

The influence of family involvement in boards of directors on firm acquisitions from a mixed gamble approach: a generational perspective

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Abstract

Purpose – This study investigates the incidence of family involvement in boards on firm acquisitions in the Asia-Pacific region from a mixed gamble approach. Then, we analyse when and to what extent founder versus non-founder family firms condition the relationship between family involvement in boards and firm acquisitions by amplifying or reducing the potential socioemotional and financial gains and losses derived from such acquisitions.

Design/methodology/approach – To empirically test the proposed hypotheses, we used a panel data sample of 1,096 publicly listed firms from the Capital IQ database about the Asia-Pacific context and covering the 2009–2016 period. The longitudinal nature of the dataset permits us to explain how firm acquisitions vary over time.

Findings – Our findings reveal that, in the Asia-Pacific context, family directors negatively impact the number of acquisitions. Moreover, when the results are further elaborated by considering the generational effect, the negative relationship between family directors and the number of acquisitions is significant only for third and later-generation family firms.

Originality/value – First, we contribute to the acquisition literature by investigating how the presence of family board members affects this relevant phenomenon. Second, our article helps to understand the different drivers of acquisitions at different generational stages of family firms. Third, we answer the call for considering the context sensitivity when applying the SEW theoretical framework, revealing that, as in Asia-Pacific family firms, both family ownership and SEW endowment increase over generations, the negative effect of family directors on the number of acquisitions at later generational stages may be even more evident than in other geographic contexts.

Keywords Family involvement in the board of directors, Firm acquisitions, Generational stage, Mixed gamble approach

Paper type Research article



Introduction

Acquisitions can become a remarkable strategy for family firms to reduce costs, expand and complement their resources or raise organisational learning (e.g. [Harrison et al., 1991](#)). Family firms can grow quickly by undertaking acquisitions, gaining market power and even attaining a successful exit for generational transitions (e.g. [Goossens et al., 2008](#)).

However, prior literature has mostly shown that family firms are usually hesitant to develop acquisitions ([Shim and Okamuro, 2011](#)), demonstrating that the level of family ownership is generally associated with a smaller scale of acquisitions. In this sense, recent studies have specifically analysed the acquisition behaviour of quoted family businesses applying the mixed gamble perspective ([Diéguez-Soto et al., 2020](#); [Gómez-Mejía et al., 2018](#)). These studies reveal that family firms' engagement towards acquisitions varies with their nonfamily counterparts because family owners assess acquisitions after weighting potential financial and socioemotional (hereafter SEW) ([Gómez-Mejía et al., 2007](#)) gains and losses. Therefore, despite the increasing attention towards acquisitions in family firms ([Worek et al., 2018](#)), existing research has mainly focused on the role played by family ownership.

Nevertheless, it is not simply family involvement in ownership that provides legitimacy and power to influence corporate decisions. Still, also family involvement in management and governance leads to distinct aims, particularistic behaviours and performance outcomes ([Chrisman et al., 2012](#)). Family ownership, management and governance are frequently strongly integrated – for example, family shareholders appoint board members – but some dissimilarities may influence strategic decisions ([Evert et al., 2018](#)), such as acquisitions. In this regard, firms with high family ownership might have low family involvement in governance and vice versa. Family involvement in governance is of utmost importance in promoting shareholders' interests and defining the firm's key strategies, so how it affects acquisitions might differ from that exerted by other family roles ([Liang et al., 2013](#)). Indeed, the board of directors influences the choice and implementation of corporate strategies ([Zahra and Pearce, 1989](#)), such as acquisitions, and provides resources and expertise to top managers ([Hillman and Dalziel, 2003](#)). Specifically, family directors' presence impacts decision-making to achieve SEW goals ([Berrone et al., 2010](#)), and family presence is translated into strategic choices addressed to support the family SEW conservation agenda ([Gómez-Mejía et al., 2011](#)). Furthermore, differences in the level and nature of family involvement in governance suggest that it is incongruous to presume that the intensity with which SEW objectives are pursued will be uniformly applicable to all family firms ([De Massis et al., 2014](#)). Indeed, the degree of family presence on boards can be a key determinant of businesses' ability to successfully handle the complexity arising from acquisitions, shaping the mixed gamble that family firms usually confront when considering these strategic decisions.

Furthermore, when analysing differences between family and non-family businesses, it is decisive to consider distinct sources of heterogeneity within family firms simultaneously ([Martínez-Alonso et al., 2024](#)). The effect of family directors on acquisitions may be contingent on factors that amplify or reduce the potential gains and losses from such investments. Particularly, examining the firm's generational stage as a contingent factor may be pretty significant ([Bammens et al., 2008](#)), given that the relevance family firms grant to SEW might vary depending on the percentage of family directors and across generations ([Swab et al., 2020](#)). Therefore, the extent and importance of different sources of heterogeneity in shaping acquisitions, namely the proportion of family directors and the generational stage, deserve to be studied.

To address the abovementioned issues, the present study starts with the mixed gamble approach ([Bromiley, 2009](#)) to explain the differential behaviour of firms regarding acquisitions based on family involvement in boards. The mixed gamble approach has been proven to be an adequate theoretical approach when analysing family firms' engagement in acquisitions ([Gómez-Mejía et al., 2018](#)). In this regard, our study goes further and introduces an additional source of family firm heterogeneity: the generational stage ([Le Breton-Miller and Miller, 2013](#)). Thus, we argue that the degree of family involvement in boards affects the different weighting of potential gains from firm acquisitions relative to losses, depending on the generational stage.

To empirically test the proposed hypotheses, we used a panel data sample of 1,096 publicly listed firms from the Capital IQ database about the Asia-Pacific context and covering the 2009–2016 period. The longitudinal nature of the dataset permits us to explain how firm acquisitions vary over time.

Our study contributes to both the acquisition and the family business research fields. First, we contribute to the acquisition literature by investigating how the presence of family board members affects this relevant phenomenon. Although prior research has focused on family board members (e.g. [Bammens et al., 2008](#)), to the best of our knowledge, no article has examined firms' acquisition activity from a governance perspective. This is of utmost importance as all family board members always exert an active role in corporate performance, vis-à-vis family shareholders who might be active or passive ([Andres, 2008](#)). Taking the opportunity of this research gap, our study focuses on the active and unequivocal effect of family involvement in boards on firm acquisitions. Second, a limitation of previous literature on acquisitions in family firms is that it widely disregards the influence of generations. In this vein, following recent calls to clarify the differences between founder firms and those passing on to subsequent generations ([Cuevas-Rodríguez et al., 2023](#)) and assuming that the priority granted to non-economic and economic goals by family board members may vary across generations ([Chirico and Kellermanns, 2024](#)), our article helps to understand the different acquisition drivers at distinct generational stages. Third, we answer the call for considering the context sensitivity when applying the SEW theoretical framework, revealing that, as in Asia-Pacific family firms, both family ownership and SEW endowment increase over generations, the negative effect of family directors on the number of acquisitions at later generational stages may be even more evident than in other geographic contexts. Accordingly, the findings obtained could be considered unique to the Asia-Pacific region.

Theoretical framework and hypotheses development

The acquisition mixed gamble and the level of family involvement in the board

There is a stream of literature showing the existence of family firm heterogeneity regarding goals ([De Massis et al., 2018](#)). In this vein, previous research confirms that the type and level of family involvement in the firm may have significant consequences on both the risk perceptiveness to non-economic and economic wealth ([Alessandri et al., 2018](#)) and the family's ability to adapt firm decision-making to preserve SEW and family issues ([Schmid et al., 2015](#)). More specifically, the level of family involvement in boards of directors can regulate the relative relevance of SEW and financial goals ([Voordeckers et al., 2007](#)). Namely, family firms with higher family involvement in boards are expected to give a more significant predominance to the protection of SEW than those with lower family involvement ([Liang et al., 2013](#)). Accordingly, the appointment of family directors will contribute to emphasising SEW preservation and decision-making, prioritising family goals ([Matzler et al., 2015](#)). Likewise, family board members can bring a higher identification with the firm, increasing the willingness to enhance the business' competitiveness ([Sciascia et al., 2013](#)). Therefore, we argue that enlightening how family involvement in boards influences the weighting of SEW and financial wealth in decision-making can render a greater comprehension of the role of family governance in promoting or obstructing acquisitions. When engaging in acquisitions, family board members must balance pros and cons, not only considering financial issues but also nonfinancial objectives ([Doucet et al., 2023](#)). According to the mixed-gamble approach, family board members who prioritise nonfinancial over financial goals are likely to consider that acquisitions potentially involve simultaneous losses and gains in both economic and SEW terms (e.g. [Gómez-Mejía et al., 2018](#)).

On the one hand, there is some reasoning regarding the advantages of acquisitions with respect to financial and SEW gains for the family. Acquisitions not only may yield uncertain future financial rents ([Gómez-Mejía et al., 2018](#)), but can also be an impulse to obtain

nonfinancial outcomes if successful. Family firms that undertake acquisitions can generate additional employment opportunities for the family, making intrafamily succession management easier (Hauck and Prügel, 2015) and providing more career opportunities for offspring or other family members. Consequently, family firms with a higher proportion of family board members may support new acquisitions to promote the family's non-economic self-interest through increasing family employment and improving the wealth-generating capabilities for subsequent generations (Zellweger *et al.*, 2012).

On the other hand, the arguments against undertaking acquisitions in those family firms with a higher family presence on boards can be more definite due to the significant drawbacks of these transactions regarding SEW losses for the family. First, having a higher family representation on the board may imply, on one side, a larger unwillingness to raise external equity to finance acquisitions to avoid the dilution of family ownership (Su *et al.*, 2017). On the other hand, a higher proportion of family directors might increase the tendency not to finance acquisitions through indebtedness to diminish the likelihood of bankruptcy (Furfin and Rosen, 2011) and not lose the family SEW (Anderson and Reeb, 2003). Acquisitions often require more indebtedness, which, in turn, entails an increased likelihood of losing autonomy in setting business policies without the supervision and inclusion of outsiders' views (e.g. Gómez-Mejía *et al.*, 2018). Therefore, financing acquisitions with external funds might be seen as increasingly worrying for preserving the family's current and transgenerational control as the level of family board members increases. Second, boards of directors with a higher percentage of family members may pursue more conservative business strategies than boards with a lower presence of family directors, since family directors are likely to avoid putting their likely large proportion of financial resources tied up in the firm at risk (Claessens *et al.*, 2002). Consequently, boards with higher participation of family members will be more prone to endanger their family wealth by undertaking uncertain acquisitions. Third, acquisitions usually demand larger formalisation and new challenges regarding management style and organisational culture (Barkema and Schijven, 2008). However, a higher appointment of family members to the board may imply excessively concentrated decision-making, absence of different views and insufficient expertise, which might lead to missing acquisition possibilities. In addition, a high level of family participation on boards will be associated with fewer acquisitions, as this strategic decision may force family firms to hire nonfamily experts who are knowledgeable about new businesses, but may pose a threat to SEW goals (Muñoz-Bullón and Sánchez-Bueno, 2018). Finally, a higher level of family involvement in boards often restricts the board's human and social capital (Zahra *et al.*, 2003). Consequently, as the proportion of family board members increases, the diversity and excellence of directors' contacts will be lower, and the organisation will have more restricted access to external knowledge from different networks (Arrègle *et al.*, 2007). Thus, the confluence of acquisitions and a higher presence of family directors may limit the number and variety of outside contacts and undermine the stable ties with pre-existing stakeholders when undertaking new transactions, worsening the family social capital (Arrègle *et al.*, 2007) and weakening the SEW endowment.

In summary, a more significant proportion of family board members may adversely influence the number of acquisitions, given that, from their view, gains from acquisitions seem to be highly speculative. In contrast, the losses to the family SEW are certain. According to the mixed gamble view, as the level of family directors grows, the emphasis on SEW losses resulting from acquisitions should also increase due to specific control dilution, family wealth hazard, lack of new opinions and proper knowledge and social capital weakness. Conversely, as family involvement in boards increases, the uncertain financial outcomes and SEW gains from acquisitions, such as additional family employment opportunities, play an inferior role. Therefore, we state:

- H1. The intensity of family participation on boards of directors will negatively influence the number of acquisitions.

The impact of family board members on acquisitions throughout different generational stages

The generational stage is often conceptualised as the generation that controls and manages the family firm (Cruz and Nordqvist, 2012; Sciascia *et al.*, 2014). The literature analysing the role of the generational stage in family firms has primarily focused on performance outcomes (e.g. Gómez-Mejía *et al.*, 2007). However, there are also studies investigating the role of the generational stage on strategic decision-making, such as diversification policies (e.g. Muñoz-Bullón *et al.*, 2018), innovation choices (e.g. Martínez-Alonso *et al.*, 2024) or entrepreneurial orientation (Cruz and Nordqvist, 2012). However, relatively little is known regarding the link between the generational stage and the governance design of family firms (Bammens *et al.*, 2008).

The generational stage is seen to be a significant influencer on the needs of family members about their firms (Sciascia *et al.*, 2014). In this vein, it is widely accepted that family members from different generations have distinct priorities regarding financial and nonfinancial objectives (Gómez-Mejía *et al.*, 2007) due to their own experiences, educational backgrounds (Talke *et al.*, 2010) and business and family viewpoints (Ling and Kellermanns, 2010). Specifically, family members' preferences typically change as their firms evolve from first-generation (founder firms) to second and later-generations (non-founder firms) (Gersick *et al.*, 1997). The variations in family members' financial and SEW concerns affect their strategic decision-making (Gómez-Mejía *et al.*, 2007; Martínez-Romero and Rojo-Ramírez, 2017), such as acquisition decisions (Gómez-Mejía *et al.*, 2018). Therefore, based on the mixed gamble approach, we stated that the generational stage influences the weighting that family board members attach to potential SEW and financial gains and losses from acquisitions.

There are some arguments in favour of a higher number of acquisitions as family firms pass through generations. First, it has been argued that, due to the fear of reducing their ownership and freedom to carry out business policies, family board members tend to avoid reliance on external funding (Gómez-Mejía *et al.*, 2007), because this source of financing dilutes their ownership stake and autonomy. The fear of losing family ownership and independence is a primary concern for founders, who usually have a long-term orientation and want to pass on a solid business to their heirs (Michiels *et al.*, 2015). However, in non-founder firms, the ownership dispersion will alter the dynamic of family members, who might perceive the firm primarily as a source of financial support (Le Breton-Miller and Miller, 2013).

Likewise, essential to note is the fact that the overlap between family wealth and firm equity diminishes as firms advance from first (when most of the family's wealth is invested in the firm (Sciascia *et al.*, 2015)) to later generations (when the firm equity is just a tiny part of the total family wealth (Sciascia *et al.*, 2015)). As the overlap between family wealth and firm equity gets lower, the tendency for family loss aversion is likely to be weakened (Zellweger and Dehlen, 2012), and thereby, family board members' propensity to bear risks, such as acquisitions, is supposed to be higher.

However, literature grounded on the theoretical views of the mixed gamble approach is more clearly defined regarding significant drawbacks of acquisitions, in terms of SEW, as family firms move throughout generations. First, although acquisitions might provide family firms with employment opportunities for family members (Muñoz-Bullón *et al.*, 2018), the abovementioned job chances will be higher in founder firms than in non-founder firms (Cruz and Nordqvist, 2012). This is explained by the fact that later-generation family firms usually achieve a higher degree of professionalisation, and the appointment of new firm members is based on educational criteria and expertise rather than on family ties, as is frequently the case for founder firms (Diéguez-Soto *et al.*, 2016). Therefore, as family firms progress from founder to later generations, the possible SEW gains in terms of job opportunities for family members are reduced (Laffranchini *et al.*, 2020). Consequently, family board members' willingness to develop acquisitions will be lower.

Second, family firms are usually reluctant to hire external directors (Muñoz-Bullón *et al.*, 2018) who can provide monitoring expertise and valuable advice that contributes to firms' successful strategic decisions (Anderson and Reeb, 2004). As firms' generational stages advance, the amount

of organisational knowledge rises (e.g. [Miller and Le Breton-Miller, 2006](#)), and there is a need to increase the proportion of outsider directors due to augmented firm complexity ([Davis and Harveston, 1999](#)). Moreover, second and later-generation family firms are usually more extensive and intricate than founder-family firms, and their boards may require the help of experienced professionals who can address the steeper challenges of an increasingly complex business ([Le Breton-Miller and Miller, 2013](#)). Therefore, it can be argued that a substantial increase in the need for outside expertise takes place in family firms from the second generation onwards ([Bammens et al., 2008](#)), and convoluted acquisitions may be avoided by family members merely since the managerial talent required to make them work is lacking ([Ward, 2004](#)).

Another critical issue is related to the restricted social capital that typically characterises family firms ([Arrègle et al., 2007](#)), which tends to weaken across subsequent generations ([Gómez-Mejía et al., 2007](#)). This reduced social capital might provoke family board members of second and later-generation family firms to be even more reluctant to engage in acquisitions than family board members of founder firms in an attempt to preserve and reinforce their social ties with their current stakeholders, who may be viewed as or might be members of the family ([Berrone et al., 2010](#)).

Further, as the firm's generational stage advances, family firms face different challenges, finding several advantages and disadvantages from family group interaction ([Bauweraerts et al., 2020](#)). As firms evolve from founder to second and later-generation family firms, they become more complex and family control becomes more diluted ([Voordeckers et al., 2007](#)). Consequently, family identity and reputation are attenuated ([Le Breton-Miller and Miller, 2013](#)). At later generational stages, identification with the firm and emotional attachment are likely to wane because family branches pursue their respective needs and agendas, resulting in reduced family bonds ([Sciascia et al., 2014](#)). When different generations and branches of relatives coexist, the firm's governance becomes more complex and the risk of competing goals among family board members grows even more ([Le Breton-Miller and Miller, 2013](#)). Due to the family directors' competing interests, the board of directors will likely become a potential area for conflict, tension and animosity ([Sciascia et al., 2013](#)). Reaching a consensus regarding acquisitions in second and later-generation firms becomes more difficult than in founder firms due to a decline in the firm's flexibility and adaptability to the decision-making process ([García-Ramos et al., 2017](#)).

Last, as family businesses evolve from founder to second and later-generation firms, the percentage of passive family shareholders usually grows, and potential conflicts amongst active and passive shareholders are more likely to arise ([García-Ramos et al., 2017](#)). In this regard, passive family shareholders are typically oriented to short-term results and dividend payments ([Eddleston et al., 2013](#)). To restrict the free cash flow availability to active family owners, passive family shareholders prefer to receive dividends ([Diéguez-Soto et al., 2022](#)), which diminishes the pool of available financial resources to make alternative investments, such as acquisitions. Thus, in later-generation family firms, family directors will focus more on satisfying the passive shareholders' requirements concerning the distribution of regular dividends than on supporting acquisitions.

In summary, we have previously hypothesised that the higher the participation of the family on the board, the greater the importance attached to nonfinancial goals and in turn, the greater the reluctance of family firms to engage in acquisitions, resulting in certain SEW losses being higher than the possible SEW and financial gains. Furthermore, we argue that as the generational stage advances from founder to second and later-generation family firms, the negative effect of family involvement in governance on acquisitions is strengthened. We contend that in second and later-generation family firms, the SEW losses expected by family board members when undertaking acquisitions are even more significant: the increase in potential SEW losses – due to lack of talent needed for complex acquisitions, reduced social ties, weakened control, identity and reputation and increased conflict – outweighs the decrease in potential SEW losses – reduced fears for ownership dilution, less alarm for lack of autonomy and lower family wealth loss aversion. Moreover, in non-founder family firms, the potential

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29,2 gains expected by family board members from acquisitions are also likely lower: family employment opportunities diminish. Stated formally:

- H2. Family involvement in boards of directors will be more negatively related to the number of acquisitions in non-founder family firms than in founder family firms.

342 **Methods**

Data and sample

The Capital IQ database, a division of Standard and Poor's focused on offering technical and financial services, has been used to conduct this research. This database collects information on business profiles, economic data, prior and planned acquisition operations, asset incorporation, personnel management and analytical reports of more than 60,000 listed firms and around 2 million unlisted firms.

Specifically, for the development of this work, we have selected firms that met the following requirements: firms in operation with information relative to the industry in which they operate, located in developed Asia-Pacific economies and publicly listed. Moreover, we have demanded that firms have at least 8 years of continuity in their economic-financial information. Therefore, we have selected those firms with economic-financial data available for 2009–2016. We researched the degree of family involvement in boards and the number of acquisitions in six countries: Australia, Hong Kong, Japan, New Zealand, Singapore and South Korea. The final sample comprised 8,768 observations (1,096 firms $\times$ 8 years). Of those firms, 12.68% are family firms, with an average of 18.78% family ownership and 18.38% of board seats held by family members. The proportion of firms in the sample that have conducted no acquisitions is 80.12%, whereas the proportion of sample firms that have conducted acquisitions is 19.88%. Moreover, of those firms that have engaged in acquisitions in the study period, the average number of acquisitions is 1.91.

The importance of acquisitions in the Asia-Pacific context, as well as the relevance and peculiarities of family firms in this region, are highlighted in the [supplementary material](#).

Measures and analytical methods

[Table 1](#) shows the definition of the variables utilised in the present study. Additional information of the main variables is provided in the [supplementary material](#).

The formulated hypotheses have been tested using various statistical methods. First, we checked whether the independent variable, that is *family involvement in the board of directors (FBoD)* and the control variables (*Firm age*, *Firm size*, *Slack*, *Previous acquisitions*, *Tobin's Q*, *Ability to generate cash flow*, *Capital intensity* and *R&D Intensity*) have a significant influence on the dependent variable (*Number of acquisitions*). Basic descriptive statistics and bivariate correlations have also been obtained and are available in the [supplementary material](#). Then, a multivariate analysis is carried out. Specifically, a particular type of regression, that is negative binomial regression, is used since both individual effects (panel data) and the fact that the dependent variable is a count variable must be considered.

Results

Panel regressions

This paper aims to verify whether the number of acquisitions depends on FBoD ([hypothesis 1](#)) and whether the role of FBoD in determining acquisitions changes in founder versus non-founder family firms ([hypothesis 2](#)). We used count regression for panel data with random effects to test these hypotheses. The *number of acquisitions* is the dependent variable, while *FBoD* and the variable created integrating *FBoD* and the first generational stage, that is *FBoD 1st generation*, are the independent variables. Moreover, as usual, control variables are included. The model could be expressed as follows:

Table 1. Variables definition

Variable	Description
1 Number of acquisitions	It is calculated as the number of trades the business does as buyer during the year under consideration
2 Previous acquisitions	Total number of prior acquisitions in the two previous years of the respective acquisition
3 FBoD	A family having at least one family member serving on the board of directors and owning a minimum of 5% of the company's stock. If family ownership is less than 5% and/or no family member is active in the board, the variable is set to 0; the FBoD variable is therefore truncated on the left. The percentage of family directors filling board posts is recorded as a continuous variable if ownership is higher than 5% and at least one family member is participating in board leadership
4 FBoD 1st generation	The variable is equal to <i>FBoD</i> if the family firm is at the first generational stage (proxied if the firm age is < 25 years old). The variable is set to 0 if the firm age is equal or higher than 25 years; thus, the variable <i>FBoD 1st generation</i> is truncated
5 FBoD 2nd generation	The variable is equal to <i>FBoD</i> if the family firm is at the second generational stage (proxied if the firm age is in the following interval: 25 years ≤ firm age < 50 years). The variable is set to 0 if the firm age is out of the former interval; thus, the variable <i>FBoD 2nd generation</i> is truncated
6 FBoD 3rd or later generation	The variable is equal to <i>FBoD</i> if the family firm is at the third or later generational stage (proxied if the firm age is ≥ 50 years). The variable is set to 0 if the firm age is lower than 50 years; thus, the variable <i>FBoD 3rd or later generation</i> is truncated
7 Family ownership	A family with at least one member functioning as a top-level executive or member of the board of directors and owning a minimum of 5% of the company's stock. If family ownership is less than 5% and/or no family member is participating in executive or board leadership, the variable is set to 0; as a result, the family control variable is truncated on the left. The percentage of family equity is entered a continuous variable if ownership is higher than 5% and at least one family member is participating in leadership
8 Family ownership 1st generation	The variable is equal to <i>Family ownership</i> if the firm is at the first generational stage (proxied if the firm age is < 25 years old). The variable is set to 0 if the firm age is equal or higher than 25 years; thus, the variable <i>Family ownership 1st generation</i> is truncated
9 Family ownership 2nd generation	The variable is equal to <i>Family ownership</i> if the firm is at the second generational stage (proxied if the firm age is in the following interval: 25 years ≤ firm age < 50 years). The variable is set to 0 if the firm age is out of the former interval; thus, the variable <i>Family ownership 2nd generation</i> is truncated
10 Family ownership 3rd or later generation	The variable is equal to <i>Family ownership</i> if the firm is at the third or later generational stage (proxied if the firm age is ≥ 50 years). The variable is set to 0 if the firm age is lower than 50 years; thus, the variable <i>Family ownership 3rd or later generation</i> is truncated
11 Firm size	Natural log of firm assets
12 Firm age	Natural log of firm age
13 Slack	Current assets to current liabilities
14 Tobin's Q	Ratio of the firm's market value to total assets. For firms with non-tradable share classes, the non-tradable shares are valued at the same price as the publicly traded shares
15 Ab gen cash	Natural log of free cash flows
16 R&D intensity	Natural log of the ratio R&D to sales
17 Capital intensity	Natural log of the ratio capital expenditures to sales
18 Leverage	Total debt to total equity

$$\text{Number of acquisitions}_{it} = \beta_1 + \beta_2 \text{FBoD}_{it-1} + \beta_3 \text{FBoD1}^{st} \text{G}_{it-1} + \beta_4 \text{CV}_{it-1} + (\mu_i + \varepsilon_{it}) \quad (1)$$

where FBoD is Family involvement in the board of directors; FBoD1stG is FBoD of 1st generation family firms (founder family firms), and CV are lagged control variables (*Previous acquisitions, Firm size, Firm age, Slack, Tobin's Q, Ability to generate cash-flow, R&D Intensity, Capital intensity and Leverage*). The lagged variables allow for controlling the endogeneity caused by reverse causality.

The dependent variable in our model, the *number of acquisitions*, is a count variable. Accordingly, if we estimate OLS, the coefficients will be biased. The Poisson regression and the negative Binomial are the proper methods for count data (Verbeek, 2004). The negative binomial has been frequently used in family business studies in which the dependent variable is identified as count data and there is overdispersion (e.g. Liang et al., 2013). The negative binomial has the advantage of being intended to explicitly address overdispersion, unlike Poisson (Cameron and Trivedi, 2010) [1].

Usually, when analysing panel data, the Hausman test is used to choose between fixed and random effects. In the present study, and given the invariant nature over time that the FBoD variable has, only the use of random effects is adequate (Cameron and Trivedi, 2010). Therefore, we use the negative binomial regression for panel data with random effects (Hilbe, 2011).

In Model 0 (Table 2), the main basic regression results [2] are shown, taking into account only the control variables. The results of Model 0 show that *previous acquisitions* ($\beta = 0.067$, $p\text{-value} = 0.000$), *firm size* ($\beta = 2.213$, $p\text{-value} = 0.000$) and *Tobin's Q* ($\beta = 0.073$, $p\text{-value} = 0.004$) positively influence the number of acquisitions. On the other hand, *firm age* has a negative influence on the dependent variable ($\beta = -0.258$, $p\text{-value} = 0.001$). In Model 1, the lagged variable *FBoD* is added, revealing a negative and significant effect of *FBoD* on the number of acquisitions ($\beta = -3.086$, $p\text{-value} = 0.022$), supporting our first hypothesis. In Model 2, the variable *FBoD* is replaced by *FBoD 1st generation* to check for the founder effect (López-Delgado and Diéguez-Soto, 2015). However, we did not find a significant impact of *FBoD 1st generation* on the number of acquisitions ($\beta = -3.605$, $p\text{-value} = 0.460$). In this vein, although our second hypothesis refers to the different influence of family involvement in boards on the number of acquisitions depending on the founder vs non-founder stage, and given the non-significant effect found for *FBoD 1st generation* on the number of acquisitions, we decided to go a step further. Accordingly, we introduced *FBoD 1st generation* and *FBoD 2nd generation* simultaneously in Model 3, and subsequently, we differentiated between three generational stages in Model 4. Therefore, we propose the following regression models:

$$\begin{aligned} \text{Number of acquisitions}_{it} = & \beta_1 + \beta_2 \text{FBoD}_{it-1} + \beta_3 \text{FBoD1}^{st} \text{G}_{it-1} \\ & + \beta_4 \text{FBoD2}^{nd} \text{G}_{it-1} + \beta_5 \text{CV}_{it-1} + (\mu_i + \varepsilon_{it}) \end{aligned} \quad (2)$$

$$\begin{aligned} \text{Number of acquisitions}_{it} = & \beta_1 + \beta_2 \text{FBoD}_{it-1} + \beta_3 \text{FBoD1}^{st} \text{G}_{it-1} + \beta_4 \text{FBoD2}^{nd} \text{G}_{it-1} \\ & + \beta_5 \text{FBoD3}^{rd} \text{or later G}_{it-1} + \beta_6 \text{CV}_{it-1} + (\mu_i + \varepsilon_{it}) \end{aligned} \quad (3)$$

where FBoD is family involvement in the board of directors; FBoD1stG is FBoD of 1st generation family firms, FBoD2ndG is FBoD of family firms in 2nd generation, FBoD3rd or later G is FBoD of family firms in third or later generation ; and CV are lagged control variables

Then, we executed additional regression analyses following Equation (3), distinguishing between different generational stages. In this vein, in Model 4 (Table 2), we included the variables *FBoD 1st generation*, *FBoD 2nd generation* and *FBoD 3rd or later generations* following the partition approach (Diéguez-Soto et al., 2022). Model 4 shows that the level of

Table 2. Negative binomial panel regression with random effects. FBoD (2009–2016)

	Model 0	Model 1	Model 2	Model 3	Model 4
		Dependent variable: Number of acquisitions			
Variable	Coefficient (SE)	Coefficient (SE)	Coefficient (SE)	Coefficient (SE)	Coefficient (SE)
<i>FBoD</i>		−3.086** (1.345)			
<i>FBoD 1st generation</i>			−3.605 (4.883)	−3.331 (4.857)	−3.486 (4.842)
<i>FBoD 2nd generation</i>				1.364 (1.765)	1.143 (1.762)
<i>FBoD 3rd or later generations</i>					−5.803*** (1.963)
<i>Previous acquisitions_{−1}</i>	0.067*** (0.009)	0.068*** (0.009)	0.067*** (0.009)	0.068*** (0.009)	0.067*** (0.009)
<i>Firm size_{−1}</i>	2.213*** (0.209)	2.119*** (0.211)	2.199*** (0.210)	2.129*** (0.211)	2.129*** (0.211)
<i>Firm age_{−1}</i>	−0.258*** (0.078)	−0.241*** (0.078)	−0.265*** (0.078)	−0.265*** (0.078)	−0.225*** (0.078)
<i>Slack_{−1}</i>	0.018 (0.033)	0.020 (0.032)	0.017 (0.033)	0.017 (0.033)	0.021 (0.033)
<i>Tobin's Q_{−1}</i>	0.073*** (0.026)	0.070*** (0.025)	0.073*** (0.026)	0.074*** (0.026)	0.070*** (0.025)
<i>Ab gen cash_{−1}</i>	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
<i>R&D intensity_{−1}</i>	4.621 (4.423)	4.868 (4.448)	4.600 (4.430)	4.596 (4.429)	5.011 (4.468)
<i>Cap intensity_{−1}</i>	−0.005 (0.004)	−0.005 (0.004)	−0.005 (0.004)	−0.005 (0.004)	−0.005 (0.004)
<i>Leverage</i>	−9.3E−06 (0.000)	−9.4E−06 (0.000)	−9.4E−06 (0.000)	−9.4E−06 (0.000)	−9.4E−06 (0.000)
Industry dummies	Included	Included	Included	Included	Included
Constant	−2.593** (1.322)	−2.514* (1.317)	−2.546* (1.322)	−2.572* (1.323)	−2.566* (1.316)
Loglikelihood value	−2041.757	−2038.184	−2040.983	−2040.705	−2034.711
Wald chi2	306.94***	311.55***	307.96***	308.32***	313.24***
N	2,425	2,424	2,424	2,424	2,424

Note(s): 1. Significant at 1% (***) , 5% (**) or 10% (*)

2. Model 0 shows only *control variables and industry dummies*. Model 1 shows control variables, industry dummies and the variable *FBoD*. Model 2 shows control variables, industry dummies and the variable *FBoD 1st generation*. Model 3 shows control variables, industry dummies and the independent variables *FBoD 1st generation and FBoD 2nd generation*. Model 4 shows control variables, industry dummies and the independent variables *FBoD 1st generation, FBoD 2nd generation and FBoD 3rd or later generations*

3. The reported findings are from the xtnbreg Stata command

FBoD is inversely proportional to the number of acquisitions only when family firms are at third or later generations ($\beta = -5.803$, p -value = 0.003). From the econometric perspective, we can stress the good behaviour of the Wald test and that there are no multicollinearity problems since the VIF values are low (all of them below 2).

In short, we found through the multivariate analysis that *FBoD* exerts a negative incidence on the number of acquisitions. Still, if we break down the *FBoD* variable into different generational stages, the negative relationship is only significant if the family firm is in the third or later generations, which confirms hypothesis H2.

Robustness checks

To ensure the robustness of the results, we use different approaches, which are provided as [supplementary material](#).

Discussion

Our study investigates the relationship between the presence of family directors and firm acquisitions by considering how different degrees of family involvement in boards impact the perceptions of potential gains and losses regarding financial wealth and SEW. We take into account both the SEW view (Gómez-Mejía *et al.*, 2007) and its recent refinement based on the mixed gamble approach (Bromiley, 2009) to contend that dissimilarities in the level of family involvement in boards can shed light on why some family businesses may perceive acquisitions as a perilous strategic decision in terms of financial and SEW endowments. Furthermore, we investigate how family firms differently frame acquisitions' benefits and costs depending on the family firm's generational stage. The empirical findings support our theoretical prediction that the level of family involvement in the board negatively influences the number of acquisitions. We also confirm that the abovementioned negative relationship is contingent upon the family firm's generational stage.

Contributions

Our study contributes to the existing research in three different ways. First, previous studies used the mixed gamble approach to enlighten the impact of family ownership on acquisitions (Gómez-Mejía *et al.*, 2018) and evaluate the potential SEW and financial gains and losses that such acquisitions involve (Hussinger and Issah, 2019). However, unlike family ownership, which includes active and passive family shareholders, active family control, for example, through the appointment of family members to the board, can lead to performance differences relative to non-family firms and even within family firms (e.g. Anderson and Reeb, 2003). Moreover, family shareholders usually appoint family and non-family board members, and the former may be upgraded by the critical business acumen and industry expertise contribution from the latter in the choice and implementation of strategic decisions. Therefore, the non-identical motivations between active and passive family owners and the enriching influence of family board members when sharing missions with non-family board members highlight the uniqueness of family involvement in boards for contributing to acquisition activity. Consequently, we go a step further and extend the acquisition mixed gamble by exploring family firm heterogeneity regarding family presence on boards. In this vein, we answer calls for adequately testing if the different roles performed by the family affect firms' tendency to acquire (Debellis *et al.*, 2023). Therefore, the current study contributes to filling the gap in the family business literature concerning the role of family directors in shaping acquisitions, when compared to nonfamily businesses, by considering the weighing of potential gains and losses of financial wealth and SEW. In this vein, by demonstrating how the firm governance design, through the family presence on boards, negatively influences the number of acquisitions, this study fully aligns with previous works showing that family firms are less likely to engage in acquisitions than their non-family counterparts (Caprio *et al.*, 2011; Requejo *et al.*, 2018). Furthermore, the present research aligns with those studies arguing that the financial gains derived from acquisitions are eventually uncertain, but the SEW losses are certain (e.g. Gómez-Mejía *et al.*, 2018).

Second, we introduce a distinguishable feature of family firm governance, namely the generational stage, which has a pivotal influence on the manner in which family firms address acquisition decisions. The generational stage represents a crucial element of the family firm, as relevant family attributes may vary throughout different generational phases (Steier, 2001), affecting the mixed gamble of acquisitions. Thus, we study how the joint effect of family involvement in boards and generational stage modifies the perceptions regarding the acquisition mixed gamble, and extend prior studies highlighting the simultaneous impact of several sources of family firm heterogeneity (Sciascia *et al.*, 2014). We found that family board members' aims change depending on the firm's generational stage and that their balancing of potential gains and losses of financial wealth and SEW also evolve. Therefore, by introducing the generational stage as a contingent factor, we capture the heterogeneity of family directors'

goals, making an important appreciation: the negative and significant relationship between family presence on boards and the number of acquisitions exists exclusively at later generational stages. Thereby, in comparison with nonfamily firms, which do not consider potential SEW losses and gains and attribute lower weight to long-term financial goals, family firms with family directors are less willing to develop acquisitions only at later generational stages. In other words, when we consider founder firms, there is no longer any evidence of an inferior number of acquisitions. Indeed, the mere identification of family-controlled firms, so common among previous studies, without taking into consideration the generational stage, may lead to inaccurate findings. In short, our research advances the family business and strategy literature, both theoretically and empirically, because our study is the first enquiry, to the best of our knowledge, revealing that dissimilarities based on the simultaneous considerations of family presence on boards and generational involvement affect differently the value of gains and losses in relation to acquisitions (Chirico and Kellermanns, 2024). In particular, our study addresses recent calls to clarify how mixed-gambled and SEW aspects impact family firm outcomes dissimilarly through a time view (Salvato *et al.*, 2019), as well as the latest requests to analyse differences in acquisitions by distinct family stages (Cuevas-Rodríguez *et al.*, 2023).

A third contribution of the paper, which responds to calls for greater attention to the role of the environment in which firms operate (Chua *et al.*, 2012; Gedajlovic *et al.*, 2012), is the consideration of context sensitivity when applying the SEW approach as a theoretical framework (Schulze and Kellermanns, 2015). For instance, in areas where family groups are prominent [3] (e.g. Asia-Pacific region), the desire to preserve SEW might be especially emphasized and family firms may follow different sequences of development (Gersick *et al.*, 1997). In most of the Asia-Pacific region, the separation of management from ownership control is odd, and a significant stake of the businesses' assets is in the hands of a few family dynasties (Claessens *et al.*, 2000). Indeed, in this area, family-centric governance models are highly favoured (Chung and Luo, 2013). Some countries of the Asia-Pacific area are the home of the oldest multi-generational family firms worldwide (Mehrotra *et al.*, 2013). In this vein, and contrary to what might be expected, as Asia-Pacific firms get older, they present a more concentrated corporate control, challenging the general assertion which establishes that ownership dispersion is a matter of time (Claessens *et al.*, 2000). Therefore, the obtained results can be considered unique for the Asia-Pacific region. Evidence regarding family dynasties confirms that SEW might increase across generations, despite the unavoidable dispersion of ownership among the extended family over time (Schulze and Kellermanns, 2015). Because of emotional attachment, identification with the firm, potential benefits from the univocal reciprocity family behaviour and dynastic motivations grow over time (Parker, 2016; Zellweger *et al.*, 2012), SEW endowment may also increase throughout generations. Thus, in this geographical context, it might be the case that family shareholders from later generations do not see their firms mainly as a way of financial support (Le Breton-Miller and Miller, 2013). This latter contribution is further developed in the [supplementary material](#).

Managerial implications

This study also points to some practical implications. For practitioners, having a balanced board of directors with family and non-family members is essential to engaging in acquisitions. Knowing that the higher the presence of family directors is, the more reluctant they are to make acquisitions, having a board with enough external representation is fundamental if family firms want to grow inorganically through acquisitions (Cartwright and Schoenberg, 2006). In this regard, non-family board members can provide an external perspective, prioritising financial over exclusively SEW goals, which might promote the development of interesting acquisitions. Furthermore, policy-makers should consider family firms' board composition when designing policies to encourage acquisitions, as the needs and goals of family firms will differ depending on the degree of family involvement in the board.

Policy-makers should pay special attention to the relevance of family firms to potential SEW losses, such as reduced social ties or weakened control, identity and reputation, as such losses seem to be key in determining family board members' attitudes towards acquisitions.

On the other hand, policymakers should prioritise actions that promote financial gains when designing plans to foster efficient acquisitions and encourage family board members to develop these strategic decisions. Furthermore, policy-makers must properly comprehend the firms' needs at different generational stages to design more effective policies targeted to a particular generation group. In this vein, the requirements of third and later-generation family firms, for instance, in terms of advice, will not be the same as those of first-generation family firms because the former might have developed previous acquisitions, while the latter might not.

Limitations and future research avenues

As in other pieces of research, we acknowledge some limitations, which also provide the possibility of more studies in the future.

First, although the mixed gamble theoretical approach enhanced our knowledge related to the weighting of SEW and financial preferences of family members on the board, those preferences have not been directly quantified (Bauweraerts *et al.*, 2020; Gómez-Mejia *et al.*, 2018) due to the challenges of obtaining objective data for this variable type when using panel datasets. Therefore, future studies should obtain direct measures of both SEW and financial gains and losses to enrich the understanding of the consequences of family participation on the board of firms' acquisition behaviour.

Second, in line with prior family firm research (Muñoz-Bullón *et al.*, 2018), we used an established proxy of the generational stage because the information regarding the generation controlling the firm was not available from the IQ database. Even though many studies use the 25–30-year cut-off point to capture generational effects (Martínez-Alonso *et al.*, 2022), future studies might ask respondents to identify the generation controlling and managing the firm (Diéguez-Soto *et al.*, 2022). Additionally, personal interviews and qualitative studies are required to deepen the family firm's characteristics, and thus its strategic decision choices, throughout the different generational stages, because family firms do not always follow identical development sequences (Martínez-Romero and Rojo-Ramírez, 2016).

Third, our study is centred on acquisitions, which differ from mergers regarding the implications for control dilution (Worek *et al.*, 2018). Therefore, future research could centre on mergers, or even mergers and acquisitions, to enlighten the consequences of control dilution on the firms' objectives (Requejo *et al.*, 2018).

Finally, our study focuses on large and publicly listed firms, which are often high-performing and have access to the required resources to conduct firm acquisitions (Hussinger and Issah, 2019). However, the majority of businesses around the world are small or medium-sized and unlisted, which are usually characterised by the lack of resources and managerial expertise needed for acquisitions. This suggests that the obtained findings might not apply to small and medium-sized businesses (Miller *et al.*, 2007).

Furthermore, we would like to mention at least three promising directions for future research. The first one is related to the effect of board members' gender on firm acquisitions. Until now, studies investigating the influence of female board representation on strategic decision-making have led to mixed findings (Terjesen *et al.*, 2009); therefore, more research on this issue is required. For instance, investigating whether gender diversity might indirectly influence, via moderation, the family involvement in the board-number of acquisitions relationship seems a valuable extension of the present study. The second avenue would be related to the institutional context in which acquisitions are developed (Requejo *et al.*, 2018). Recent studies (e.g. Xu and Hitt, 2020) have emphasised the role of the home and host country institutional environment in understanding family firms' strategic decisions, given the importance of SEW (Yang *et al.*, 2020). Specifically, Asia-Pacific family firms diverge not

only from those in other parts of the world but also from each other across the same areas due to differences in societal culture (Eddleston *et al.*, 2020). Therefore, future studies should analyse Asian family firms' acquisition behaviour, considering the specificities of every region (Chua *et al.*, 2012). Finally, one could expect that family involvement in the board might affect the number of acquisitions non-linearly. Therefore, future studies may examine this possibility for firms from the Asia-Pacific region.

Notes

1. The [supplementary material](#) includes a discussion of the suitability of the negative binomial distribution for the problem of excess zeros, from a panel data perspective.
2. After excluding observations with missing values, the models have been estimated with a much smaller sample comprising 2,424 firm-year observations.
3. See for example family firms such as the Yeoh-family-run YTL Corporation, a Malaysian infrastructure conglomerate; the Thailand-based Charoen Pokphand Group, owned by the Chearavanont family or the LG corporation belonging to the Koo family in South Korean.

Supplementary material

The supplementary material for this article can be found online.

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