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An investigation into Merger and Acquisition strategies: Empirical analysis of Family-Firms and their Socioemotional dynamics

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ABSTRACT

This thesis aims to explore mergers and acquisitions decisions in the context of family firms. In particular, it analyses how geographical and sectoral preferences, together with the desire to maintain a high level of control, influence such strategic choices. Through the examination of a sample of 245 M&A transactions of Italian listed companies in the period 2015-2023, the study aims to compare the strategies adopted by family and non-family firms in this field. In order to fully understand this phenomenon, the work is based on two important theories: the Behavioral Agency Model and the concept of Socioemotional Wealth, which allow us to assess how family firms balance financial objectives with the desire to preserve the family heritage, family values and corporate sustainability in the long run. The results of the analysis indicate that family businesses show a preference for M&A transactions that maintain geographical proximity to their existing businesses. However, there is no significant evidence of interest in pursuing acquisitions closely related to the core business or in acquiring a larger controlling stake in the target company than non-family firms. Overall, this study makes a significant contribution to the literature on family firms and M&A in the Italian context, expanding the understanding of how such firms manage their growth and consolidation strategies.

INTRODUCTION

Mergers and acquisitions (M&As) represent a unique form of business activity through which companies seek to expand their business and integrate complementary existing resources (Granata & Chirico, 2010). Despite the presence of different growth strategies, both internal and external, the adoption of M&As emerges as one of the most widely used external growth strategies. These transactions are an attractive way for companies to maintain competitive advantage and participate in the global business landscape.

Over the years, researchers have examined in depth why corporate executives undertake M&A transactions and identified several reasons that drive these strategic decisions. The literature is based on the idea that agents examine the corporate market for cost-effective acquisition targets (Barkema & Schijven, 2008; Deutsch et al., 2007). Therefore, it emphasizes that financial performance gains are the main reason for engaging in corporate acquisitions. For instance, this literature presents as important strategic drivers of acquisitions: the market power (e.g., Hitt et al., 2001) the cost reductions (e.g., Graham et al., 2002), and the resource reallocation (e.g., Uhlenbruck et al., 2006). In addition, other financial motives could be acquiring an undervalued company, moving to a lower tax regime or reducing the cost of capital of the acquired company. However, besides the financial benefits, other relevant motivations drive companies towards M&As, like the enhancement of technological know-how or other capabilities (Ahuja & Katila, 2001), the generation of economies of scale and scope, and the possibility of entering foreign markets or a new business area.

Despite the high utilization rate, evidence indicates that the failure rates of these transactions are considerable, ranging from 50 to 80 per cent (Cartwright & Schoenberg, 2006). Companies generally undertake acquisitions intending to obtain significant financial gains, as documented in a wide range of research (Haleblian et al., 2009; (McNamara et al., 2008). However, from the consideration of numerous real-life examples and academic studies, a somewhat uncertain picture emerges regarding the achievement of these desired financial goals (e.g., Capron & Pistre, 2002; Masulis et al., 2007). Although it is challenging to identify the precise causes of acquisition failures, several factors may moderate post-merger performance, including the pre-merger performance of acquired and acquiring firms, the acquisition premium paid, whether the merger was related or unrelated, and corporate resource complementarities (D. R. King et al., 2004). Many acquisitions, against all expectations, result in lower than forecasted market power (Hitt et al., 2001), disappointing cost reductions (Graham et al., 2002), or inefficient allocation of resources post-acquisition (Capron et al., 1998; Uhlenbruck et al., 2006). The high number of acquisitions that have turned out to be a failure reflects the considerable risk involved in these transactions (Krug & Aguilera, 2004; Schoenberg, 2006), and the fact that corporate acquisitions are high-risk and often uncertain activities in achieving financial and strategic objectives.

Mergers and acquisitions are complex operations that necessitate a continuous study and a careful evaluation before proceeding. Indeed, for example, the M&A picture is more complex and requires further analysis when considering the context of family firms.

Family businesses have a deep emotional connection to the company, with a strong collective identity and family values influencing their strategic decisions (Gómez-Mejía et al., 2007). These companies are characterized by a long-term vision and an emotional commitment to the survival of the company (Arregle et al., 2007; T. Zellweger & Sieger, 2012), and for this reason, they are inclined to evaluate both financial and non-financial performance while making strategic decisions (Chrisman & Patel, 2012; Gómez-Mejía et al., 2007). M&As can be perceived by family businesses as a double-edged sword since, on the one hand, they offer the possibility of a successful exit in the event of a generational transition or rapid external growth (Steen & Welch, 2006; Klasa, 2007; Goossens et al., 2008), while on the other hand, they can dilute family ownership power and jeopardize the continuity of the family legacy (Basu et al., 2009). This aspect makes family firms' mergers and acquisitions behavior differ from those of firms with a different ownership structure (Feito-Ruiz & Menéndez-Requejo, 2010). The reasons for this distinction include different governance structures (Carney, 2005), financial preferences (Gómez-Mejía et al., 2007), social priorities, as well as non-economic family-related objectives (Miller et al., 2010; Niedermeyer et al., 2010).

Acquisitions often require external financing, weakening family control and independence, which are crucial components of Socioemotional Wealth (Dreux IV, 1990; T. M. Zellweger et al., 2011). In addition, they can disrupt established social networks within the family business (Friedland et al., 1990). Moreover, these deals may lead family businesses to depend on external managers and consultants, undermining close ties with long-standing company employees (Cruz et al., 2010). Furthermore, takeovers can threaten the company's and the family's reputation as they involve changes in the combined portfolios of products and resources (Deephouse & Jaskiewicz, 2013). In the case of a failed takeover, the family risks having its image compromised and having to admit a mistake, with potentially negative consequences for the trust of clients, business partners and investors. Despite these challenges, family businesses are active in the M&A market. However, their participation can be influenced by the size of their stake and the desire to preserve family control. Indeed, family businesses with a significant shareholding may be more willing to undertake acquisitions, whereas they will be more reluctant to make acquisitions when the family shareholding is not sufficiently large enough (Caprio et al., 2011).

In summary, M&As present unique challenges and opportunities for family firms, with financial, social and emotional considerations influencing their decisions. Understanding these complex dynamics is essential for assessing the role of M&As in family businesses and developing strategies tailored to these business realities.

The analysis of the dynamics of corporate acquisitions related to family firms has received much attention from scholars, especially in European and US contexts. However, such interest has not been equally directed at the Italian context, creating a gap in the understanding of M&A practices within the country's economic landscape. This lack of comparative analysis with the Italian context could hinder a complete understanding of the dynamics of corporate takeovers between family and non-family companies, specifically if a specific analysis of some European countries is not made, thus limiting the possibility of comparison and learning from international experiences.

Secondly, the literature has often pointed out that family firms are more reluctant to engage in M&A transactions than their non-family counterparts and show a preference for avoiding equity financing (Basu et al., 2009). This conservative attitude is often motivated by the desire to maintain family control over the company and preserve family values and culture. However, the analysis of specific decisions regarding the preference to acquire larger or smaller shares in family businesses has remained surprisingly limited and deserves further understanding. Indeed, this leaves a gap in the understanding of the strategies adopted by family firms during acquisition transactions, thus limiting the possibility of identifying best practices to be adopted.

In seeking to offer a deeper understanding of the decision-making behaviour of family firms when navigating the complex merger and acquisition landscape, we refer, as a theoretical framework, to the mixed-gamble logic of the behavioural agency model (Chirico et al., 2019; Gomez–Mejia et al., 2014) and the Socioemotional wealth (SEW) perspective (Gómez-Mejía et al., 2007).

Based on a sample of 245 M&A transactions carried out by Italian listed companies between 2015 and 2023, the analysis aims to significantly enrich the existing literature on socioemotional wealth theory by investigating the strategic decision-making processes of family firms in the context of mergers and acquisitions. The study focuses on three interconnected dimensions, each offering unique insights into the behaviour of family firms. In particular, we attempt to answer the following research question:

How do family firms differ from non-family firms in their approach to mergers and acquisitions strategies, particularly in terms of target proximity, sectoral alignment, and stake size?

THEORETICAL FRAMEWORK

The family firm

Family firms are unique organizational entities, as they are characterized by an intense emotional tie to family members and the business itself. This attachment, intertwined with rational judgement, significantly influences their strategic decision-making processes (Sirmon & Hitt, 2003).

Examining the context of this particular company, we can identify two different perspectives within the existing literature: the stagnation perspective and the stewardship perspective (Miller et al., 2008).

Stewardship theory sees the family as a source of competitive advantage. In these companies, family members and managers have goals aligned with the organization in such a way as to ensure its continuity and are mainly concerned with long-term success (Corbetta & Salvato, 2004). In this case, family members show an altruistic commitment to the company, often putting the company's interests before their own, contributing to improving family ties, reducing tensions in relationships and promoting a climate of mutual trust and cooperation. Stewardship in family businesses manifests itself in three primary forms of management:

1) Stewardship over the continuity of business: Since family managers identify with and have an emotional attachment to the company, this causes them to engage in management that ensures the company's well-being and continuity over time. This translates into investing more in research and development of new products and technologies, developing market shares and strengthening corporate reputation (Miller & Le Breton-Miller, 2005). Family owners are more concerned about the company's long-term future than owners without family involvement. This happens not only because the former associate corporate prosperity with a sense of self-fulfillment but also because the latter have less difficulty selling the company and moving from one business to another in difficult situations (Miller et al., 2008).

2) Stewardship over employees: Family businesses pay special attention to employee training to ensure a talented, motivated and loyal group of workers (Miller et al., 2008). This makes people more motivated to stay working in the same company for longer and allows them to build strong relationship between employees. In particular, intensive training programmes are developed to improve employees' skills, promote new product development and acquire new knowledge (Chirico, 2008), more responsibility is given to employees to involve them more in the company's decision-making, and finally, efforts are made to create a flexible and inclusive culture (Miller et al., 2008).

3) Stewardship over customer relationships: Family businesses seek to establish long-lasting relationships with customers and suppliers of valuable resources. This results in a better knowledge of the customers and their possible loyalty. Having a variety of information on customer preferences enables the company to

develop a customized marketing campaigns and to consolidate the family brand (Miller & Le Breton-Miller, 2005).

On the other hand, the stagnation perspective describes family businesses as inferior, often undercapitalized organizations characterized by slow growth and resistance to change (Miller et al., 2008). Lack of financial resources can lead to the hiring of incompetent family members and a lack of diversity of knowledge and ideas. This can contribute to adopting conservative strategies and creating inflexible and change-resistant organisational cultures (Chirico & Nordqvist, 2010).
It is important to notice that the research finds support for all three aspects of the stewardship view and no confirmation for the stagnation view, suggesting that the family firm form is resilient, vibrant, and contributes strongly to national economies (Miller et al., 2008).

Behavioural Agency Model, Mixed Gamble Logic and Socioemotional Wealth

The behavioural agency model of Wiseman and Gomez-Mejia (1998), which has its roots in the prospect theory of Kahneman (1979) and the behavioural theory of Cyert and March (1963), argues that the decisions made by managers, and consequently, the strategic directions taken by a company, are often influenced by the inclination to protect personal wealth. This means managers often make choices that minimize the potential loss of their financial assets, considering their personal wealth as a crucial reference point in their decision-making process. In other words, their propensity to risk varies according to how they perceive the situation, whether as a potential gain or a potential loss and according to their levels of aspiration (Nordqvist et al., 2015). Martin et al. (2013), drawing on the mixed gamble logic of the behavioural agency model, clarified that decision-makers are motivated by the goal of safeguarding the company's current financial endowment, i.e. the firm's accumulated wealth that is subject to losses, or to maximise prospective future financial wealth, i.e. the potential wealth attributed to strategic decisions (Gomez–Mejia et al., 2014; Hoskisson et al., 2017).

These aspects are particularly interesting when considering the implications of managers' decisions in family firms. For example, theory assumes a separation of ownership and management, but family members often fill these roles simultaneously in family businesses.

In particular, a crucial aspect that characterizes family managers is that their interest can go beyond mere economic wealth and also include Socioemotional Wealth (SEW) which is defined as the "non-financial aspects of the business that satisfy the affective needs of the family, such as identity, the ability to exert family influence and the perpetuity of the family dynasty" (Gómez-Mejía et al., 2007). Socioemotional Wealth is the central aspect that distinguishes a family business from other organizational forms and influences their decision-making process (Berrone et al., 2012). Notably, the objectives related to Socioemotional Wealth among family owners are generally deeply and permanently rooted in the family business and concern aspects such as the company's reputation, family tradition, the owners' satisfaction, and even the desire to preserve significant social values or goals. This encompasses several critical dimensions, including family control, strong identification of family members with the business, emotional attachment to the business, preservation of family reputation, maintenance of benevolent ties within the family, ensuring a smooth transgenerational succession plan, and long-term prosperity of the business (Berrone et al., 2012). It is important to emphasize that this is not a purely emotional issue but rather a tangible element that can directly influence business decisions. Indeed, to preserve their SEW, family firms are said to be loss-averse (Gómez-Mejía et al., 2007), which is one reason why they are reluctant to engage in risky activities such as research and development (Chrisman & Patel, 2012; Gómez-Mejía et al., 2007), industrial cooperatives (Gómez-Mejía et al., 2007), polluting activities (Berrone et al., 2010), and business acquisitions (Caprio et al., 2011; Gomez-Mejia et al., 2015; Shim & Okamuro, 2011).

To summarize, recent literature has recognized that family firms make strategic decisions based on two fundamental dimensions: Financial Wealth and Socioemotional Wealth. These two dimensions, however, are often in tension with each other, which means that progress in one dimension may be associated with regression in the other (Gomez-Mejia et al., 2011; Gómez-Mejía et al., 2007; Kotlar et al., 2013). This phenomenon turns the strategic decisions of family businesses into what is known as "mixed gambles", which means that owners or entrepreneurs may find themselves in a dilemma between pursuing financial goals, such as profit maximization, and preserving their SEW (Gomez–Mejia et al., 2014; Gomez-Mejía, et al., 2015; Kotlar et al., 2013). In this context, family-controlled enterprises face a unique decision-making dilemma and a significant challenge for two main reasons: first, the two utility dimensions are not fully fungible, meaning that they cannot be easily compared linearly (G. Wu & Markle, 2008); second, a change in one utility dimension often leads to an opposite change in the other dimension, creating a trade-off between financial and SEW considerations (Chrisman & Patel, 2012; Gomez-Mejia et al., 2011). In fact, the trade-off can lead to win-lose or lose-win outcomes, where a decision may lead to financial gains but at the same time decrease SEW or vice versa (Gomez-Mejia et al., 2015).

At this point, it is interesting to note that the preservation of SEW makes the owning family more interested in the long-term survival of the business than in maximizing economic wealth in the short term. Consequently, they may be willing to renounce future investment opportunities with a positive net present value if these endanger their current SEW or the stability of the company. However, this issue may vary depending on the vulnerability of the company, which depends on its performance with respect to financial objectives and requirements. In situations of low vulnerability, decision-makers will focus more on protecting the SEW, whereas financial objectives will take priority in situations of high vulnerability. This is because, when the company is in financial distress, emotional and financial interests align because if the company cannot survive, both SEW and financial wealth risk disappearing completely (Gomez-Mejia et al., 2015).

In conclusion, it is comprehensive and engaging to mention some critical aspects concerning Socioemotional Wealth. In particular, critics have characterized the decisions made to pursue SEW as "family-centered" (Miller & Le Breton-Miller, 2005) and in conflict with the interest of all other persons or groups involved within the company itself (Koropp et al., 2014). This has led Craig and Newbert (2020) to conclude that because families adhering to the SEW argument seek to serve their own interests without considering those of other stakeholders, "SEW appears to be a primarily egocentric construct".

Merger and acquisition decisions in family firms

Mergers and acquisitions are an interesting analysis area, especially regarding family businesses. These companies have a unique dynamic because of their family control, which can significantly influence takeover decisions. Indeed, family businesses are often more risk-averse than their non-family counterparts due to the potential current costs of SEW and uncertain future financial gains (Gomez-Mejia et al., 2015). Indeed, although acquisitions carry some risk that potential financial gains will be lower than expected for any acquiring firm, family firms also carry the risk of incurring current SEW losses (Pinelli et al., 2024). This conservative attitude may be reflected in the acquisition policies of family firms, leading them to undertake fewer acquisitions than other firms. Actually, some empirical studies have confirmed this tendency, showing that family firms tend to make fewer acquisitions than non-family firms (Caprio et al., 2011; Chirico et al., 2019; Gomez-Mejia et al., 2011; Miller et al., 2010).

Families in control of companies appreciate their decision-making power and corporate stability more than other corporate shareholders. However, this predilection for control can make families remarkably diffident of takeovers, as these can result in the dilution of their shareholding's voting power, either directly, through the acquisition of shares in other companies, or indirectly, due to cash financing of acquisitions, which increases the likelihood of the sale of new capital in the future. (Martynova & Renneboog, 2009).

Moreover, another aspect to be considered is that controlling families may have a personal interest in the survival of the company rather than in increasing shareholder value. This may lead them to undertake acquisitions that are not necessarily in the interest of the company as a whole but which satisfy the personal interests of family members (Bertrand & Schoar, 2006). When assessing the decisions made by family businesses, it is also essential to consider that they wish to protect the value of the company and, for that reason, may be more selective in the acquisitions they undertake, avoiding those transactions that could be harmful. The fact that some studies suggest that family firms may destroy value through acquisition (Bauguess & Stegemoller, 2008; Basu et al., 2009) supports the view that takeovers in family businesses are a complex and multifaceted field.

HYPOTHESES DEVELOPMENT

Since family businesses assess their potential acquisition decisions considering not only financial risks but also socioemotional risks, they expose themselves to a higher overall level of risk. This increased risk is due to the fact that, in addition to the financial uncertainties related to expected returns, there is also the socioemotional risk associated with potential value losses related to SEW (Pinelli et al., 2024). The overall risk assessment of a specific acquisition thus depends on both its financial risk, in the case of non-family firms, and SEW risk, in the case of family firms (Gomez-Mejia et al., 2014; Gomez-Mejia et al., 2015). Generally, firms may decide to proceed with an acquisition only if its level of risk is below a certain threshold of acceptability, which is higher for family firms as a consequence of their need to maintain control and ensure the longevity of the firm (DeTienne & Chirico, 2013; Symeonidou et al., 2022). Following, three hypotheses, that establish a connection between risk aversion and the interest in maintaining control exhibited by family firms in their M&A decisions, are discussed.

International diversification decisions in family firms

Diversification is a critical choice for family companies, which can decide whether to do it domestically or internationally. Global diversification offers advantages such as taking the benefit of arbitraging respective national resources, learning new skills and capabilities from multiple national environments, reducing risk by spreading revenue over several countries (Kim et al., 1993) and reducing the total business risk within a company's portfolio. The latter, in particular, occurs because part of the systematic risk, that is the risk related to general economic performance, at a national level, can become unsystematic, firm-specific risk, when the firm expands its operations internationally (Fatemi, 1984; Lessard, 1983). Furthermore, international diversification offers considerable advantages, including the possibility of optimizing costs and increasing revenues, strengthening a company's position with respect to its suppliers, distributors and customers (Kogut, 1985). The expansion of operations internationally opens the door to the creation of economies of scale, expansion of operational scope and the rapid accumulation of knowledge and skills (Kogut, 1985). International diversification is an important step for family businesses, but it is a complex decision because of the challenges involved. Indeed, although it allows to spread business risk across geographic segments and enjoy potential competitive advantages, it also entails a higher probability of SEW loss (Gomez-Mejia et al., 2010). One of the main obstacles is the need to access external financing. This process can result in the dilution of family holdings and the consequent loss of control over the management of the company. Furthermore, entering international markets requires a greater financial commitment than internal diversification, which may make the family more dependent on external investors, such as banks and venture capitalists (Fatemi, 1984; Lessard, 1985). In addition, households may prefer to diversify locally or nationally, where they are familiar with the environment and have an established network of knowledge. Since diversifying internationally might involve dealing with different consumer needs, different regulations and higher communication and transport costs, a deep knowledge of foreign markets, laws and local cultures is required and it can be a significant challenge. Moreover, managing diverse businesses in foreign markets requires specialized skills, which may not be readily available in family businesses (Hitt et al., 1997). In order to cope with the risks just mentioned, hiring external managers may be a plausible solution to consider, but this may entail the risk of losing family control over the company. Non-family executives may not have the same interests at heart as the family and may act differently from the family's wishes, creating tensions within the company, making the development of effective monitoring systems complex and the possible arising of the agency problem. Furthermore, international diversification requires access to stronger external ties, including foreign customers, resources and institutions (Hitt et al., 2006). Family firms may be well connected locally but may lack the international relationships necessary to support international diversification. This may limit their ability to successfully expand abroad (Barney et al., 2002). Turning to the role of geographic proximity in mergers and acquisitions, it is important to note that geographic proximity can mitigate the risk of adverse selection in M&As. When potential partners are geographically close, it is easier to conduct thorough due diligence and reduce the likelihood of selecting a 'bad' target. In addition, familiarity with the local environment can play a significant role in selecting close targets in M&As. Indeed, companies may prefer geographically close targets because this may reduce price competition, facilitate the sharing of common assets post-acquisition, enable more effective monitoring of acquired operations and, more generally, reduce the risks associated with this type of decision-making (Boschma et al., 2016). As such, in an attempt to exploit the benefits of mergers and acquisitions while simultaneously minimizing the risks associated with such transactions, it is expected that family businesses will be inclined to undertake M&As in neighboring and more culturally similar geographic areas, rather than expanding into other countries. In formal terms:

Hypothesis 1: Family firms exhibit a stronger inclination towards favoring M&A deals with companies that are in close geographical proximity compared to non-family firms.

Relatedness in M&A decisions of family firms

Unrelated acquisitions, commonly understood as acquisitions of companies in different sectors or markets than those in which the acquiring company operates, are a strategy that can have several advantages and disadvantages for family businesses. One of the main advantages is the diversification of risk, which can be particularly attractive for family businesses wishing to protect their wealth from downturns or problems in specific sectors of the business (Miller et al., 2010). In addition, unrelated diversification can help to escape from stagnant and declining industries. However, there are serious socioemotional considerations that family firms face when considering unrelated acquisitions.

Firstly, such acquisitions often require significant restructuring of the acquiring company to integrate the acquired company into a different industry, which may erode family control over the company, as new managers and outside consultants with specialized skills may be needed to successfully manage the acquisition (Barkema & Schijven, 2008).

Secondly, as pointed out by Hitt et al. (2001), the acquisition of unrelated targets entails the need to establish new relationships with suppliers, customers and consultants operating in unfamiliar areas for the family business. This can make existing social ties, which are often a distinctive advantage of family businesses, less valuable. Moreover, the company may have to recruit new employees with different technical skills than those present within the family, which may lead to tensions and challenges in human resources management.

Thirdly, as pointed out by Eisenmann (2002) and Vermeulen & Barkema (2001), unrelated acquisitions may require the adoption of new operational and strategic routines, moving away from long-established methods. This may lead to resistance from family members or long-term employees, as new practices may be perceived as a threat to tradition.

Moreover, when a family business acquires companies in different sectors, it may become more difficult for family members to maintain a consistent corporate identity (Pratt & Foreman, 2000). This may affect the perception of customers, suppliers and the general public, as mentioned by Gomez-Mejia et al. (2015), as the company may seem less cohesive or focused. So, the firm could lose its distinctiveness and competitive advantage in the core industry due to the dispersion of resources and attention.

Finally, since family firms often attribute significant importance to family values and management based on ethical principles, uncorrelated diversification may challenge these values if the firm operates in sectors with practices or regulations that conflict with family principles.

In support of the above, Gomez-Mejia et al. (2015) conducted a study that theorizes and confirms that family businesses tend to prefer to acquire related objectives. Furthermore, Hussinger and Issah (2019) further supported this theory, showing that family businesses tend to seek related goals, especially when they exceed their performance aspirations. Thus, family firms are willing to undertake related acquisitions, even if it means forgoing diversification in their business portfolio, so as to avoid the dilution of the value of family heritage. More specifically, related acquisitions offer several advantages to family businesses. These transactions allow family managers to remain loyal to the core businesses such as technology, core products and services, and the knowledge and skills needed to succeed in the industry, to which they are often attached. Over time, family members develop an emotional connection to the core business, and related acquisitions minimize the risk of losing this connection (Gomez-Mejia et al., 2010). Moreover, related acquisitions can generate synergies and complementarities between the resources and skills of the family business and those of the acquired company. This leads to an increase in long-term economic value and can help preserve the value of family assets. In such cases, family businesses can also maintain control over the acquired company without having to undertake major restructuring or hire new outside management, as is often required in unrelated acquisitions (Barkema & Schijven, 2008). Finally, the acquisition of related businesses allows family firms to take advantage of the experience accumulated in their core industry and to preserve knowledge established over time, helping to improve SEW in the long term (Gomez-Mejía et al., 2014).

As a result of the above, related acquisitions represent a significant strategic opportunity for family businesses, as they promise financial and SEW gains in the long run and are associated with lower risk (Amit & Livnat, 1988). Although in the short term it is possible for family businesses to experience SEW losses due to the managerial attention required for the integration of the acquisition and the upfront costs associated with the transaction itself, it is nevertheless important to emphasize that these losses are often temporary and can be regarded as an investment in the related acquisition. The most significant part, in fact, manifests itself in the long term with significant SEW gains. Over time, the synergies and complementarities between the acquired resources and those already possessed by the family business result in a strengthening of the core business and a sustainable increase in family wealth (Hussinger & Issah, 2019). In other words, internally and externally acquired resources and know-how converge to improve the competitive position and overall value of the family business (Cassiman & Veugelers, 2006). As such, in their pursuit of sustainable growth and the preservation of Socioemotional Wealth in the long run, while simultaneously aiming to minimize firm-specific risk and the diversification risks, family firms are expected to exhibit a propensity to engage in mergers and acquisitions within sectors closely related to their main area of expertise. In formal terms:

Hypothesis 2: Family firms are more inclined to engage in mergers and acquisitions in sectors closely related to their core business than non-family firms.

Level of control in family firm acquisitions

At this point, it is well known that family firms, with their family ownership nature, often place more emphasis on the construction and protection of the SEW and pursue a variety of non-financial objectives, placing particular emphasis on maintaining control over the company itself (Gomez-Mejia et al., 2015). For family businesses, this control is usually concentrated in the hands of a single individual, with the family actively involved in business management and governance (Basu et al., 2009). Moreover, this focus on control is not only a question of power but reflects a desire to ensure the continuity and stability of the company in the long term, including the inter-generational succession (Stein, 1989). Particularly, maintaining control allows them to manage the business in line with family values and objectives, while preserving decision-making autonomy and family cohesion. The current literature focuses mainly on two aspects concerning the interest of family businesses in maintaining a high level of control: the tendency to conduct fewer acquisitions and the financing decisions related to such transactions.

Firstly, the literature explains how family control plays a significant role in decisions to make acquisitions or accept takeover offers and, in particular, decreases the likelihood of active acquisitions. The more control a family has over the shares of a company, the more influential it becomes in determining the takeover strategy. This is due not only to the size of their investment, but also to the power they possess through their shareholdings.

Families with a significant shareholding have both the incentive and the ability to shape the company's acquisition strategy according to their own risk preferences and other factors (Miller et al., 2010). Indeed, family businesses are often reluctant to make acquisitions when the stake held by the family is not large enough to ensure the persistence of long-term family control after the transaction.

A dominant shareholder who has maintained control through generations may be reluctant to relinquish power by accepting a merger or takeover offer (Caprio et al., 2011). Furthermore, families often maintain control of their companies by placing family members in leadership positions (Bertrand & Schoar, 2006). This can lead to a shortage of managerial skills, as managers may be selected primarily from within the family circle rather than based solely on merit (Bennedsen et al., 2007; Volpin, 2002). Consequently, companies might be induced to adopt more conservative strategies, avoiding complex acquisitions due to a lack of appropriate managerial talent.

Secondly, the literature underlines that control considerations in family businesses particularly influence the choice of financing sources in the case of M&As. In particular, since the main concern of the family is the transmission of the business across generations, family managers will direct financial decisions in a way that preserves family control, rather than relying solely on a detailed assessment of complex financial issues (Barton & Gordon, 1987; McMahon & Stanger, 1995). Family firms show a preference for less risky financial options and, therefore, are reluctant to open up capital to non-family members (Sirmon & Hitt, 2003) since an increase in debt would make a loss of family control more likely and business failure would imply not only the loss of personal wealth, but also the loss of family human capital. The pecking order theory, formulated by Myers in 1984, suggests that, in order to preserve their power and protect control, companies, especially family businesses, prefer to use internally generated funds as the main source of financing for their M&A operations. Only if these resources are inadequate and insufficient family businesses will consider using external sources. In particular, according to some academics, the use of debt remains the preferred option for family businesses over the use of equity (Croci et al., 2011; Koropp et al., 2013; Burgstaller & Wagner, 2015). This is because an increase in equity would weaken the equity holdings of family members and undermine their controlling position (Croci et al., 2011).

As such, taking into account the current literature and considering the interest in maintaining predominant control, the same corporate culture and as low a level of risk as possible, it is reasonable to assume that family firms decide to proceed with M&A activities mainly if their presence within the acquired company is dominant. In this way, the family firm will have greater decision-making powers within the target company, including influencing corporate strategies, executive nominations, and other key decisions, it will facilitate operational integration with the target company and significantly reduce the likelihood that other shareholders opposing the decisions made. In formal terms:

Hypothesis 3: Family firms are more inclined to acquire larger stakes in M&A transactions than non-family firms.

METHODS

Data and sample

The following study focuses on analyzing family business dynamics in the Italian context, an area that has received limited attention but has unique characteristics that require in-depth examination.

In Italy, there are about 800,000 family businesses, accounting for approximately 85% of the total number of companies and 70% of the workers (Istat, 2023). In particular, family firms control almost 60% of the Italian stock market, with about 290 listed companies and are growing more than other types of companies (AIDAF - Italian Family Business, 2022).

First of all, past research (Brunello et al., 2003; Corbetta & Minichilli, 2005; Montemerlo, 2000; Volpin, 2002) has illustrated that Italian family businesses directly invest a considerable part of the controlling family's wealth in the business itself. This is significantly different from family businesses in other countries, such as the US, where less than 30% of the family's assets are usually invested in the business. This implies that the controlling families in Italy are deeply involved in the day-to-day and strategic activities of the business (Prencipe et al., 2008).

Secondly, it is common to find that in Italian family businesses, top management and the board of directors are often constituted by family members or individuals closely related to them. Moreover, frequently, the largest shareholder is the founder of the company or a close relative of the founder. This suggests that in Italy, controlling families tend to maintain a long-term presence in the company, significantly influencing management and critical decisions (Prencipe et al., 2008).

Finally, company ownership is highly concentrated, with the controlling family holding a significant share. As a result, Italian family businesses often show a reluctance to allow institutional or outside investors to acquire significant ownership positions. An interesting fact, as shown by Brunello et al. (2003), is that the majority of the share capital of Italian companies is held on average by a single shareholder, which exceeds the 50% threshold, while the second largest shareholder holds a relatively small share, ranging from 8% to 10% on average. On the other hand, financial institutions, have a limited presence as active shareholders and are more often involved as credit institutions in Italian family businesses (Prencipe et al., 2008).

These distinctive factors of Italian family businesses provide a unique context for examining the governance dynamics, management strategies and challenges these firms face in the specific Italian context.

Specifically, the analysis is based on a sample of 245 mergers and acquisitions made by 133 listed Italian companies from 1 January 2015 to 31 December 2023. The transactions examined are completed and not merely announced.
The data collection process used to create this cross-section consisted of two main phases. The first phase involved the use of the Orbis M&A database to obtain all M&A transactions completed by listed Italian firms in the period of interest. In particular, thanks to this database, we also collected information on the deal's year, the deal's type, the deal's value, the description of the sectors of the acquirer and target, and the respective SIC codes. This resulted in a preliminary sample of 305 deals. Subsequently, we filtered by acquirer sector to remove deals in the banking, financial and insurance sectors and obtain the desired final sample.
The second phase consisted in classifying the companies involved in the transactions and identifying their Ticker Symbol and RIC (Refinitiv Instrument Code) codes. Finally, using the LSEG Workspace platform and BoardEx Core Reports, data on financial performance, governance and board structure were obtained for the acquiring companies.

Methodology

The purpose of this paper is to investigate how ownership structure (family-owned versus non-family-owned) influences decision-making concerning M&A activities. In order to test the hypotheses, we used the two-sample T-test to determine whether there are significant differences in M&A decisions between the two independent groups (family firms and non-family firms).
In addition, as the T-test is a relatively weak methodology since it does not take into account other variables that could influence the result of the comparison between the two groups, we also carried out a regression model using the OLS heteroskedasticity-robust standard errors (MacKinnon & White, 1985) to test hypothesis 1 and 3. We also checked

the absence of potential multicollinearity through the variance inflation factor (VIF). Specifically, we run the following OLS models:

$$Y = \alpha + \beta_1\, Family\ control + \beta_2\, Year + \beta_3\, Acquirer's\ age + \beta_4\, log\ (Acquisition\ value) + \beta_5\, ROA + \beta_6\, Leverage + \beta_7\, Acquirer's\ international\ revenue\ share + \beta_8\, log\ (Acquirer's\ size) + \beta_9\, Board\ size + \beta_{10}\, Independent\ board\ members + \beta_{11}\, CEO\text{-}Chairman\ separation$$

Instead, to test hypothesis 2, a logistic regression model was employed due to the binary nature of the dependent variable.

Independent variable

Family control

Family control is defined as the scenario in which a family owns at least 5% of the ownership of a business, with at least one family member, whether blood-related or married, taking a significant role as a high-level manager or board member. This variable is coded as 0 if family ownership is below 5% and there is no family involvement in senior management or board membership. Conversely, it is coded as 1 if ownership equals or exceeds 5% and at least one family member occupies a leadership position. Notably, this metric is widely used in previous studies of family businesses and SEW (Gomez-Mejia et al., 2010; Villalonga & Amit, 2006; Berrone et al., 2010; Chrisman et al., 2012) and is based on established research on the governance of large publicly traded companies and regulatory standards, such as the Securities and Exchange Commission guidelines, which often employ a 5% ownership threshold as an indicator of substantial influence over a company's operations (for instance Hambrick & Finkelstein, 1995; Salancik & Pfeffer, 1980).

Dependent variables

Geographical distance

Geographical distance is assessed by determining the kilometers between Italy and the home country of the target company. This was made possible by CEPII, a center for research and expertise on the world economy, which produces a database called GeoDist. It offers a range of geographical variables, including bilateral distances, as well as calculations of intra-national distances for 225 countries. Specifically, the dist_cepii dataset was utilized, which provides dyadic information, encompassing various measures of bilateral distances (in kilometers) for most country pairs across the world. This variable was selected because of its standardization and its wide use in other studies to assess geographical proximity (Boschma et al., 2016; Autant-Bernard et al., 2007).
In addition, in the robustness check, we also included the categorical variable *Geographical Area*, which indicates the location of the acquisition. This variable takes the value 0 if the acquisition occurred in Italy, 1 for Europe, 2 for America, 3 for Asia, 4 for Africa, and 5 for Oceania.

Sector correlation

The correlation between the sectors of the acquiring and acquired company was examined through the creation of a dummy variable. This variable is assigned a value of 1 when the sector of the target company matches that of the acquiring company, and 0 when the acquisition is not aligned with the sector of the acquiring company. We utilized the Standard Industrial Classification (SIC) codes provided in the Orbis M&A database, as they are a reliable and standardized measure commonly employed by other studies to analyze industry affiliation (Defrancq et al., 2016; Gomez-Mejia et al., 2015; Miller et al., 2010). In particular, the two-, three-, and four-digit SIC codes have been used by previous research to measure relatedness (Miller et al., 2010).
Specifically, in this study, acquisitions were classified as core business related when the primary *Two-digit SIC code* matched between the acquiring company and the target, otherwise as diversified. We chose the two-digit level because acquisitions need to strike a balance between not being too distant, operating in completely unrelated industries, and

avoiding being overly correlated so that firms can effectively exploit synergies (Hussinger & Issah, 2019). Consequently, the finer granularity of four-digit SIC codes may not adequately capture this balance, which results in their less common use in the literature than the broader two-digit codes (Martin & Sayrak, 2003).
In addition, the *Three-digit SIC code* was used in the robustness check to measure the diversification of the acquisition.

Level of control

The decision to maintain a high degree of control over the ownership of the acquired company is tested by analyzing the continuous variable *percentage acquired*, reflecting the level of control desired by the acquirer over the target company (Morck et al., 1988; McConnell & Servaes, 1990). In particular, the value, expressed in percentage, shows the exact share acquired of the target company.

Control variables

Several control variables are used in this study as they may have some influence on the dependent variables under analysis. In particular, we monitor certain corporate characteristics of the acquiring company that may influence diversification decisions (Bettis, 1981) and/or risk propensity (Baysinger & Hoskisson, 1989). These include *acquirer's size*, measured as the natural logarithm of the number of employees in the company; *acquirer's international revenue share*, measured as foreign revenues in relation to total sales and *acquirer's age*, measured as the number of years elapsed from founding to the time of the acquisition. In addition, we considered two particular variables, considering the availability of resources, as potentially having a significant influence on the propensity of companies to undertake acquisition and diversification strategies (Gomez-Mejia et al., 2015). These include *acquirer's profitability*, measured in terms of ROA and the *acquirer's leverage*, measured as the ratio of long-term debt to total assets. Moreover, managing directors are key players in the company's decision-making process and can influence the decision-making process of the board of directors. Therefore, three specific variables relating to the acquiring company were analyzed: the *CEO-chairman separation*, the *board size* and the number of *independent board* *members*. Specifically, the CEO-chairman separation is a dummy variable that takes the value of 1 when the CEO is the chairman of the board and 0 otherwise (Tosi et al., 2000; Boyd, 1995). Finally, two variables related to specific acquisition characteristics were considered. These include the *year* of acquisition, which accounts for the macroeconomic context and the business cycle during the transaction and the *acquisition value*, measured as the logarithm of the price paid, providing insight into the transaction's cost for the acquirer.

RESULTS

T-test and regression analysis

Table 1 presents the descriptive statistics of the variables under investigation. These statistics provide a comprehensive overview of the distribution and central tendency of each variable in the dataset.

The “Number” column indicates the number of observations available for each variable, giving an indication of the completeness of the data. The “Minimum” and “Maximum” values represent the range within which the variable's values fall, providing information on the spread of the data.

The “Mean” and “Median” offer measures of central tendency, highlighting the typical value around which the data are centered. In addition, the “Standard deviation” quantifies the dispersion of data points around the mean, indicating the variability or spread of the data.

Specifically, in the analysis of the acquisition sample, we examined a total of 245 transactions. Of these, 149 were conducted by family firms and 96 by non-family firms. With respect to the geographical area of the acquisitions, we recorded that the majority (202) occurred in Italy, while significantly fewer occurred in Europe (29) and only 14 outside Europe. Looking at business sectors, we noted that 122 acquisitions were made in the same sector in which the acquirer operates, while 123 occurred in unrelated sectors. Finally, we looked at the size of acquisitions by value and found that 51 transactions were above EUR 50.000, while only 32 exceeded the EUR 100.000 threshold.

Table 1. *Descriptive statistics*

		N	Min	Max	Mean	Median	Standard deviation
1	Year	245	2015	2023	2019.52	2020.00	2.386
2	Acquirer's age	245	1	185	49.95	34.00	43.187
3	Family Control	245	0	1	0.61	1	0.489
4	Geographical distance	245	0.000	16333.250	568.798	0.000	1866.673
5	Percentage acquired	245	0.500	1.000	0.877	1.000	0.179
6	Acquisition Value	245	1.000	6.905	3.849	3.832	1.007
7	ROA	245	-28.650	53.941	4.419	4.140	6.693
8	Leverage	245	0.000	0.672	0.223	0.207	0.144
9	Acquirer’s international revenue share	245	0.000	100.000	28.510	6.656	34.389
10	Acquirer's size	245	0.602	5.048	2.836	2.877	0.826
11	Board size	245	3	18	8.29	9	2.941
12	Independent Board Members	245	0	7	2.19	2	1.376
13	CEO-Chairman separation	245	0	1	0.24	0	0.431
14	Two-digit SIC code	245	0	1	0.50	0	0.501
	Number of valid cases	245					

Table 2 presents the pairwise Pearson correlation coefficients among the variables analyzed in the study. Following Shrestha (2020), multicollinearity is typically considered significant when correlation coefficients exceed an absolute value of 0.8. However, in our analysis, all absolute pairwise correlation coefficients are below 0.6. This finding underscores the independence or weak interdependence among the variables included in our analysis.

Based on this observation, we have concluded that multicollinearity is not a significant concern for the validity of our multivariate regression models and that our models maintain their reliability and robustness in capturing the relationships between the variables under consideration.

Table 2. *Pairwise Pearson correlation coefficients between the variables*

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Year	1													
2	Acquirer's age	-.042	1												
3	Family Control	-.127	-.062	1											
4	Geographical distance	-.010	.057	.172	1										
5	Percentage acquired	-.047	.098	.024	.024	1									
6	Acquisition Value	-.047	.371	-.031	.160	.194	1								
7	ROA	-.166	.113	.084	.044	.041	.106	1							
8	Leverage	.050	.321	-.116	.044	.073	.136	-.159	1						
9	Acquirer’s international revenue share	.039	.064	.276	.168	-.110	.099	.218	-.107	1					
10	Acquirer's size	-.152	.462	-.055	.196	.053	.588	.048	.168	.131	1				
11	Board size	-.265	.327	.061	.095	.101	.552	.076	.030	.110	.565	1			
12	Independent Board Members	-.117	-.087	.429	.107	.029	.051	.126	-.062	.233	.095	.282	1		
13	CEO-Chairman separation	.055	-.130	.107	.103	-.086	-.073	.019	-.004	.165	-.040	-.227	.073	1	
14	Two-digit SIC code	-.138	.141	-.137	-.120	.030	.092	.042	.142*	-.058	.207	-.016	-.098	-.017	1

The T-test is utilized to compare the means of two groups and verify if there are significant differences between them. If the p-value is below a certain level of significance (commonly set at 0.05), the null hypothesis can be rejected in favor of the alternative hypothesis, indicating that there is sufficient statistical evidence to assert that the observed differences are not due to chance but are indeed present in the reference population. Table 3 shows the means, the difference of the means and the 2-tailed significance of the three models for each of the three hypotheses.

For hypothesis 1, the average support for merger and acquisition operations with geographically proximate companies was substantially higher for family firms (M = 825.668) compared to non-family firms (M = €170.113). In this case, the p-value is 0.007, and since the significance level is below the conventional threshold of 0.05, we can reject the null hypothesis in favor of the alternative hypothesis and assert that family firms in Italy indeed exhibit a greater inclination for merger and acquisition operations in closer geographical areas.

Also, for hypothesis 2, the averages between family firms (M = 0.44) compared to non-family firms (M = 0.58) differ. In this case, the p-value is 0.032, and since the significance level is below the conventional threshold of 0.05, we can reject the null hypothesis in favor of the alternative hypothesis and assert that there is a significant difference between family and non-family businesses regarding their propensity to involve themselves in mergers and acquisitions in sectors related to their core business.

For hypothesis 3, the means did not show a significant difference as the average stake acquired in merger and acquisition operations was slightly higher for family firms (M = 0.880) compared to non-family firms (M = 0.871). The p-value is 0.714, exceeding the conventional threshold of 0.05. Therefore, we cannot reject the null hypothesis. The results do not provide sufficient evidence to conclude that there is a statistically significant difference between family and non-family firms regarding their propensity to acquire larger stakes in merger and acquisition operations.

Table 3. *T-test results*

	Hypothesis 1	Hypothesis 2	Hypothesis 3
Mean (Non-family firms)	170.113	0.58	0.871
Mean (Family firms)	825.668	0.44	0.880
Difference of mean	-655.554	0.14	-0.008
Sign (2-tailed)	0.007	0.032	0.714

Table 4 show the results of the linear regressions, used to analyze hypothesis 1 and 3, and the logistic regression, used to analyze hypothesis 2. In particular, in model 1, 3 and 5 we have considered only the control variables, while in model 2, 4 and 6 we have also introduced the independent variables.

In model 2, designed to test hypothesis 1, the ANOVA test demonstrated the overall significance of the model at the 0.01 level. This indicates that the model effectively captures a notable portion of the variability in the dependent variable, affirming the validity of the statistical framework employed to investigate the interrelations among the variables under consideration.

Specifically, our analysis revealed a significant positive impact of Family control at the 5% significance level. The coefficient (β) for Family control was estimated to be 608.356, with a corresponding p-value of 0.02, indicating statistical significance. This suggests that for every unit increase in Family control, there is a substantial increase in the likelihood of family firms in Italy favoring M&A transactions with local firms, compared to non-family firms.

Furthermore, the examination of the Variance Inflation Factor provided no significant evidence of multicollinearity in the model (VIF = 1.333), affirming the reliability of the estimated coefficients.

So, these results robustly support the formulated hypothesis, indicating that family firms in Italy exhibit a pronounced propensity to prefer M&A transactions with local firms over non-family firms.

In model 4, designed to test hypothesis 2, the omnibus test of the model coefficients yielded a significance level of <0.001, indicating that at least one of the model variables is significantly associated with the dependent variable. Furthermore, the Hosmer and Lemeshow test, which assesses the goodness of fit of the model by comparing the observed and expected frequencies in the risk groups predicted by the model, returned a significance level of 0.606 (threshold: > 0.05), indicating a good fit of the model to the observed data. Our analysis revealed a negative and non-significant impact of the family control (B: -0.470, p-value: 0.14) at the 5% significance level. This suggests that there is no statistically significant relationship between family ownership and the propensity of Italian family firms to engage in mergers and acquisitions in core business-related sectors compared to non-family firms.

In model 6, aimed at testing hypothesis 3, the ANOVA test revealed the overall significance of the model at the significance level of 0.08. Although slightly above the conventional threshold of 0.05, this suggests that the model captures a significant portion of the variability of the dependent variable. Our analysis indicated a positive but insignificant impact of the family control (β: 0.021, p-value: 0.44) at the 5% significance level. This implies that there is no statistically significant relationship between family control and the propensity of Italian family firms to acquire larger shares in M&A transactions than non-family firms. Furthermore, examination of the variance inflation factor (VIF = 1.333) provided no significant evidence of multicollinearity, indicating the reliability of the estimated coefficients.

Table 4. *Regression results*

N = 245	Model 1	Model 2 Hypothesis 1	Model 3	Model 4 Hypothesis 2	Model 5	Model 6 Hypothesis 3
DV =	*Geographical distance*		*Sector correlation*		*Level of control*	
Year	0.89	0.67	0.02*	0.01**	0.79	0.87
Acquirer's age	0.59	0.51	0.64	0.56	0.49	0.52
Acquisition Value	0.28	0.29	0.87	0.86	0.00***	0.00***
ROA	0.92	0.85	0.45	0.49	0.54	0.52
Leverage	0.59	0.49	0.14	0.16	0.57	0.53
Acquirer’s international revenue share	0.07	0.20	0.45	0.66	0.05*	0.04*
Acquirer's size	0.06	0.03*	0.00***	0.00***	0.22	0.25
Board size	0.60	0.64	0.01**	0.01**	0.91	0.93
Independent Board Members	0.35	0.97	0.32	0.70	0.35	0.57
CEO-Chairman separation	0.26	0.31	0.60	0.65	0.45	0.43
Family Control		0.02*		0.14		0.44
R^2	0.076	0.095			0.071	0.014
Adjusted R^2	0.037	0.053			0.031	0.029
F statistic	1.935	2.235			1.778	1.668
Sign (full model)	0.041	0.014	0.001	< 0.001	0.065	0.082
Nagelkerke R^2			0.151	0.161		
Hosmer & Lemeshow Sign			0.254	0.606		

+ $p \leq 0.1$;
* $p \leq 0.05$;
** $p \leq 0.01$;
*** $p \leq 0.001$.

Robustness Tests

We conducted several tests in order to ensure the robustness of our empirical results. First of all, we executed several regression models incorporating an alternative control variable for firm size, precisely the natural logarithm of total assets, and for firm performance, the return on investment (ROI). The results remained unchanged, with slight variations in the significance levels of the coefficients.

In addition, we performed further tests on the measurement of our dependent variable for hypothesis 1 and 2. For hypothesis 1, we employed the *Geographical Area* variable, which classifies deals based on the continent of interest rather than mere physical proximity. This approach allows us to delve deeper into the strategic motivations behind M&A activities of family firms in Italy. By focusing on continents rather than geographic proximity, we aim to capture broader strategic considerations such as market access, cultural affinity, and regulatory environment, which may influence the propensity of family firms to pursue M&A deals with companies located in specific regions.

For hypothesis 2, we employed the *Three-digit SIC code* variable to allow a more restricted classification of industries. Even in these scenarios, all effects remained similar, with slight deviations in the significance levels of the coefficients (see table 5).

Table 5. *Robustness tests results*

N = 245	Model 2 Hypothesis 1	Model 4 Hypothesis 2
Year	0.960	0.081
Acquirer's age	0.151	0.128
Acquisition Value	0.439	0.295
ROA	0.521	0.792
Leverage	0.434	0.225
Acquirer’s international revenue share	0.159	0.921
Acquirer's size	0.003	0.155
Board size	0476	0.004
Independent Board Members	0.818	0.104
CEO-Chairman separation	0.288	0.327
Family Control	0.042	0.149
R^2	0.117	
Adjusted R^2	0.075	
F statistic	2.798	
Sign (full model)	0.002	0.025
Nagelkerke R^2		0.116
Hosmer & Lemeshow Sign		0.691

DISCUSSION

This analysis, by first investigating the geographic preferences of family firms in their M&A activities, seeks to clarify whether these entities show a marked inclination to conduct transactions in geographic proximity. This examination aims to reveal whether family firms in Italy are inclined towards transactions that are 'local' or located within culturally familiar regions. Second, the research explores the tendency of family firms to engage in M&A activities in sectors related to their core business. This dimension of the analysis seeks to understand whether family firms in Italy engage in strategies that strengthen or expand their presence in their key business sector. Finally, the research explores the propensity of family firms to acquire dominant shares in M&A transactions. This investigation aims to show whether Italian family firms prioritize maintaining decision making control and preserving their distinctive corporate culture, in line with the principles of SEW theory.

Specifically, the analysis confirms that these companies prefer geographically close merger and acquisition targets (hypothesis 1), reflecting a strategy to minimize risk by exploiting knowledge of the target country's language, culture and regulations, and to facilitate the sharing of common assets.

On the other hand, the research conducted provided interesting results regarding hypotheses 2 and 3, which were not confirmed in the context of family firms in Italy.

Regarding hypothesis 2, according to which family firms are more likely to engage in mergers and acquisitions in sectors closely related to their core business than non-family firms, the results indicated a lack of empirical support for the Italian context. This reinforces the thinking of some scholars who find a positive relationship between family control and unrelated acquisitions, arguing that family firms prefer non-correlated targets based on a portfolio diversification approach (Miller et al., 2010). Acquisitions of uncorrelated targets would create new future revenue streams and protect the wealth of family firms in cases of negative economic and financial cycles in particular business segments (Miller et al., 2010).

Finally, also regarding hypothesis 3, which suggests that family firms would be more likely to acquire larger stakes in M&A transactions than non-family firms, the results indicated a lack of empirical support. This could be due to the presence of financial constraints that limit the ability of family firms to acquire larger stakes. Entrepreneurial families may be reluctant to commit large financial resources or accept greater risks, preferring to maintain a more prudent financial position to ensure business stability and generational continuity. In addition, internal family dynamics and governance complexities could influence takeover decisions, with family conflicts or succession management challenges possibly making family firms more cautious in M&A transactions, opting for more moderate sized acquisitions rather than large stake acquisitions.

In conclusion, this research provides a solid basis for further investigation and stimulates reflection on the complexity of family firms' M&A strategies in Italy. The challenges and opportunities these firms face in the national context deserve further exploration to develop a more complete and in-depth understanding of their decision-making practices.

LIMITATIONS AND FURTHER POSSIBLE DEVELOPMENTS

This study, while contributing valuable insights into the decision-making processes of family businesses in Italy in the context of mergers and acquisitions, has some limitations that offer insights for further research.

A general limitation stems from the inherent complexity of mergers and acquisitions and the multitude of factors influencing related decisions, which this study couldn't fully capture. Additionally, like any meta-analysis, our study was constrained by the characteristics of the primary studies.

In addition, the discrepancy observed in the regression results compared to previous studies (hypothesis 2), where a significant correlation was identified between the variables examined, suggests the possibility of limitations of the study related to the sample and the data collected.

Specifically, the sample used is relatively narrow and being focused exclusively on listed companies, it does not take into account the significant presence of smaller, unlisted family businesses in Italy.

Future research could expand the sample to include both a wider time frame and family-owned and non-family-owned private companies. Moreover, it would be interesting to investigate the same M&A strategies comparing family-owned to non-family-owned firms in other European contexts. This could deepen understanding of differences between various European states in terms of acquisition decisions and how different cultural and regulatory contexts influence these strategies.

Secondly, as our study relies exclusively on external public data, it may not capture the nuances of internal decision-making processes and cultural dynamics that significantly influence M&A strategies in family businesses. This led to a lack of comprehensive investigation into the socio-economic intentions of family businesses.

For this reason, future research could explore a deeper understanding of the socioemotional wealth construct by using qualitative methods, such as interviews or case studies, to capture the depth of family firms' attachment to their companies and further understand the behavioural factors that influence M&A decisions, as quantitative measures may not fully reveal these aspects.

Third, regarding family ownership, we only considered the collective shares held by the owning family and did not further analyze the impact of the individual ownership structure of each family. We were not able to consider the dispersion of ownership within the family and to capture the heterogeneity of family businesses.

For further research developments, the analysis of the number of family shareholders, generational control or generational involvement could be considered. Furthermore, it would be interesting to use a longitudinal approach to follow the evolution of family business strategies over several generations. This would provide a dynamic view of how socioemotional wealth considerations balance with financial objectives over time, especially during generational transitions, which are critical moments for family businesses.

Finally, our study did not consider companies' previous M&A experiences. A promising avenue for future research would be to investigate the effect of this aspect, as learning from previous acquisition experiences can significantly influence acquisition behavior (Gomez-Mejia et al., 2015).

IMPLICATIONS FOR THEORY AND PRACTICE

The examination of corporate acquisition dynamics within Italian family firms represents a significant contribution to the existing literature and produces profound implications for managers navigating this peculiar environment.
In terms of academic contributions, this research enriches the theoretical application by integrating the Behavioral Agency Model and the Socioemotional Wealth perspective in the specific context of Italian family firms. This focused approach facilitates a more detailed understanding of the distinctive nuances and challenges inherent in M&A activities in Italian family firms. Specifically, through providing a deeper insight into the intricate interplay between socioemotional wealth, geographic preferences, sectoral alignments and control level considerations within family businesses, the research introduces a new perspective to understand how these elements influence M&A strategies and creates the basis for future scholars and practitioners to navigate the evolving landscape of family businesses in Italy with greater clarity and precision, thus contributing to the continuing progress of the field.
For family business managers, the practical implications of this research are multiple. It emphasizes the criticality of simultaneously weighing financial and socioemotional objectives when outlining merger and acquisition strategies and provides tangible tools for business managers to optimize the success of their initiatives. The emphasis on the importance of geographic proximity points to the potential benefits of a more strategic assessment of synergy opportunities and of exploiting local knowledge to enhance post-merger integration processes and foster value creation, allowing family businesses to navigate uncertainties and capitalize on opportunities with precision. Furthermore, the research accentuates the need to effectively manage the risks inherent in M&A initiatives within family businesses, such as the potential dilution of family control and the impact on socioemotional wealth. In addressing these complexities, managers are challenged to develop strategies that not only sustain growth through acquisitions, but also safeguard core family interests such as family values and long-term success. Furthermore, the study guides managers in adopting strategies that preserve and enhance corporate assets, facilitating a smooth and successful transition during mergers and acquisitions. This involves a meticulous balance between capitalizing on expansion opportunities and preserving the intangible assets intrinsic to the family's identity and heritage.

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