
FAMILY OWNERSHIP AND M&AS: A SYSTEMATIC REVIEW OF THE LAST TWO DECADES

Ilaria Galavotti *

* Department of Economic and Social Sciences, Università Cattolica del Sacro Cuore,
Piacenza, Italy



How to cite: Galavotti, I. (2022). Family ownership and M&As: A systematic review of the last two decades. In G. M. Mantovani, A. Kostyuk, & D. Govorun (Eds.), *Corporate governance: Theory and practice* (pp. 93–98). <https://doi.org/10.22495/cgtapp16>

Received: 02.05.2022
Accepted: 06.05.2022
Keywords: Family Firms, Ownership, Mergers and Acquisitions, Literature Review
JEL Classification: L10, M10
DOI: 10.22495/cgtapp16

Copyright © 2022 The Author

Abstract

Strategic decision-making in family firms tends to prioritize the maintenance of family control and long-term investments relative to short-term opportunities. At the same time, however, family firms usually demonstrate a low appetite for risk. In view of its multifaceted and contradictory value as a means for corporate growth and as a driver of corporate risk, mergers and acquisitions (M&As) have been at the core of multiple scholarly conversations on family firms. This study offers a systematic literature review of the last two decades of academic studies on M&As in the context of family firms.

1. INTRODUCTION

The peculiar characteristics of family firms in terms of socio-emotional wealth preservation and maintenance of family control (Worek, De Massis, Wright, & Veider, 2018) have implications on corporate expansion decisions such as mergers and acquisitions. Extensive academic contributions have been produced on acquisition choices and performance in family firms, with a resulting fragmentation of extant literature. This research, therefore, aims at systematizing our knowledge on corporate acquisitions by family firms.

ABI/Inform Complete and Science Direct/Scopus were used as sources for the selection of articles. Articles were selected based on

the following keywords in either the title or the abstract: “family business”, “family firm”, “family own*” and “family enterprise”, combined with “M&A”, “acquisition”, “merger and acquisition”. Only journal papers were selected, thus excluding books, book chapters, and conference papers. Articles for which the full text was not available were excluded. By carefully scrutinizing the abstracts, a final sample of 30 journal papers published in the 2000–2021 period was analyzed.

2. THEMATIC ANALYSIS

In terms of acquisition propensity, empirical findings seem to agree that family businesses are less likely to engage in M&A activity compared to non-family firms, mainly for their different growth preferences (Caprio, Croci, & Del Giudice, 2011). Results on the role played by family ownership on M&A performance are contradictory and range from positive (André, Ben-Amar, & Saadi, 2014; Basu, Dimitrova, & Paeglis, 2009), negative (Gleason, Pennathur, & Wiggenshorn, 2014; Bauguess & Stagemoller, 2008), and non-significant effects (Miller, Le Breton-Miller, & Lester, 2010). In terms of theoretical frameworks, the selected studies base their analysis on four main theories, namely agency theory, stewardship theory, resource-based view, and socio-emotional wealth.

Regarding the analytical approach, the majority of the studies (86%) use a quantitative method, while only few studies employ a qualitative methodology, based on the analysis of single case studies (Mickelson & Worly, 2003). Finally, one paper is of conceptual nature (Lind & Lattuch, 2021).

3. AVENUES FOR FUTURE RESEARCH AND CONCLUDING REMARKS

This systematic review highlights several research lines that may be examined in the future to further contribute to the ongoing conversations on M&A in family firms. Specifically, three main research avenues may be identified.

First, while most literature has taken a comparative perspective that confronts family vs. non-family firms (Anderson & Reeb, 2003), an increasing interest is emerging on the heterogeneity of family firms (Schmid, Ampenberger, Kaserer, & Achleitner, 2015), as a number of contingency factors may drive the family’s risk preferences. Second, with a huge volume of contributions being of quantitative nature, more qualitative research is needed to offer an in-depth analysis of soft aspects involved in acquisition decision-making and the acquisition process.

The role played by the involvement of family owners in the business seems particularly elusive: family owners tend to favor more conservative strategies to limit the risk of firm failure; however, family owners may also be willing to exploit entrepreneurial opportunities and embark on riskier projects to increase the firm’s value and competitive advantage (Nguyen, 2011). Thus, future studies may explore the role

played by family involvement in determining the firm’s risk propensity. As the legal environment is an important factor affecting shareholders’ protection and, consequently, both investment decisions and performance, more studies are needed on the role played by the legal system of the country (André et al., 2014).

Overall, this review offers some preliminary efforts in terms of systematizing our knowledge on M&A decisions in the specific context of family firms.

Table 1. Overview of some representative empirical studies (Part 1)

<i>Study</i>	<i>Thematic focus</i>	<i>Sample</i>	<i>Main findings</i>
Bauguess and Stegemoller (2008)	Acquisition performance and propensity	4266 firm-year observations of S&P 500 firms between 1994 and 2005	Family firms destroy value when they acquire. However, firms with large boards and more insiders are more likely to acquire and create value.
Basu et al. (2009)	Acquisition performance	103 acquirers and 118 targets between 1993–2000	Acquirers with low levels of family ownership get lower returns than those with high levels of ownership.
Miller et al. (2010)	Acquisition performance and propensity	Fortune 1000 firms between 1996–2000	Family ownership is negatively associated with the number of acquisitions. The propensity to make diversifying acquisitions increases with the level of family ownership.
Caprio et al. (2011)	Acquisition performance and propensity	777 large Continental European companies in the period 1998–2008	Family ownership is negatively associated with the likelihood of executing acquisitions, especially when the stake held by the family is not large enough to ensure the persistence of family control. No evidence has been found on the effect of the acquisition on the performance of the family firms.
André et al. (2014)	Acquisition performance	215 by Canadian high-tech companies between 1997–2006	There is a positive relationship between family ownership and abnormal returns around the announcement. Founder CEO undertake better high-tech acquisitions than descendant or hired CEOs.
Pazzaglia, Mengoli, and Sapienza (2013)	Acquisition performance	1,254 observations over the period 1995 to 2008	Firms acquired by families through market transactions have lower earnings quality due to lower identification of family owners relative to firms still owned by the founding families.
La Rosa, Bernini, and Mariani (2018)	Acquisition propensity	41 Italian listed companies during 2005–2011	Listed family firms have lower acquisition propensity than non-family firms because of family involvement in ownership and executive committees. Diversifying strategies are less pursued by family firms, and this is underpinned when family ownership increases.

Table 1. Overview of some representative empirical studies (Part 2)

<i>Study</i>	<i>Thematic focus</i>	<i>Sample</i>	<i>Main findings</i>
Gleason et al. (2014)	Acquisition performance	307 acquisitions of family-owned firms over the period 1984–2000	Acquiring companies’ returns are negatively affected by acquisitions of public family firms.
Gomez-Mejia, Patel, and Zellweger (2018)	Acquisition propensity	8,485 firm-year observations by 692 firms between 1997 and 2011	Family firms are less likely to acquire and when they do so, they prefer related targets.
Aktas, Centineo, and Croci (2016)	Acquisition propensity	10,031 European firms making acquisitions in the 1990–2013 period	Family firms with high leverage make more cross-industry acquisitions. Family firms that prioritize control tend not to diversify at the expense of minority shareholders.
De Cesari, Gonenc, and Ozkan (2016)	Acquisition propensity	3,219 firm-year observations over the period 2001–2008	There is a positive relationship between acquisitions and the CEO’s compensation in non-family firms relative to family firms.
Defrancq, Huyghebaert, and Luypaert (2016)	Acquisition propensity	3,485 in Continental Europe announced in the period 2005–2013	Family-controlled acquirers are less likely to pursue industry-diversifying acquisitions.
Adhikari and Sutton (2016)	Acquisition performance	213 acquisitions in the period 1993–2006	Post-merger performance of family firms is significantly better than that of non-family firms. Family firms have not been found to lose value in diversified acquisitions.
Bettinazzi, Miller, Amore, and Corbetta (2018)	Acquisition propensity	172 deals by Italian firms between 2002–2012	When executing M&As, family firms tend to choose another family-controlled company, thus a firm with similar characteristics.
Ossorio (2019)	Acquisition propensity	270 acquisitions by European family and nonfamily firms in the period 2015–2017	Family firms are less likely to make cross-border acquisitions than non-family firms. In order to pursue external growth strategies, family firms need to hire external managers that are more economically driven than family managers.
Schierstedt, Henn, and Lutz (2020)	Acquisition propensity	404 acquisitions made by 211 German family firms between 2010 and 2016	Family ownership positively impacts the likelihood of diversified acquisitions, but this relationship is weaker in firms with high involvement of family in the management. This effect tends to decrease with the generational transfer through the years.
Issah (2021)	Acquisition performance	4,130 observations from 203 firms in the period 1980–2010	Family firms are better able to utilize acquired resources than non-family firms. Targets acquired during the recovery of a merger wave are more valuable to family firms and associated with more innovation.

REFERENCES

1. Adhikari, H. P., & Sutton, N. K. (2016). All in the family: The effect of family ownership on acquisition performance. *Journal of Economics and Business*, 88, 65–78. <https://doi.org/10.1016/j.jeconbus.2016.08.001>
2. Aktas, N., Centineo, S., & Croci, E. (2016). Value of control in family firms: Evidence from mergers and acquisitions. *Multinational Finance Journal*, 20(2), 85–126. <https://doi.org/10.17578/20-2-1>
3. 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. <https://doi.org/10.1111/1540-6261.00567>
4. André, P., Ben-Amar, W., & Saadi, S. (2014). Family firms and high technology mergers & acquisitions. *Journal of Management & Governance*, 18(1), 129–158. <https://doi.org/10.1007/s10997-012-9221-x>
5. Basu, N., Dimitrova, L., & Paeglis, I. (2009). Family control and dilution in mergers. *Journal of Banking & Finance*, 33(5), 829–841. <https://doi.org/10.1016/j.jbankfin.2008.09.017>
6. Bauguess, S., & Stegemoller, M. (2008). Protective governance choices and the value of acquisition activity. *Journal of Corporate Finance*, 14(5), 550–566. <https://doi.org/10.1016/j.jcorpfin.2008.09.011>
7. Bettinazzi, E., Miller, D., Amore, M. D., & Corbetta, G. (2018). *Ownership similarity in M&A target selection* (Bocconi University Management Research Paper No. 14). <https://doi.org/10.2139/ssrn.3329162>
8. Caprio, L., Croci, E., & Del Giudice, A. (2011). Ownership structure, family control, and acquisition decisions. *Journal of Corporate Finance*, 17(5), 1636–1657. <https://doi.org/10.1016/j.jcorpfin.2011.09.008>
9. 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. <https://doi.org/10.1016/j.jcorpfin.2016.01.017>
10. 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. <https://doi.org/10.1016/j.jfbs.2016.11.002>
11. Gleason, K. C., Pennathur, A. K., & Wiggenshorn, J. (2014). Acquisitions of family owned firms: Boon or bust? *Journal of Economics and Finance*, 38(2), 269–286. <https://doi.org/10.1007/s12197-011-9215-6>
12. Gomez-Mejia, 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. <https://doi.org/10.1177/0149206315614375>
13. Issah, A.-B. (2021). Post M&A innovation in family firms. *European Journal of Innovation Management*, 24(2), 439–460. <https://doi.org/10.1108/EJIM-11-2019-0319>
14. La Rosa, F., Bernini, F., & Mariani, G. (2018). Diversified, integrated and cross-border acquisitions and firm performance: A comparison of family and non-family Italian listed firms. *Corporate Ownership & Control*, 16(1), 72–86. <https://doi.org/10.22495/cocv16i1art8>
15. Lind, S. C., & Lattuch, F. (2021). Trust, leadership and conflict: The impact of HR practices during family firm M&As. *Strategic HR Review*, 20(6), 221–225. <https://doi.org/10.1108/SHR-09-2021-0044>

16. Mickelson, R. E., & Worley, C. (2003). Acquiring a family firm: A case study. *Family Business Review*, 16(4), 251–268. <https://doi.org/10.1177/08944865030160040401>
17. 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. <https://doi.org/10.1002/smj.802>
18. Nguyen, P. (2011). Corporate governance and risk-taking: Evidence from Japanese firms. *Pacific-Basin Finance Journal*, 19(3), 278–297. <https://doi.org/10.1016/j.pacfin.2010.12.002>
19. Ossorio, M. (2019). Cross-border acquisitions and family businesses. *EuroMed Journal of Business*, 14(2), 78–91. <https://doi.org/10.1108/EMJB-05-2018-0033>
20. Pazzaglia, F., Mengoli, S., & Sapienza, E. (2013). Earnings quality in acquired and nonacquired family firms: A socioemotional wealth perspective. *Family Business Review*, 26(4), 374–386. <https://doi.org/10.1177/0894486513486343>
21. Schierstedt, B., Henn, M., & Lutz, E. (2020). Diversified acquisitions in family firms: Restricted vs. extended family priorities. *Journal of Family Business Strategy*, 11(2), 100357. <https://doi.org/10.1016/j.jfbs.2020.100357>
22. 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. <https://doi.org/10.1111/corg.12091>
23. 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. <https://doi.org/10.1016/j.jfbs.2018.09.003>