous results, indicating that the findings are robust across different family ownership levels. However, at the 5% ownership threshold, the presence of a non-family CEO was no longer a significant predictor of outright sale. And at the 10% threshold, the level of family involvement was no longer significant for either exit choice. Interestingly, the results pertaining to family voting rights that were not supported in the original findings, became significant using the other ownership thresholds. For both gradual exits and outright sales, the level of family voting rights negatively and significant influenced the exit choice. This finding may be attributed to the fact that as the ownership threshold increases, so does the overall voting rights held by the family, and therefore their willingness to exit decreases. Future research should test this observation in greater detail.

DISCUSSION

The objective of this study was to empirically investigate family specific influences as predictors of two alternative exit routes: gradual exits and outright sales. I hypothesized and empirically demonstrated that family-specific antecedents affect the exit route of family owners from the family firm. Topics regrading family member exit strategies in the family business literature stress the importance of succession or exit events, as they signal an important shift in the trajectory of the family business (Sharma, 2004). Recent research in this area emphasizes the option of internal (Dehlen et al., 2014) and external succession (Wennberg et al., 2011; Zellweger, Richards, Sieger, & Patel, 2016) or the preference of sale, dissolutions, mergers, and acquisitions (Chirico et al., 2019), as the primary forms of ownership transfer. To extend this stream of work, my analysis focuses on the option of gradual exits as an alternative to outright sales and identifies four different family- and firm-specific variables that may influence the exit choice. The results support the notion that the presence of a non-family CEO, the level of family involvement, and the percent of voting rights held by institutional investors strongly influence the exit routes of publicly traded family firms. Whereas the level of voting rights held by the owning family did not yield a significant influence on the family's exit preference.

In this paper, I draw from agency and social identity theory as well as the SEW literature to argue that the ownership and management composition of family firms affects the exit strategy of family owners. I argue that the SEW and social identity concerns of family members may position one exit strategy as more favorable than the other. The results of the multinomial logit model provide support for Hypothesis 1. This suggests that the presence of a non-family CEO in the family firm would increase the probability that the owning family would prefer the outright sale exit option. Indeed, the results also highlight the negative effect that non-family CEOs have on gradual exits. In line with agency arguments, support for Hypothesis 1 indicates an outright sale may be highly desirable for a family exit as it offers the opportunity to maximize short-term financial wealth for the owning family as well as the CEO. These results also support the agency arguments that non-family managers may behave in self-serving manner at the expense of the goals of the family principals (Chua et al., 2003). Further, the transfer of management to a non-family member that precedes an exit decision, could signal the professionalization of the family business and thus reduces the likelihood that identity preservation and SEW may impact exit decisions. In this sense, the prevalence of non-family managers may alter strategic decision making to mirror that of non-family firms, where economic goals are of higher value.

Related to Hypothesis 4, which argues that the probability of an outright sale is greatest when the level of ownership held by institutional investors increases, the empirical results do not lend support for this argument. Instead, the results provide significant support for the alternative exit route. That is, that the level of ownership held by institutional investors significantly and positively predicts a gradual exit. These results suggest that as the level of ownership held by large non-family blockholders increases, family owners may slowly lessen their ownership shares and thus the ownership structure may gradually mirror that of other publicly traded non-family businesses. Therefore, family owners are likely to gradually exit the business while maintaining their management roles. The results for Hypothesis 4 suggest that with an influx of institutional owners there may be external pressures that influence the family's exit decision.

The empirical results from the multinominal logit regression do not support Hypothesis 2, which predicted that of the two exits, the probability of a gradual exit is the greasiest when the level of family voting rights increases. The influence of family voting rights was not significant on either exit route and therefore suggests that family voting rights is not a significant predictor of exit strategies in family firms. Alternatively, the non-significance of these findings may suggest that high levels of family voting rights preclude family owners from exiting the business and instead family members prefer to remain owners. This finding aligns with the arguments presented by Chirico and colleagues (2019), who present a ranking of exit preferences among family owners and find that family owners favor mergers relative to other exit alternatives (e.g., dissolution, sale, and acquisition). This finding is attributed to the fact that mergers allow family members to salvage both ownership and control by simply merging with another organization, rather than exiting the business by reducing ownership.

In a similar vein, the results of the multinominal logit regression also do not support Hypothesis 3, which argued that of the two exit routes, the probability of a gradual exit is greatest when the level of family involvement increases. The results for Hypothesis 3 are significant but in the opposite direction, indicating that family involvement actually experts a negative influence on the probability of a gradual exit strategy. Interestingly, family involvement is also negatively related to the likelihood of an outright sale (marginally significant at the p <.10 level). These findings indicate that family involvement limits the likelihood that owning family will exit their business at all and instead may indicate that family owners retain ownership and management through intra-family succession. The lack of support for the family voting rights (H2) and family involvement (H3) arguments aligns with the majority of family firm literature which suggests that intra-family succession is the predominant form of 'exit' (Gedajlovic et al., 2012; Scholes et al., 2008; Sharma, 2004; Wiklund et al., 2013) where family owners often transfer ownership between other family members (Chirico et al., 2019; Gómez-Mejía et al., 2018; Wennberg et al., 2011; Zellweger et al., 2012). This transfer between family members, or traditional succession routes, fits the long-term continuity and transgenerational aspiration arguments that often accompany family business research. Alternatively, the nonsignificant findings related to H2 and H3 may suggest that family firms are unable to exit their business due to the emotional value that family members attach to the firm, and as a consequence overprice their business in the market (Zellweger et al., 2012). This increased pricing may limit the buyers who are willing to buy the business as research suggests that bidders may have to pay a 'family premium' to compensate the family for the control that they are giving up (Zellweger et al., 2016).

In contrast, other research on exit strategies argues that the assumption of long-term continuity across all family firms may be oversimplifying the exit preferences of owning families (DeTienne & Chirico, 2013). That is, that multiple exit strategies exist in addition to intra-family succession and the lack of research on these alternatives does not fully capture the heterogenous nature of family firms. Therefore, the findings of this analysis contribute to the literature by addressing gradual exits of family owners, which up to this point has received scant attention in the literature. The hypothesized effects of both management (e.g., Hypotheses 1 and 3) and ownership variables (e.g., Hypotheses 2 and 4) on exit routes provides a broader investigation into family specific influences. This study also makes a theoretical contribution by considering social identity theory to explain the tendency of family firm owners to prefer gradual exit alternatives that extends the valued identity of family owners by prolonging management roles within the business. These arguments also contribute to the family business literature by considering the agency theoretical perspective to hypothesize how non-family CEOs influence the exit strategies of family firms. The findings provide insight into how non-family mangers may behave in self-serving manner and suggests that heightened monitoring of non-family agents may be warranted before and throughout the exit process.

Recent arguments regarding the SEW perspective suggests that SEW endowments are present only while the family is in direct control of the firm (Swab, Sherlock, Markin, & Dibrell, 2020), as both the 'family control and influence' and 'renewal of family bonds through dynastic succession' dimensions are considered necessary conditions for SEW to exist in family firms. However, by engaging in an outright sale exit strategy family firms immediately surrender both control and succession intentions at the time of sale, thus any SEW or affective endowment related to the business is also severed at the time of sale (Chirico et al., 2019; Dehlen et al., 2014). In contrast, the arguments and empirical results of this analysis suggest that the SEW held by family members may extend beyond their majority ownership of the firm (DeTienne, 2010; DeTienne & Chirico, 2013). In other words, the gradual exit of the family from the business offers family members the opportunity to preserve any value related to their affective endowment by retaining their position on the top management team or on the board of directors even though they gradually sell off the majority of their ownership, lessening their control of the business. Therefore, gradual exits may be highly desirable for family firms as it affords family members the opportunity to slowly exit the business while extending their affective endowment for a greater period of time, relative to an outright sale.

Limitations and Future Research

As with other empirical essays, this study has limitations that may be productive areas for future research. First, given that the data for this study was collected from the S&P 1500, the family information pertaining to all firms is incomplete and thus could represent a sample selection bias. To mitigate this potential issue, future research should run a Heckman (1979) selection procedure two step model to identify the inverse mills ratio and include this information in the multinomial logit equation. Additionally, the data utilized in this analysis draws exclusively from secondary sources for large, publicly traded firms. The extent to which the findings of this study is applicable to small, privately held firms is rather limited. There may be considerable differences in the exit choices of owners of privately held business or those that are smaller in size and as such, future research should consider investigating the exit routes in various research settings. For instance, the family owners of smaller or privately held family firms may transfer ownership via management buy-outs (MBO) or even management buy-ins (MBI) (Scholes et al., 2008). Some of the ownership and management predictors of family exit used in this analysis may also signal the professionalization of privately held family firms which often precede a MBO exit (Howorth, Wright, Westhead, & Allcock, 2016). Additionally, there may be other firm specific characteristics leading up to the exit that was not captured in the secondary sources. Relatedly, the data in this analysis is limited as it only captures only firms in the United States and future research should explore this topic with a more international sample drawing from multiple countries. It is likely that ownership exit preferences are highly idiosyncratic, and thus may depend on the cultural norms or institutional pressures.

Next, the sample in this essay does not allow me to discern between family firms and lone founder firms. Previous research has highlighted the unique influence that lone founders have on strategic decision making (Cannella, Jones, & Withers, 2015; Fang, Kotlar, Memili, Chrisman, & De Massis, 2016; Miller et al., 2007) and how lone founders are significantly different than family firms. Therefore, future research may wish to separate lone founder firm exit from family firm exits as this may provide additional insights into the exit preferences of specific owners. In a similar vein, future research may wish to consider a moderating or direct effect of founder involvement on the exit choice alternatives. As identified in from the results of this study (see Table 2, Model 2), founder involvement, as a control variable, had a positive and significant effect on the likelihood of a gradual family exit m (β = 0.3194191; p = 0.01). Previous research has identified that the involvement of founders in the business influences a variety of outcomes (e.g., DeTienne & Cardon, 2012; Gómez-Mejía et al., 2018; Miller et al., 2007) and therefore, may also influence the exit route of the family. As such, more research in this area is encouraged.

Additionally, it may be worthwhile for other scholars to consider the impact that the age of the business may have on exit preferences. Although the data in this analysis does not capture details related to the age of the business, other research has frequently used firm age as a proxy for the socioemotional wealth of the owning family (Dehlen et al., 2014; Swab et al., 2020; Zellweger et al., 2012). This work suggests dimensions of SEW (the emotional attachment and identification with the firm) initially increase as the firm ages, but often weaken as the ownership becomes more dispersed over time. Indeed, the age of the business could directly influence the exit route as increased longevity may extend the salience of long-term oriented goals (e.g., succession, SEW, reputation, etc.) and thus, may render one exit choice more preferable than others. Research exploring the moderating impact of generational stages of the business would also be a worthwhile addition to exit research. Future work may wish to incorporate either the number of generations involved in the business or the current generation stage of the business, as both may directly influence the exit strategies of the business and may explain alternatives to intra-family succession.

Lastly, this study is limited as it only considers two exit route alternatives; gradual exit and outright sale but other recent work acknowledges multiple exit choices such as succession, management buyouts, mergers, and dissolution of the business (Chirico et al., 2019). As many exit choices are available to family firms, future research should consider a wider analysis that captures additional options to explain why particular exit routes are more attractive than others to family owners. Future research should also explore the simultaneous influence of buyers in exit choices. Recent research in the family business literature highlights that both the acquiring and the target firm influence a sale (Feldman, Amit, & Villalonga, 2019) therefore who the family is selling their ownership to may have an impact on the choice of exit for the family (Ahlers et al., 2014; Wennberg et al., 2011).

Conclusion

This study investigates the determinants of family ownership exit routes in family firms. The majority of literature on family or entrepreneurial exits focuses on succession as the primary means of exit or explores alternatives relative to intra-family succession (De Massis et al., 2008; Gedajlovic et al., 2012; Sharma, 2004) but more recent research has observed that there are multiple exit paths available for family firms (Chirico et al., 2019). Rather than assuming that ownership exit is an unattractive or last resort option compared to succession, recent research proposes that external exit routes may serve as optimal strategy. Therefore, I investigate the factors that may influence family business owners' exit choice between an outright sale or a gradual exit. Using data from S&P 1500 firms, I argue that a gradual exit may appeal to family owners due to the emotional attachment the family has to the business, compared to an outright sale of the firm whereby family members are not able to salvage any socioemotional wealth. The results indicate that the level of family involvement is negatively related to the likelihood of either exit route, which emphasizes the notion that increased family management may signal the importance of firm continuity for future generations. Further, the results reveal how the presence of a non-family CEO renders an outright sale more likely than other ownership exit choices however, other professionalization factors such as the ownership held by institutional investors significantly increases the probability of a gradual exit. This variance in exit preferences sheds new light on how owning families choose to exit their business.

Essay 3. Table 1. Means, Standard Deviations, and Pearson Correlations.

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Nonfamily CEO	0.42	0.49														
2 Voting Rights	0.18	0.24	-0.0985*													
3 Family Involvement	4.00	2.06	-0.6627*	0.1967*												
4 Institutional Shareholders	0.23	0.16	-0.0219	-0.0435*	-0.0445*											
5 Outright Sale	0.35	0.76	-0.0596*	-0.0184	0.0344*	0.0337*										
6 Gradual Exit	0.07	0.25	0.0982*	-0.0350*	-0.0944*	0.0035	-0.0471*									
7 Firm Size	6.52	1.30	0.1851*	-0.1028*	-0.1612*	-0.1929*	-0.1347*	0.0038								
8 Founder Involvement	0.44	0.50	-0.1194*	-0.1176*	0.1184*	0.0153	0.0610*	-0.0340*	-0.0512*							
9 Market-to-book Ratio	4.48	94.27	-0.0074	-0.0146	-0.0077	0.0007	0.0042	-0.0038	-0.0036	-0.0095						
10 Profitability	0.14	0.22	0.0222	0.0182	0.0136	-0.0853*	0.0198	-0.0164	0.0629*	-0.0404*	-0.007					
11 Indebtedness	1.33	50.01	-0.0112	-0.0138	-0.0059	0.0065	0.0009	-0.0051	-0.0107	-0.0122	0.9767*	-0.0071				
12 Tobins Q	4.00	4.02	0.0235	-0.0077	0.0235	-0.1283*	0.0706*	-0.0248	-0.1626*	0.0790*	0.006	0.1290*	-0.0035			
13 Absorbed Slack	0.22	0.23	0.0312	0.0308	-0.0242	0.0265	0.0555*	0.0131	-0.1084*	0.1243*	0.0129	-0.5199*	0.0034	0.0651*		
14 Unabsorbed Slack	2.37	1.60	-0.1262*	0.0183	0.0622*	0.0434*	0.0465*	-0.0299	-0.1506*	0.1718*	-0.0042	-0.0553*	-0.0057	-0.1357*	0.1708*	
15 BOD Outside Ratio	0.15	0.18	-0.0502*	-0.0971*	0.03	-0.0715*	0.0659*	-0.0096	-0.0448*	-0.0249	0.0178	0.0116	0.0207	-0.0265	-0.0213	0.0152

* $p < .05$

Essay 3. Table 2. Multinomial Logit Regression for Gradual Exits.

Table 2. Gradual Exit

	Model 1	Model 2
Firm Size	-0.3141298 **	-0.2902416 **
Founder Involvement	0.3447052**	0.3194191 **
Market-to-book Ratio	0.0000135	0.0000144
Profitability	0.3925815	0.4961108
Indebtedness	-0.0015324 *	-0.0017183 *
Tobins Q	0.0325262 **	0.039825 **
Absorbed Slack	0.329018	0.3191163
Unabsorbed Slack	0.0438796	0.0439521
BOD Outside Ratio	1.033358 **	1.072864 **
Nonfamily CEO		-0.2978222 **
Voting Rights		-0.3036136
Family Involvement		-0.0676721 **
Institutional Shareholders		1.363771 **
Constant	-0.2464338	-0.2954219
Chi^2	119.720	179.59
Prob>Chi^2	0.00	0.00
AIC	3637.915	3589.871
Observations	2699	2695

* $p < .10$
** $p < .05$
Two-tailed tests.

Essay 3. Table 3. Multinomial Logit Regression for Outright Sale Exits.

Table 3. Outright Sale

	Model 1	Model 2
Firm Size	-0.0911822	-0.1859061 **
Founder Involvement	-0.0599502	0.0226423
Market-to-book Ratio	0.0000131	0.000022 *
Profitability	-0.3518568	-0.4154154
Indebtedness	-0.0060925	-0.0160819 *
Tobins Q	-0.024373	-0.0324072
Absorbed Slack	-0.0132042	-0.1505418
Unabsorbed Slack	-0.1116497 **	-0.0824119
BOD Outside Ratio	0.1364242	0.1431124
Nonfamily CEO		0.6021467 **
Voting Rights		-0.8880921
Family Involvement		-0.0890401 *
Institutional Shareholders		-0.1681748
Constant	-1.367337 **	-0.5619811
Chi^2	119.72	179.59
Prob>Chi^2	0.00	0.00
AIC	3637.915	3589.871
Observations	2699	2695

* $p < .10$

** $p < .05$

Two-tailed tests.

REFERENCES

Ahlers, O., Hack, A., & Kellermanns, F. W. (2014). “Stepping into the buyers’ shoes”: Looking at the value of family firms through the eyes of private equity investors. *Journal of Family Business Strategy*, *5*(4), 384-396.

Ahlers, O., Hack, A., Madison, K., Wright, M., & Kellermanns, F. W. (2017). Is it all about money? Affective commitment and the difference between family and non-family sellers in buyouts. *British Journal of Management*, *28*(2), 159-179.

Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: evidence from the S&P 500. *The Journal of Finance*, *58*(3), 1301-1328.

Antonakis, J., Bendahan, S., Jacquart, P., & Lalive, R. (2014). Causality and endogeneity: Problems and solutions. *The oxford handbook of leadership and organizations* (pp. 93-117). Oxford: Oxford Library of Psychology.

Arregle, J. L., Hitt, M. A., Sirmon, D. G., & Very, P. (2007). The development of organizational social capital: Attributes of family firms. *Journal of Management Studies*, *44*(1), 73-95.

Ashforth, B. E., & Mael, F. (1989). Social identity theory and the organization. *Academy of Management Review*, *14*(1), 20-39.

Ashforth, B. E., Harrison, S. H., & Corley, K. G. (2008). Identification in organizations: An examination of four fundamental questions. *Journal of Management*, *34*(3), 325-374.

Berrone, P., Cruz, C., & Gómez-Mejía, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Review*, *25*(3), 258-279.

Berrone, P., Cruz, C., Gómez-Mejía, L. R., & Larraza-Kintana, M. (2010). Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less?. *Administrative Science Quarterly*, *55*(1), 82-113.

Bertrand, M., & Schoar, A. (2006). The role of family in family firms. *Journal of Economic Perspectives*, *20*(2), 73-96.

Bjuggren, P. O., Wiberg, D., & Sund, L. G. (2009). *Ownership, Succession and Entrepreneurship in an Aging Society Is There a Transition Problem?*. Edward Elgar Publishing.

Blumentritt, T. P., Keyt, A. D., & Astrachan, J. H. (2007). Creating an environment for successful non-family CEOs: An exploratory study of good principals. *Family Business Review*, *20*(4), 321-335.

Cannella Jr, A. A., Jones, C. D., & Withers, M. C. (2015). Family-versus lone-founder-controlled public corporations: Social identity theory and boards of directors. *Academy of Management Journal*, *58*(2), 436-459.

Cameron, A. C., & Trivedi, P. K. (2010). *Microeconometrics using stata* (Vol. 2). College Station, TX: Stata press.

Caprio, L., Croci, E., & Del Giudice, A. (2011). Ownership structure, family control, and acquisition decisions. *Journal of Corporate Finance*, *17*(5), 1636-1657.

Carney, M. (2005). Corporate governance and competitive advantage in family-controlled firms. *Entrepreneurship Theory and Practice*, *29*(3), 249-265.

Chirico, F., Gómez-Mejia, L. R., Hellerstedt, K., Withers, M., & Nordqvist, M. (2019). To merge, sell, or liquidate? Socioemotional wealth, family control, and the choice of business exit. *Journal of Management*, 0149206318818723.
Chrisman, J. J., Chua, J. H., & Sharma, P. (2005). Trends and directions in the development of a strategic management theory of the family firm. *Entrepreneurship Theory and Practice*, *29*(5), 555-575.
Chrisman, J. J., Chua, J. H., Pearson, A. W., & Barnett, T. (2012). Family involvement, family influence, and family-centered non-economic goals in small firms. *Entrepreneurship Theory and Practice*, *36*(2), 267-293
Chua, J. H., Chrisman, J. J., & Sharma, P. (1999). Defining the family business by behavior. *Entrepreneurship Theory and Practice*, *23*(4), 19-39.
Chua, J. H., Chrisman, J. J., & Sharma, P. (2003). Succession and nonsuccession concerns of family firms and agency relationship with nonfamily managers. *Family Business Review*, *16*(2), 89-107.
Debicki, B. J., Matherne III, C. F., Kellermanns, F. W., & Chrisman, J. J. (2009). Family business research in the new millennium: An overview of the who, the where, the what, and the why. *Family Business Review*, *22*(2), 151-166.
Deephouse, D. L., & Jaskiewicz, P. (2013). Do family firms have better reputations than non-family firms? An integration of socioemotional wealth and social identity theories. *Journal of Management Studies*, *50*(3), 337-360.
Defrancq, C., Huyghebaert, N., & Luypaert, M. (2016). Influence of family ownership on the industry-diversifying nature of a firm's M&A strategy: Empirical evidence from Continental Europe. *Journal of Family Business Strategy*, *7*(4), 210-226.
Dehlen, T., Zellweger, T., Kammerlander, N., & Halter, F. (2014). The role of information asymmetry in the choice of entrepreneurial exit routes. *Journal of Business Venturing*, *29*(2), 193-209.
De Massis, A., Chua, J.H., & Chrisman, J.J. (2008). Factors preventing intra-family succession. *Family Business Review, 21*, 183–199.
DeTienne, D.R. (2010). Entrepreneurial exit as a critical component of the entrepreneurial process: Theoretical development. *Journal of Business Venturing, 25*(2), 203–215.
DeTienne, D. R., & Cardon, M. S. (2012). Impact of founder experience on exit intentions. *Small Business Economics*, *38*(4), 351-374.
DeTienne, D. R., & Chirico, F. (2013). Exit strategies in family firms: How socioemotional wealth drives the threshold of performance. *Entrepreneurship Theory and Practice*, *37*(6), 1297-1318.
Dutton, J. E., Dukerich, J. M., & Harquail, C. V. (1994). Organizational images and member identification. *Administrative Science Quarterly*, 239-263.
Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law and Economics, 26*(2), 301-325.
Fang, H., Kotlar, J., Memili, E., Chrisman, J. J., & De Massis, A. (2018). The pursuit of international opportunities in family firms: Generational differences and the role of knowledge-based resources. *Global Strategy Journal*, *8*(1), 136-157.
Feldman, E. R., Amit, R., & Villalonga, B. (2016). Corporate divestitures and family control. *Strategic Management Journal*, *37*(3), 429-446.

Feldman, E. R., Amit, R., & Villalonga, B. (2019). Family firms and the stock market performance of acquisitions and divestitures. *Strategic Management Journal*, *40*(5), 757-780.
Fernando, G. D., Schneible Jr, R. A., & Suh, S. (2014). Family firms and institutional investors. *Family Business Review*, *27*(4), 328-345.
Gedajlovic, E., Carney, M., Chrisman, J. J., & Kellermanns, F. W. (2012). The adolescence of family firm research: Taking stock and planning for the future. *Journal of Management*, *38*(4), 1010-1037.
Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, *52*(1), 106-137.
Gómez-Mejía, L. R., Patel, P. C., & Zellweger, T. M. (2018). In the horns of the dilemma: Socioemotional wealth, financial wealth, and acquisitions in family firms. *Journal of Management*, *44*(4), 1369-1397.
Granata D., & Chirico F. (2010). Measures of value in acquisitions: Family versus nonfamily firms. *Family Business Review*, *23*(4), 341–354.
Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. (2006). *Multivariate data analysis*. Uppersaddle River.
Hammond, N. L., Pearson, A. W., & Holt, D. T. (2016). The quagmire of legacy in family firms: Definition and implications of family and family firm legacy orientations. *Entrepreneurship Theory and Practice, 40*(6), 1209-1231.
Heckman, J. J. (1979). Sample selection bias as a specification error. *Econometrica: Journal of the Econometric Society*, 153-161.
Hoetker, G. (2007). The use of logit and probit models in strategic management research: critical issues. *Strategic Management Journal 28*(4), 331–343.
Howorth, C., Wright, M., Westhead, P., & Allcock, D. (2016). Company metamorphosis: professionalization waves, family firms and management buyouts. *Small Business Economics*, *47*(3), 803-817.
Hussinger, K., & Issah, A. B. (2019). Firm acquisitions by family firms: A mixed gamble approach. *Family Business Review*, *32*(4), 354-377.
Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305-360.
Kellermanns, F. W., Eddleston, K. A., Barnett, T., & Pearson, A. (2008). An exploratory study of family member characteristics and involvement: Effects on entrepreneurial behavior in the family firm. *Family Business Review*, *21*(1), 1-14.
Le Breton-Miller, I., Miller, D., & Steier, L. P. (2004). Toward an integrative model of effective FOB succession. *Entrepreneurship Theory and Practice*, *28*(4), 305-328.
Mael, F., & Ashforth, B. E. (1992). Alumni and their alma mater: A partial test of the reformulated model of organizational identification. *Journal of Organizational Behavior*, *13*(2), 103-123.
Mickelson, R. E., & Worley, C. (2003). Acquiring a family firm: A case study. *Family Business Review*, *16*(4), 251-268.
Miller, D., & Le Breton-Miller, I. (2014). Deconstructing socioemotional wealth. *Entrepreneurship Theory and Practice*, *38*, 713-720.
Miller, D., Le Breton-Miller, I., Lester, R. H., & Cannella Jr, A. A. (2007). Are family firms really superior performers?. *Journal of Corporate Finance*, *13*(5), 829-858.

Miller, D., Minichilli, A., & Corbetta, G. (2013). Is family leadership always beneficial?. *Strategic Management Journal*, *34*(5), 553-571.
Morck, R., & Yeung, B. (2003). Agency problems in large family business groups. *Entrepreneurship Theory and Practice, 27*(4), 367-382.
Salvato, C., Chirico, F., & Sharma, P. (2010a). A farewell to the business: Championing exit and continuity in entrepreneurial family firms. *Entrepreneurship & Regional Development*, *22*(3-4), 321-348.
Salvato, C., Chirico, F., & Sharma, P. (2010b). Understanding exit from the founder's business in family firms. In *Entrepreneurship and Family Business* (pp. 31-85). Emerald Group Publishing Limited.
Sánchez-Bueno, M. J., & Usero, B. (2014). How may the nature of family firms explain the decisions concerning international diversification?. *Journal of Business Research*, *67*(7), 1311-1320.
Schmid, T., Ampenberger, M., Kaserer, C., & Achleitner, A. K. (2015). Family firm heterogeneity and corporate policy: Evidence from diversification decisions. *Corporate Governance: An International Review*, *23*(3), 285-302.
Scholes, L., Westhead, P., & Burrows, A. (2008). Family firm succession: the management buy-out and buy-in routes. *Journal of Small Business and Enterprise Development*, *15*(1), 8-30.
Schulze, W. S., & Kellermanns, F. W. (2015). Reifying Socioemotional Wealth. *Entrepreneurship Theory and Practice, 39*(3), 447.
Schulze, W. S., Lubatkin, M. H., & Dino, R. N. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, *18*(4), 473-490.
Sharma, P. (2004). An overview of the field of family business studies: current status and directions for the future. *Family Business Review, 17*(1), 1-36.
Sharma, P., & Irving, P. G. (2005). Four bases of family business successor commitment: Antecedents and consequences. *Entrepreneurship Theory and Practice*, *29*(1), 13-33.
Sharma, P., & Manikutty, S. (2005). Strategic divestments in family firms: Role of family structure and community culture. *Entrepreneurship Theory and Practice, 29*(3), 293-311.
Swab, R. G., Sherlock, C., Markin, E., & Dibrell, C. (2020). “SEW” What Do We Know and Where Do We Go? A Review of Socioemotional Wealth and a Way Forward. *Family Business Review*, *33*(4), 424-445.
Tabor, W., Chrisman, J. J., Madison, K., & Vardaman, J. M. (2018). Nonfamily members in family firms: A review and future research agenda. *Family Business Review*, *31*(1), 54-79.
Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value?. *Journal of Financial Economics*, *80*(2), 385-417.
Villalonga, B., & Amit, R. (2009). How are US family firms controlled?. *The Review of Financial Studies*, *22*(8), 3047-3091.
Wennberg, K., & DeTienne, D. R. (2014). What do we really mean when we talk about ‘exit’? A critical review of research on entrepreneurial exit. *International Small Business Journal*, *32*(1), 4-16.
Wennberg, K., Wiklund, J., DeTienne, D.R., & Cardon, M. (2010). Reconceptualizing entrepreneurial exit: Divergent exit routes and their drivers. *Journal of Business Venturing, 25*(4), 361–375.

Wennberg, K., Wiklund, J., Hellerstedt, K., & Nordqvist, M. (2011). Implications of intra-family and external ownership transfer of family firms: short-term and long-term performance differences. *Strategic Entrepreneurship Journal*, *5*(4), 352-372.

Wiklund, J., Nordqvist, M., Hellerstedt, K., & Bird, M. (2013). Internal versus external ownership transition in family firms: An embeddedness perspective. *Entrepreneurship Theory and Practice*, *37*(6), 1319-1340.

Wright, P., Ferris, S. P., Sarin, A., & Awasthi, V. (1996). Impact of corporate insider, blockholder, and institutional equity ownership on firm risk taking. *Academy of Management Journal*, *39*(2), 441-458.

Yu, A., Lumpkin, G. T., Sorenson, R. L., & Brigham, K. H. (2012). The landscape of family business outcomes: A summary and numerical taxonomy of dependent variables. *Family Business Review*, *25*(1), 33-57.

Zellweger, T.M. (2007). Time horizon, costs of equity capital, and generic investment strategies of firms. *Family Business Review*, *20*(1), 1-15.

Zellweger, T. M., & Astrachan, J. H. (2008). On the emotional value of owning a firm. *Family Business Review*, *21*(4), 347-363.

Zellweger, T. M., & Kammerlander, N. (2015). Article Commentary: Family, Wealth, and Governance: An Agency Account. *Entrepreneurship Theory and Practice*, *39*(6), 1281-1303.

Zellweger, T. M., Kellermanns, F. W., Chrisman, J. J., & Chua, J. H. (2012). Family control and family firm valuation by family CEOs: The importance of intentions for transgenerational control. *Organization Science*, *23*(3), 851-868.

Zellweger, T. M., Nason, R. S., Nordqvist, M., & Brush, C. G. (2013). Why do family firms strive for nonfinancial goals? An organizational identity perspective. *Entrepreneurship Theory and Practice*, *37*(2), 229-248.

Zellweger, T.M., Richards, M., Sieger, P., & Patel, P. C. (2016). How much am I expected to pay for my parents' firm? An institutional logics perspective on family discounts. *Entrepreneurship Theory and Practice*, *40*(5), 1041-1069.

CURRICULUM VITAE

EDUCATION

University of Mississippi – School of Business Administration, University, MS
Ph.D., Management

University of Mississippi – School of Business Administration, University, MS
Master of Business Administration

University of Northern Iowa – College of Business Administration, Cedar Falls, IA
Bachelor of Arts, Management
Bachelor of Arts, Marketing

RESEARCH EXPERIENCE

Research Associate. Stephenson Entrepreneurship Institute, Louisiana State University, Baton Rouge, Louisiana. August 2020 - August 2021.

PUBLICATIONS (All publications were blind peer-reviewed)

Swab, R.G., **Sherlock, C.,** Markin, E., & Dibrell, C. (2020). 'SEW' What Do We Know and Where Can We Go? A Review of Socioemotional Wealth and a Way Forward. *Family Business Review, 33*(4), 424-445.

JOURNAL SUBMISSIONS UNDER REVISION/REVIEW

Sherlock, C., Dibrell, C., & Memili, E. *Family Heterogeneity: The Impact of Family Essence and Resource Stock on Firm Innovativeness,* under 3rd round review at *Journal of Family Business Strategy.*

Dibrell, C., Gamble, J., Clinton, E., McAdam, M., & **Sherlock, C.** *Why Are Some Multi-Generational Family Firms More Entrepreneurial Than Others? The Role of Business Family Governance and Firm Innovativeness*, under 2nd revisions at *Journal of Business Research.*

Kim, J., Dibrell, C., & **Sherlock, C.** *TMT Communication on a Firm's Environmental Actions: DoFirms Follow Through?.* under initial review at *Organization and Environment.*

Sherlock, C., Markin E., & Swab, R.G. *A New Era of Family Business Research: A Systematic Review of The Topics and Top Contributors.* Under initial review at the *Journal of Family Business Strategy.*

HONORS & PROFESSIONAL AWARDS

2018 Babson College Bertarelli Family Award for Excellence in Research on the topic of FamilyEntrepreneurship

Dibrell, C., Gamble, J., **Sherlock, C.,** & Swab, R.G. (2018). *Family Governance and Firm Innovativeness: The Moderating Roles of Family Pride and Founding Generation Involvement*. The 2018 Babson College Entrepreneurship Research Conference in Waterford, Ireland. This paper was awarded the 2018 Babson College Bertarelli Family Award for Excellence in Research on the topic of Family Entrepreneurship.

BOOK CHAPTERS & CONFERENCE PROCEEDINGS

Sherlock, C., & Marshall, D.R. (2019). A Literature Review of Family Firm Boards: An Input-Mediator-Output-Input Perspective. In *The Palgrave Handbook of Heterogeneity Among Family Firms*(pp. 141-179). Palgrave Macmillan, Cham, Switzerland.

Dibrell, C., Gamble, J., **Sherlock, C.** & Swab, R.G. (2018). *Family Governance and Firm Innovativeness: The Moderating Roles of Family Pride and Founding Generation Involvement*. The 2018 Frontiers of Entrepreneurship Research, Babson College Center. This paper was awarded the 2018 Babson College Bertarelli Family Award for Excellence in Research on the topic of Family Entrepreneurship.

Sherlock, C., Gamble, J., Davis, W., & Johnson., P.D. (2018). *Family Unity and Firm Performance: The Moderating Role of Internal Stakeholders Within Family Firms.* The 2018 Frontiers of Entrepreneurship Research, Babson College Center.

INTERNATIONAL, NATIONAL, & REGIONAL CONFERENCE PRESENTATIONS

Markin, E., **Sherlock, C.,** & Chrisman, J.J. (2021). *Operational Standards in Franchising: Differences Between Family-owned And Nonfamily Outlets.* Babson College Entrepreneurship Research Conference, Munich, Germany. Conference held virtually due to Coronavirus.

Sherlock, C. & Holt, D.T. (2021). *Measurement of Family Firms: A Lack of Consistency and a Mismatch Between Conceptualization and Operationalization.* Babson College Entrepreneurship Research Conference, Munich, Germany. Conference held virtually due to Coronavirus.

Sherlock, C., Markin, E., & Swab, R.G. (2020). *A Decade of Family Business Research: A Systematic Review of the Topics and Top Contributors.* Southern Management Association Annual Meeting, St. Pete Beach, Florida. Conference held virtually due to Coronavirus.

Sherlock, C., Dibrell, C., & Clinton, E. (2020). *Examining the Intersection of the Family and the Business: The Moderating Role of Family Functionality on Family Business Commitment Culture to Firm Performance.* Babson College Entrepreneurship Research Conference, Knoxville, Tennessee. Conference held virtually due to Coronavirus.

Swab, R.G., **Sherlock, C.,** Marshall, D.R., & Markin, E. (2019). *New Venture Teams' Creative Self- Efficacy: The Mediating Role of Competitive and Cooperative Goal Structures on*

Collaboration and Satisfaction. Southern Management Association Annual Meeting, Norfolk, Virginia.

Dibrell, C., **Sherlock, C.,** & Gamble, J. (2019). *Family Unity and Internal Social Practices in Family Firms: Does It Matter?* Western Academy of Management Annual Conference, Rohnert Park, California.

Sherlock, C., Dibrell, C., Gamble, J., McAdam, M., & Clinton, E. (2018). *The Moderating Role of Internal Social Practices on Firm Performance and Family Unity.* Southern Management AssociationAnnual Meeting, Lexington, Kentucky.

Dibrell, C., Gamble, J., Clinton, E., & **Sherlock., C.** (2018). *Governance, Pride, and Multi-Generational Involvement on Innovativeness: A Family Firm Study.* Academy of Management Annual Meeting, Chicago, Illinois.

Dibrell, C., Gamble, J., **Sherlock, C.** & Swab, G. (2018). *Family Governance and Firm Innovativeness:The Moderating Roles of Family Pride and Founding Generation Involvement*. Babson College Entrepreneurship Research Conference in Waterford, Ireland. This paper was awarded the 2018 Babson College Bertarelli Family Award for Excellence in Research on the topic of Family Entrepreneurship.

Sherlock, C., Gamble, J., Davis, W., & Johnson, P.D. (2018). *Family Unity and Firm Performance: The Moderating Role of Internal Stakeholders Within Family Firms.* Babson College Entrepreneurship Research Conference, Waterford, Ireland.

TEACHING

Business Venturing (ENT 396)

Management of Strategic Planning (MGMT 493)

Human Resource Management (MGMT 383)

PROFESSIONAL AFFILIATIONS & SERVICE

Member: Academy of Management, Southern Management Association, Western Academy of Management.

Reviewer: Academy of Management Annual Conference, Southern Management Association Annual Conference, Western Academy of Management Annual Conference, *Journal of Small Business and Entrepreneurship, Entrepreneurship Theory & Practice.*