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FAMILY OR NON-FAMILY CEOs? EVIDENCE ON PERFORMANCE AND STRATEGY FROM ITALIAN FAMILY BUSINESSES

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ABSTRACT

The features, the specialization and the size of the firms all represent key traits in defining the characteristics of a national economic system. To this extent, family firms play a pivotal role in the economic development of Italy as they are the backbone of the productive and manufacturing system. Against such background, the thesis investigates the main aspects relating to family firms, aiming to understand the dynamics affecting the interplay between management (internal or external) on the one side and firm's performance and strategies on the other side. Results of analysis taken on sample of 100 Italian listed family firms on 5-year period provide significant evidence relating to CEO belonging to the family only when moderating effect of family ownership and board independence is accounted. The study contributes to the existing strand of research on Italian family firms taking the view on how the characteristics of the management and governance can influence performance and strategy of these companies. At the same time, the thesis provides an important starting point for developments of the field through future academical researches.

INTRODUCTION

It is difficult to understand the Italian economy without considering the role of family firms, which account for 85% of the country's companies and among the 300 largest businesses reach 40% (Teti et al., 2022). Their presence is also significant on capital markets: according to AIDAF, between January 2020 and the first half of 2022 family firms made up the clear majority of listings on the Euronext Growth segment of Borsa Italiana. In light of this centrality, however, the literature shows a significant gap: there is a lack of empirical studies focused on Italy that link the origin of the CEO to firm performance and, more specifically, that test whether the identity of the leadership leads to the adoption of strategies different from those of firms led by managers from outside the family. This is where the present thesis begins:

How do performance outcomes change when, within family firms, this difference in leadership exists? Do CEOs belonging to the family display a risk propensity comparable to that of non-family CEOs when pursuing the firm's economic interest?

Several researches have underlined the need for further studies (Amato et al., 2025; Anderson & Reeb, 2003; Villalonga & Amit, 2006) and Italy offers an ideal laboratory for this comparative test: the high concentration of family firms makes it possible to observe with precision any performance and strategy differentials between firms led by family CEOs and those led by non-family CEOs. The aim of the thesis is to fill this gap, providing evidence useful both to the academic debate and to Italian family firms themselves. The explanatory core is the so-called Socioemotional Wealth, conceptualized as the bundle of non-economic benefits that the family derives from owning and managing the company (Gomez-Mejia et al., 2011). These include, among others, the aim of maintaining family control, the desire to perpetuate the founder's legacy across generations and the affective bond with the organization (Requejo et al., 2018). It is precisely this endowment of non-monetary interests that constitutes the clearest distinguishing criterion between family and non-family firms. Adopting the SEW theory, numerous studies have reconsidered heterogeneous decision domains, highlighting motivations as: intra-family altruism (Calabrò et al., 2025); diversification choices (Gomez-Mejia et al., 2010); governance structures (Anderson & Reeb, 2004); corporate

social responsibility initiatives (Berrone et al., 2010); acquisition activity (Requejo et al., 2018).

Despite the extensive body of studies on family firms, few works directly measure the impact of socioemotional wealth in shaping the choices and outcomes of chief executive officers. Most research has focused on the effect of family presence purely on the firm's economic–financial performance (Anderson & Reeb, 2003; Bennedsen et al., 2007; Claessens et al., 2000; Miller et al., 2007; Pérez-González, 2006; Villalonga & Amit, 2006), while only a few contributions have analyzed the origin of the CEO (Braun & Sharma, 2007; Miller et al., 2014; Sun et al., 2023; Visintin et al., 2017) and among these, an even smaller subset explicitly adopts SEW theory as the main analytical framework. The main focus is dedicated to three central aspects of family firms: governance, risk propensity and performance, treated mostly separately rather than through an integrated vision of the phenomenon. In terms of governance, Anderson & Reeb (2004) and Villalonga & Amit (2006) analyze the composition of the board of directors and the extent of ownership concentration. Anderson & Reeb (2004) illustrate that a high degree of family representation on board undermines independence and can reduce performance, whereas a balance between family and independent directors fosters greater control and more quality strategic decisions. Villalonga & Amit (2006) highlight that family ownership has the potential to increase firm value if it is accompanied by good governance arrangements such as the inclusion of independent directors and CEO/chair separation, whereas excessive family control is likely to reduce transparency and penalize market value. What remains underexplored is how these governance choices translate into managerial behavior. On the strategic side, understood as risk propensity, literature has mostly linked it to performance, without drawing a direct connection to leadership. For example, Gómez-Mejía et al. (2007) analyzing the Spanish olive-oil industry, show that family firms adopt more conservative behavior than non-family firms, because safeguarding socioemotional wealth prevails over pursuing riskier financial returns. By contrast, Naldi et al. (2007) find that the entrepreneurial orientation of family firms is characterized, on average, by lower risk propensity, with effects that vary according to the generation in charge and the intensity of family control and this suggests that moderation of risk is a strategy functional to survival and long-term continuity.

When discussing family firms and the origin of the top executive, Socioemotional Wealth (SEW) theory suggests that family-controlled firms led by a family CEO behave differently from those led by a non-family CEO, a factor that appears to shape these positions is the desire of the family to avoid actions that could reduce SEW, even if this sometimes runs counter to standard market strategies (Berrone et al., 2012; Gomez-Mejia et al., 2011). As we will discuss in the next chapter, in family businesses the presence of a family CEO is associated with superior performance, further accentuated by high family presence due to a stronger alignment of emotional interests; at the same time, such CEOs tend to adopt more cautious behavior. However, more robust oversight arrangements attenuate these differences in risk propensity between firms with internal or external leadership.

Moreover, almost all the literature relies on European or international samples, overlooking legal and cultural differences across countries and the varying prevalence of family firms. To date, no study has jointly examined the relationships in the Italian corporate market between CEO origin on performance and risk propensity, weighting them for governance structures and analyzing their direct links. This is the principal contribution of the present thesis and therefore, it aims to answer the following research question:

Do performance and risk propensity vary between family firms led by family CEOs and those led by non-family CEOs?

Relying on Socioemotional Wealth Theory (Gomez-Mejia et al., 2011), the objectives of this thesis are to:

I. Verify whether family CEOs achieve better or worse results than non-family CEOs.
II. Test if family ones exhibit higher or lower risk tolerance than external ones.
III. Examine how corporate governance influences differences in performance and strategic choices between them.

Given the complexity of the analysis, multiple information sources were used, including Moody's Orbis, the public CONSOB portal, corporate governance reports and BoardEx. The empirical design is a balanced panel of Italian family firms listed on the STAR segment of Euronext Milan over 2018–2022; the sample includes 100 companies for a total of 500 observations and is used to test the hypotheses, with the unit of analysis

defined as firm-year. The hypotheses are structured with H1a and H2a useful for studying the two main dependent variables, both then moderated thanks to the implementation of an interaction to study H1b and H2b. To examine empirically how outcomes differ between firms with a family CEO and those with a non-family CEO, the analysis is organized into descriptive statistics, correlation analysis, multicollinearity tests and regression models, in particular, OLS panel estimators for continuous dependent variables and binary logistic regression for the dummy dependent variable. The results indicate that CEO identity does not generate systematic differences in results except when governance is taken into account as a moderating factor. Relative to non-family-managed firms, the performance effect of a family-CEO is positive when family ownership is greater than ~47% and negative otherwise. With respect to risk-taking, board independence moderates the effect of CEO identity on leverage. Relative to non-family-led firms, family CEO firms exhibit higher risk propensity when board independence is below ~48% and lower when it is above this threshold, as we will analyze these results go in contrast with the reference theory. Together, the evidence supports a contingent view of SEW: family leadership is value-enhancing and risk-constraining only when complemented by proper concentration of ownership and vigilant monitoring.

THEORETICAL FRAMEWORK

Family Firm

Family-controlled firms constitute a distinct organizational type in which the strong affective involvement of members with the company intertwines with rational evaluation and ends up deeply shaping the organization's strategic choices and competitive trajectory (Sirmon & Hitt, 2003). Within the literature on the case two opposing interpretive frames emerge: on the one hand, the stagnation perspective, on the other, the stewardship perspective (Miller et al., 2008). The first tends to portray family firms as often undercapitalized, slow-growing and marked by organizational inertia; the latter interprets them as contexts in which the family, thanks to goal alignment between owners and management, becomes a lever of competitive advantage capable of sustaining continuity and a convinced long-term orientation (Corbetta & Salvato, 2004; Miller et al., 2008). This very coherence of intent, combined with the altruistic commitment of family members, often leads to privileging the firm's collective interest, dampening internal conflicts, strengthening ties and generating broad-based trust and cooperation, with positive spillovers for the efficiency of decision processes and for strategic execution (Miller et al., 2008).

The stewardship logic manifests itself in three particularly relevant managerial areas which can be distinguished in:

I. First, *safeguarding business continuity*, which stems from the emotional identification of family decision makers with the firm and translates into management oriented toward resilience and future prosperity; concretely, this entails to adopt enabling technologies, to expand market share and to consolidate reputation, with the effect of anchoring the strategic course to longer time horizons than those typical of non-family owners, who are often more inclined to divest or change businesses in difficult phases (Miller et al., 2008; Miller & Le Breton-Miller, 2005).
II. Second, a systematic *concern for people*: family firms tend to build qualified, motivated and loyal human capital through intensive training programs aimed at strengthening skills, stimulating new product development and fostering the acquisition of knowledge. To this are added empowerment practices that involve

employees more deeply in decision processes and the desire to cultivate a flexible and inclusive organizational culture, capable of retaining talent and creating strong relationships within teams (Chirico, 2008; Miller et al., 2008).

III. Third, stewardship is reflected in the *management* of *market relationships*: the family firm seeks long-lasting ties with customers and strategic suppliers, accumulating over time valuable information on demand preferences that makes it possible to tailor marketing initiatives and strengthen the family brand, with positive effects on loyalty and the stability of revenue streams (Miller & Le Breton-Miller, 2005).

In counterpoint, the stagnation perspective highlights risks and constraints: scarce financial resources can encourage "family hires" not always aligned with skill needs, reducing the variety of ideas and know-how and steering the company toward prudential strategies and entrenched routines, with organizational cultures that are rigid and resistant to change (Chirico & Nordqvist, 2010). However, the empirical evidence available within the analyzed scope consistently supports the three dimensions of the stewardship view recalled above and does not confirm the stagnation hypothesis. The result is the image of a resilient and dynamic family firm, capable of contributing significantly to national economies and of successfully facing competitive transitions when it succeeds in turning family identity into a system of governance and strategic choices oriented toward long-term value creation (Miller et al., 2008).

Socioemotional Wealth and Behavioral Agency Model

It is widely recognized in the literature that, in family firms, strategic choices are not justified exclusively by economic-financial logics but are also based on non-economic objectives. These objectives fall within the broader construct of Socioemotional Wealth (SEW), as defined by Gomez-Mejia et al. (2011). These authors were the first to conceptualize the socioemotional wealth of family firms as "*noneconomic aspects of the business or family owner's stock of affect vested in the firm*". SEW therefore represents a set of motivations and aims tied to the family's need to maintain control, preserve family identity, perpetuate the dynasty and ensure the family's reputation in the long term. This theory explains why strategic decisions do not always respond to a criterion of

maximizing economic value but can be oriented toward the satisfaction of affective and symbolic objectives (Hussinger & Issah, 2019)

SEW represents a veritable asset for the owning family, to the point of profoundly influencing decision-making dynamics even when this entails an economically suboptimal outcome (Chirico et al., 2020). The family firm, unlike the non-family firm, finds itself managing two forms of utility simultaneously: the financial one and the socioemotional one. As shown by Gomez-Mejia et al. (2018), any variation in one of the two dimensions tends to produce an opposite effect on the other. This means that an increase in socioemotional wealth may translate into a reduction in economic utility and vice versa. Each managerial choice therefore requires a constant balance between these two dimensions, in a process that involves subjective assessments of gains and losses considering the family's objectives, known as "*mixed gambles*".

The impact of SEW is reflected in various areas of the company organization:

I. In *management processes*, factors different from those in non-family firms emerge.
   a) It clearly emerges that in the moment of *succession* families tend to favor internal candidates over external managers, with the aim of maintaining control and ensuring the continuity of the entrepreneurial project over time.
   b) Similarly, *professionalization*, as the introduction of external managers or the adoption of formal managerial structures, is often hindered by the family precisely to avoid a loss of direct influence over the firm.
   c) In *human resource* management, family firms adopt less formalized practices than non-family firms, favoring informal communications, non-monetary incentives, and poorly standardized selection paths in which personal trust or seniority counts more than merit.

II. *Strategic choices* are also strongly conditioned by the desire to protect SEW.
   a) First, family firms show a lower *propensity for risk* than non-family ones. This occurs because, unlike institutional investors, the family concentrates its wealth on a single asset: the firm itself. This results in a more cautious attitude toward potentially risky decisions.
   b) Similarly, family firms are less inclined to *diversify*, both at the corporate and the international level. In the former case, the reasons lie in the difficulty of

acquiring new managerial skills, the need to obtain external funds and the perceived risk of altering the internal balance of the firm. In the latter case, international diversification also entails, in addition to the need for external resources and specific skills, greater communicative transparency and the reduction of information asymmetries, conditions that can compromise the family's SEW (Gomez-Mejia et al., 2010).

c) Schulze et al. (2003) further explain that opening to new capital can generate internal tensions within the family and encourage conflicts, leading family firms to prefer *self-financing* in order to maintain harmony.

d) *Accounting choices* are also filtered through the socioemotional logic: the family's reputation and the firm's image can prevail over strictly economic considerations (Gomez-Mejia et al., 2011).

e) As for the propensity to invest *in research and development (R&D)*, family firms often appear more conservative, both because of resistance to change inherent in the family system and because of distrust toward opening to external competencies. SEW plays a key role in restraining the drive toward innovation, especially if this entails calling established practices into question.

III. In terms of *governance*, the composition of the board of directors reflects the desire to maintain family control and to pursue non-economic objectives.

a) A *majority family presence* on the board represents a direct indicator of socioemotional wealth (Gomez-Mejia et al., 2011).

b) *Incentive structures* also reveal specificities tied to SEW: for example, it has been observed that family CEOs tend to receive lower compensation, a phenomenon explained by the dual role of owners and managers, but also by the symbolic value attributed to leading the firm.

c) The blood tie between ownership and management reduces the perception of risk and the need for formal controls. In this context, the principal is concerned with the agent's well-being more than with limiting *the agent's opportunism* (Jensen & Meckling, 1976).

IV. A further distinctive element lies in the *relationship with stakeholders*. Family firms tend to cultivate long-term relationships with customers, suppliers and communities, based on the fact that the firm's reputation is closely intertwined with the family's identity (Post, 1993). This attitude translates into greater attention to corporate social responsibility (Dyer & Whetten, 2006), more marked involvement in philanthropic activities and a pronounced culture of corporate citizenship (Berrone et al., 2010).

V. Even in the *start-up phase* of a business, socioemotional wealth (SEW) plays a crucial role, the family is almost always present from the very first steps. The involvement is not only economic but also practical and personal. Family members provide financial support, make their expertise available and, in many cases, work free of charge or for symbolic pay. This active participation in the project, which goes beyond a simple market logic, shows how central the affective and identity bond is in family entrepreneurial culture (Gomez-Mejia et al., 2011).

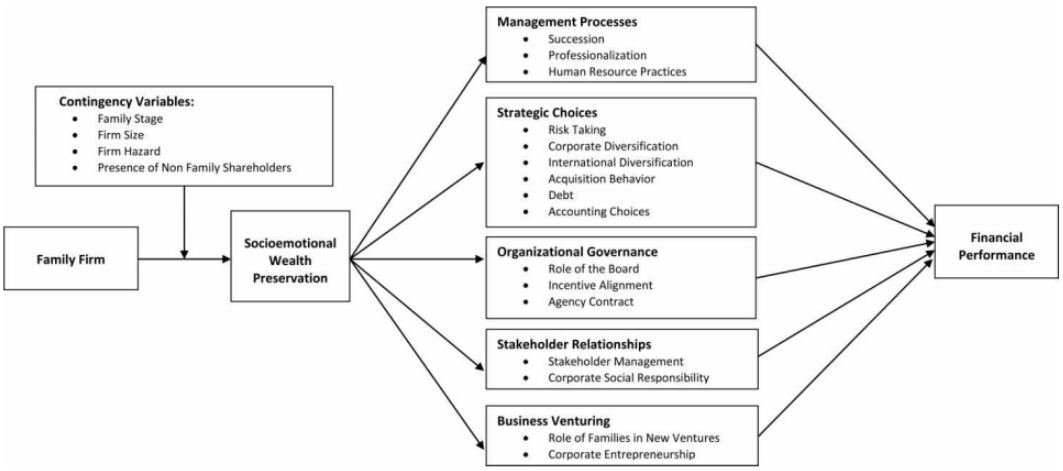
The Behavioral Agency Model here represents one of the main references for explaining the strategic choices of family firms, especially regarding the centrality of protecting socioemotional wealth. According to Hussinger & Issah (2019), BAM has assumed a fundamental role in interpreting the decision-making behaviors of these firms. In particular, the theory maintains that aversion to the loss of socioemotional wealth constitutes the main driver of the strategic decisions of family firms (Chrisman & Patel, 2012). This perspective highlights how family firms tend to make choices that, while involving a certain level of economic risk, are aimed at safeguarding the affective, identity-based and relational patrimony that the family associates with the firm. At the same time, these firms tend to avoid decisions that, although potentially advantageous from an economic point of view, could compromise the socioemotional wealth accumulated. This behavior cannot be explained through purely financial logic but finds coherence in the motivational structure proposed by the BAM, which assigns absolute priority to the preservation of SEW, even at the expense of economic rationality in the long term (Chrisman & Patel, 2012).

Moreover, theory introduces the concept of "status quo bias" to explain how, even when family firms achieve results superior to the targets set, they display a marked tendency to

maintain the existing balance rather than undertake new trajectories of growth that could destabilize the family identity (Caprio et al., 2011). This orientation is directly linked to the perceived loss of SEW, which families consider an integral part of their personal patrimony. The BAM recognizes the separation between ownership and control within the firm and assumes that agents act based on their own interest. Stating that risk preferences are not static but vary as a function of the subjective perception of potential gains or losses. Agents who foresee a reduction in their personal wealth are more inclined to accept risky investments to offset such losses, whereas those who perceive potential gains adopt more conservative positions to avoid unexpected losses (Lim et al., 2010). In a family context, the same holds true for socioemotional value: the family, as the primary agent, considers SEW to be part of its personal capital and calibrates decision-making behavior as a function of its protection.

The BAM adopts the ideas of problem framing and loss aversion, subscribing to the notion that individuals make decisions regarding their alternatives on the basis of perceived losses and gains. Loss aversion, it follows, implies that people are more strongly motivated to avoid losses than to realize equivalent gains. In family firms, this translates into greater attention to safeguarding SEW than to maximizing economic performance and explains many of the conservative or apparently suboptimal decisions adopted, especially when the CEO belongs to the family (Chrisman & Patel, 2012).

Figure 1 - Ideogram of Theoretical Framework
Source: Gomez-Mejia et al. (2011)



HYPOTHESIS DEVELOPMENT

Performance

In the context of family firms, the difference between a family CEO and a non-family CEO appears first and foremost in the quality of the alignment between ownership and management, in the type of objectives pursued and in the architecture of controls. When the chief executive officer belongs to the owning family, the partial overlap between owners and decision makers mitigates the “classic” agency costs and facilitates the circulation of critical information, with beneficial effects on the decision-making process and, on average, on performance relative to externally led counterparts, provided that adequate governance safeguards are in place (Miller et al., 2014). Gomez-Mejia et al. (2011), using Socioemotional Wealth (SEW) theory, explain how: identity preservation, reputation and control develop manager behaviors and positions. Such as higher caution toward social responsibility and long-term relationship that stabilizes results in favor of entrepreneurial enterprise continuity. In the same vein, family leadership permits transmission of intuitive knowledge and leveraging *in-house know-how* difficult to codify, typically related to the firm's competitive history and positioning (Salvato & Melin, 2008), and whereas owners' proximity to the top team reduces formalistic controls and costly incentives, focus is shifted to relational and reputational monitoring, according to Fama & Jensen (1983) logic.

On the other side, when leadership is entrusted to a non-family CEO, the lower identity salience reduces the pressure to protect SEW: this can increase openness to growth and diversification strategies (Gomez-Mejia et al., 2010) but also require more incentives and more monitoring to contain opportunistic behavior and undisciplined risk-taking (Miller et al., 2014). Moreover, precisely because he or she does not embody the family firm’s identity, the external CEO tends to be less bound to the company’s core: the effect can be risky if the shift occurs without anchoring in the firm’s distinctive capabilities and without adequate governance checks and balances, with possible strategic drift away from the core area of specialization that has historically supported results (Zellweger et al., 2010) (Amore et al., 2021). From this picture follows the first hypothesis:

H1a: In family firms, leadership by a family CEO is associated with superior performance relative to a non-family CEO.

The Moderating Role of Family Ownership on Performance

For analyzing and understanding the first hypothesis, it is essential to explain why and to identify the moderating factors. The literature indicates, however, that the relative performance advantage of family leadership is neither constant nor uniform: it depends on the intensity of family ownership and, more generally, on the degree of the family's effective influence over decisions (Jaskiewicz et al., 2017).

Higher family stakes intensify the ownership–management alignment and compress agency costs, strengthening the relative benefits of family leadership over nonfamily leadership (Anderson & Reeb, 2003). Gomez-Mejia et al. (2011) state that, from the SEW side, a higher stake increases the salience of the family's control, identity, and reputation, making more cohesive the strategic trajectory that links ownership and the family CEO and favoring practices that stabilize results over time; this cohesion is less likely with a non-family CEO. From a Behavioral Agency perspective, the family's capital at risk heightens loss aversion with respect to SEW and disciplines resource allocation, reducing the downside; an effect that tends to favor the combination with an internal CEO and to curb the more volatile outcomes associated with non-family leadership (Chrisman & Patel, 2012). Empirical evidence indicates that, once thresholds of effective control are exceeded, typically above 20% of equity ownership (La Porta et al., 1999), the family's influence over CEO appointment and strategic direction intensifies, with significant economic impacts (Anderson & Reeb, 2004). Within this scope, the combination of high ownership and a family CEO emerges as the most favorable, whereas high ownership and an external CEO tend to generate strategic tensions and more frequent decision frictions.

When family ownership is low, the situation changes systematically. The collective salience of SEW declines, the family's ability to guide and correct the course of a related CEO weakens; precisely those informal mechanisms of trust, proximity and internal reputation that supported the advantage of family leadership lose effectiveness (Schulze et al., 2003). (Miller et al., 2014) indicate that when the owning family does not hold a

majority of votes on the board, the family-firm logic recedes and the relevance of formal contracts, objectives and incentives typical of 'classic' agency increases; tools that tend to work better with a non-family CEO accustomed to operating within explicit constraints and public evaluation metrics and not subject to the trade-off between economic objectives and socioemotional wealth that the family must manage. Jeong et al. (2022) further notes that, in the absence of a dense ownership base, endogenous problems risk weighing more heavily, precisely because the family does not have sufficient "*skin in the game*" to impose internal discipline; in these cases, an external CEO well embedded in a system of incentives and controls can outperform the family counterpart, reducing the effects of such distortions. A clear interaction pattern follows, useful for deepening the first proposed hypothesis.

H1b: In family firms, as the share of ownership held by the family increases, the family CEO's performance advantage over a non-family CEO also increases.

Risk Propensity

It in family firms reflects the different configuration of strategy preferences and constraints between family and nonfamily CEOs. The Behavioral Agency Model shows that when the pillars of SEW; identity, reputation and control are at stake, loss aversion intensifies and family CEOs tend to select projects that align more closely with the firm's capability set, limit exposure to extreme outcomes and favor cautious and controlled climb, especially when they perceive threats to socioemotional wealth (Chrisman & Patel, 2012). This stance, which translates into stability of results and protection of reputational capital, has been linked to more cautious choices in diversification and internationalization; domains where disclosure burdens, financing needs and transparency toward outsiders can compress SEW itself. On the innovation front as well, this logic tends to restrain moves that challenge entrenched practices or require opening up to external expertise, reducing outcome variability while forgoing potentially wider growth windows (Gomez–Mejia et al., 2014).

Conversely, nonfamily CEOs operate with lower SEW salience and, all else equal, could show greater openness to projects with sharper risk–return profiles, such as internationalization processes, M&A in uncertain contexts and financial instruments that

increase the variance of returns (Lohe et al., 2021). This stance is especially favored when ownership is dispersed and incentive systems emphasize hitting demanding short- to medium-term targets. The downside is that, if not accompanied by effective control, such openness can amplify performance volatility and increase sensitivity to short-termism. However, in scenarios of competitive redefinition, higher risk propensity enables faster reaction times and greater scalability, acting as a driver of step-changes when the *core trajectory* is no longer sufficient and a more *market-oriented* vision becomes necessary.

H2a: In family firms, leadership by a family CEO is associated with lower risk propensity than that of a non-family CEO.

The Moderating role of Supervisory Bodies on Risk Propensity

For analyzing and understanding the second hypothesis, it is essential to explain why and to identify the moderating factors. The literature, however, indicates that the CEO's risk propensity is neither constant nor uniform: it depends on the strength of the oversight bodies (Chrisman et al., 2018).

The robustness of supervisory bodies acts as a device that transforms individual preferences into disciplined organizational choices. The Socioemotional Wealth explains, when decision and control are separated, an independent board performs monitoring and incentive-alignment functions, mitigating both the 'classic' *Type I* agency problems (Fama & Jensen, 1983) and the 'endogenous' ones typical of family firms such as favoritism and dysfunctional succession; as well as *Type II* issues linked to the extraction of private benefits by the controlling family (Villalonga & Amit, 2006). In the absence of such safeguards, choices reflect the decision maker's preferences more directly: family CEOs tend to protect SEW and to maintain a prudent stance; nonfamily CEOs, governed mainly by contracts and incentives, display greater openness to strategic gambles when monitoring is weak, with more variable outcomes and a greater need for formal control (Gomez-Mejia et al., 2019;Block, 2011).

When supervisory bodies are robust, three channels are activated, consistent with the theory:

I. *Accountability*: Miller et al. (2014) enlights how greater traceability of decisions and exposure to reputational and career consequences makes the cost of risk-taking more salient for non-family CEOs, who realign risk propensity with ownership objectives and constraints, reducing outcome variance.

II. *Procedural assurance*: the presence of external controls and ex post reviews reduces the perception of the 'socioemotional downside' for family CEOs, opening selective room to explore risky options that are coherent with core capabilities and identity protection (Gomez–Mejia et al., 2014).

III. *Information quality*: a more independent board, diverse in skills and perspectives, expands the information set, mitigates identity and framing biases, and enables a more rational balance between protection and initiative, reducing evaluation errors and the path dependence of the family firm (Adams et al., 2015;Chen & Hsu, 2009).

The result is a narrowing of the gap between risk profiles and choices that are more consistent with ownership objectives and with the competitive constraints of the family firm, yielding a clear interaction pattern that deepens the examination of the second hypothesis.

H2b: In family firms, as the robustness of supervisory bodies increases, the gap in risk propensity between a family CEO and a non-family CEO decrease.

METHODOLOGY

Definition of Family Firm

Precisely establishing when a company should be considered a family firm is an indispensable methodological step. Since the earliest empirical contributions by Donnelley (1964), who described family involvement as a continuum between mere holding of capital and direct influence over decision-making processes. Scholars have proposed classification criteria based, in turn, on ownership, control or the managerial presence of the family, with distinctions among: *family owned, family managed, family owned and managed, or family controlled* (Litz, 1995; Worek, 2017). Comparative investigations of the ownership structures of industrialized countries have confirmed the absence of a single model, highlighting the strong variance of family control mechanisms across institutional systems (La Porta et al., 1999). This heterogeneity has led many authors to distinguish between *active* involvement, when at least one member of the family unit sits on the board or holds executive functions and *passive* involvement, limited to the ownership of equity stakes (Fox et al., 1996). The main classifications split between quantitative e qualitative criteria: *Quantitative* approaches typically set ownership thresholds that range from relatively inclusive to very strict: at the lower end, studies treat firms as family-influenced when a family holds at least a small equity stakecombined with board or top-management involvement; others require ultimate control at 10–25% of voting rights, the most conservative designs demand majority control above 50% (Ang et al., 2000; Caprio et al., 2011; Gomez-Mejia et al., 2018; Pinelli et al., 2024; Requejo et al., 2018; Villalonga & Amit, 2006). *Qualitative* approaches drop explicit percentages and instead infer substantive influence from governance footprints such as founder or descendant presence on the board, sustained participation in top management, surname matches among directors and executives, or evidence of continuing control despite dispersed ownership (Anderson & Reeb, 2003; Barontini & Caprio, 2006; Cabrera-Suárez et al., 2014; Claessens et al., 2000; Kim et al., 2019).

The coexistence of such diverse parameters reflects not only differences in corporate governance systems, but also the specific research aims: finance studies privilege the size of the stake, strategy studies the ability to affect operational choices, while organizational psychology approaches focus on the ‘identity bond’. Considering that this thesis intends

to analyze the impact of a family-origin CEO on the performance and strategies of Italian listed companies, a criterion is crucial that guarantees, at the same time, effective influence and sufficient sample size. For these reasons, the definition of (Gomez-Mejia et al. (2018), very widespread in studies on Socioemotional Wealth, is adopted*:*

A family owns a minimum of 5% of firm shares with at least one family member serving as a top-level executive or member of the board of directors.

This criterion, widely used also by Chrisman & Patel (2012), Anderson & Reeb (2003), Berrone et al. (2010) or Allen & Panian (1982) in the analysis of the effects of wealth, meets three needs. First, the 5% threshold ensures that the family possesses real influencing power, without excluding firms with more dispersed ownership, frequent in the STAR segment of EURONEXT Milan considered in this research. Second, the definition does not bind family-firm status to being the founding family, aligning with cases, by no means rare in Italy, of the acquisition of companies by new family units that over time rebuild a strong identity capital (Villalonga & Amit, 2006). Third, it allows international comparability, being the standard in works that explore how SEW conditions strategic choices.

From an empirical point of view, the relevance of a coherent definitional framing is evident: family firms generate over 70% of world GDP (King et al., 2022) and, in the Italian context, represent 85% of companies required to file financial statements, accounting for about 70% of employment (Teti et al., 2022). In such a densely populated landscape, overly loose criteria would risk confusing diffusely controlled firms with authentic family realities, conversely, excessively rigid thresholds would reduce the sample and the generalizability of the conclusions. The approach of Gomez Mejia and colleagues thus offers a virtuous balance between inclusiveness and specificity, ensuring that the family exercises a concrete decision-making role, a necessary condition for investigation in the following chapters.

Definition of Family CEO

Defining when a top-level executive or member of the board of directors, in the case of this analysis the CEO will be considered, can be qualified as a *family member* is a crucial methodological step, just as defining the nature of a family firm is. Here too, scientific

literature does not provide an unequivocal answer but proposes a plurality of criteria useful for identifying the family status of the top management. The adoption of a coherent and replicable definition is necessary to guarantee the validity of empirical analyses and comparability with existing studies, especially in a context such as the Italian one, characterized by a high density of family-run firms but scarce availability of information in international databases (Teti et al., 2022).

In the context of this thesis, which aims to analyze the effects of the family CEO in a sample of Italian listed companies, a definition based on the anagraphic criterion of the surname has been adopted, in line with what is proposed by Pérez-González (2006) and Bennedsen et al. (2007).

Surnominal matching: Particularly relevant for empirical studies with extensive datasets, is that *meaning the identification of family links by checking whether an individual's surname coincides with that of the family or the relevant shareholder*.

This methodology, although indirect, is adopted in numerous empirical works where detailed information on family ties is not accessible, as in the Italian case (Cucculelli & Micucci, 2008). Pérez-González (2006) used this approach to classify CEOs in U.S. family firms, showing that the coincidence of the surname with the founder can represent a good proxy for family ties in contexts with scant disclosure. Bennedsen et al. (2007) also employs it to measure the effects of family succession, justifying the use of the criterion as an objective classification tool in large-scale datasets. Studies conducted more recently have confirmed the method's operational validity for cross-country quantitative research, emphasizing how the surnominal match is a practical way to address incompleteness issues in corporate data. (Machek et al., 2015) (Diéguez-Soto et al., 2015)

The choice of this criterion is based on three main reasons. First, the surname criterion guarantees objective identification, based on publicly available data and makes it possible to carry out a consistent classification even in the absence of declarative information on family composition. Second, the approach adopted makes it possible to avoid interpretative ambiguities linked to the concept of extended kinship or subjective identification with the family. Finally, this criterion proves particularly functional in the Italian context, where the ownership structure is often concentrated but family ties are not always formally made explicit in corporate documents.

However, it should be clarified that: in the present work, the variable of interest is not the mere presence of a CEO with a matching surname, but the combination of this characteristic with the existence of an owning family that holds at least 5% of the voting rights, with one or more family members sitting on the board. In this way, *a family CEO is considered the result of the interaction between family ownership and family management*, according to a composite approach that finds wide support in international literature. Miller et al. (2007) and Villalonga & Amit (2006) highlight that the effects of family involvement are more marked when the family not only owns a significant share of the capital but also exercises operational control through a member internal to the family unit. This methodological criterion thus makes it possible to isolate more precisely the cases in which family influence is effective and direct, avoiding treating as family leadership situations of mere symbolic appointment or of external management in the presence of fragmented ownership. The adopted definition ensures a good balance between scientific rigor, empirical replicability and consistency with the analytical aims of the research, which focus on the effects of family leadership combined with ownership on firms' strategy and performance.

Data and Sample

The starting point of this analysis is the delineation of the reference population, which comprises Italian family firms listed in the STAR segment of Euronext Milan over the period January 1, 2018–December 31, 2022. No sectoral exclusions are applied: all STAR companies for which the necessary information is available for the entire time horizon are considered. The sample consists of 100 family firms and yields 500 firm-year observations.

A company is classified as a family firm if an individual or a family holds at least 5% of the voting rights and at least one of its members sits on the board or on the executive apex, according to Gomez-Mejia et al. (2018). The verification is conducted year by year; only firms that maintain family status for the entire 2018–2022 period and remain under the control of the same family unit throughout are included. In cases where multiple families hold a stake >5%, *the reference family is the one with the larger share of voting rights* (Villalonga & Amit, 2006).

Ownership is measured at the level of the ultimate owner, understood as the family entity that holds direct or indirect control along the ownership chain; voting rights are consolidated taking into account holdings, corporate vehicles, or fiduciary entities attributable to the same family or individual. A potential family CEO is identified via surname matching with the reference family and verification of corporate roles.

Data sources: Company accounting and registry information come from Moody's Orbis; voting rights and equity stakes from the public CONSOB portal and corporate documents; the identity of the CEO and board composition from the "Relazioni sul governo societario e assetti proprietari" and from BoardEx.

Only companies with complete data for the entire five-year period on all required variables are included; in the presence of missing data or interruptions e.g., delisting, mergers or extraordinary transactions during the period, the entire firm is excluded in order to obtain a continuous, balanced 2018–2022 panel. No further exclusions were applied.

Variables e Measures

All variables are recorded as of the end date of fiscal year (December 31) for each year in the 2018–2022 period, in euros, on a consolidated basis when available.

Dependent Variables

Indicators relevant to performance and corporate strategy (risk propensity) are examined.

Performance: For the performance variables used to test *Hypothesis 1a*, ROE is considered. Values are retained even when negative, in line with their use as standard indicators in analyses with established practice in the family-firm literature (Ondrej Machek et al., 2013;Martínez et al., 2007).

I. *ROE*: Return on equity (ROE), measured as *Net income / Shareholders' funds*, corresponding to "ROE using net income" in Orbis, expressed in percentage terms.

Strategy: For the strategic variables used to test *Hypothesis 2a*, understood as the degree of risk propensity, Leverage is examined. Unlike the performance variables, these take only non-negative values; this choice is also well supported in studies of this kind (Chrisman & Patel, 2012).

II. *Leverage:* Capital structure calculated as *(Non-current liabilities + Loans & short-term debt) / Shareholders' funds*, consistent with the "Gearing" metric in Orbis, also expressed in percentage terms.

Independent Variable

The independent variable is *CEO family*, a dummy equal to 1 when the CEO's surname matches that of the 'ultimate owner' family, and 0 otherwise; in the event of turnover during the year, the end-of-year situation is used. The definition of family status and the 5% threshold are consistent with the criteria reported and discussed in the paper, with reference to classification by ultimate control along the ownership chain. Accordingly, for coding the independent variable, a matching was performed between whether the CEO belongs to the family unit and the family's ownership threshold.

Control Variables

Control variables are organized into five categories: CEO, Board of Directors, Family, Firm and Macroeconomic context.

I. At CEO level the following controls are used (Gavana et al., 2024):
   a. *CEO Duality:* coded as a dummy variable = 1 if the CEO and the Chairman of the Board of Directors are the same person, 0 otherwise. Data available through "Relazioni sul governo societario e assetti proprietari" o via CONSOB where in the board section the individual will be listed as "Presidente e Amministratore Delegato".
   b. *CEO Age*: as the Chief Executive Officer age; source Orbis.
   c. *CEO Tenure*: the number of years, with decimals, from the first appointment as CEO at the company to 31/12 1 of the year considered; source BoardEx.

II. Literature suggests for the Board of Director category the following controls (García-Ramos & García-Olalla, 2011):
   d. *Board Size:* total number of directors on board; source CONSOB.
   e. *Board Independence:* total number of independent directors on board; This variable is coded as a percentage on the total number of directors on board; source "Relazioni sul governo societario e assetti proprietari".

III. At Family level the following control variables are used (Anderson & Reeb, 2003;Kashmiri & Mahajan, 2010):
   f. *Family Ownership:* percentage of the firm's equity shares held by the ultimate owner family; source Orbis and CONSOB
   g. *Family Name on Firm:* coded as a dummy variable = 1 if the family's surname appears in the company's legal name and/or commercial brand, 0 otherwise; source "Relazioni sul governo societario e assetti proprietari".

IV. For the Firm category are controlled (Villalonga & Amit, 2010):
   h. *Firm Size*: measured as Total Assets. This variable is transformed using the natural logarithm, per econometric practice; source Orbis .
   i. *Firm Age:* the number of years since the company's founding up to 31/12 of the year considered; source Orbis

V. To complete the model, Macroeconomic dummy variables were checked which accounts for the context and the business cycle (standard in econometric practice):
   j. *Year:* (2018–2022).
   k. *Industry:* industry dummies constructed on the NACE Rev. 2 main sections (letters A–U); source Orbis.

Moderators

To test *Hypothesis 1b*, a moderator was introduced into the statistical model to study how the strength or direction of the relationship between the dependent and independent variable changes.

I. *CEO Family* × *Family Ownership:* calculated via the interaction of the independent variable *CEO Family* and the control variable *Family Ownership*. For *Hypothesis 2b* as well, statistical moderation was included. In this case, for *robustness of supervisory bodies*, the percentage of independent directors on the board of directors is considered an established practice in literature (Anderson & Reeb, 2004).

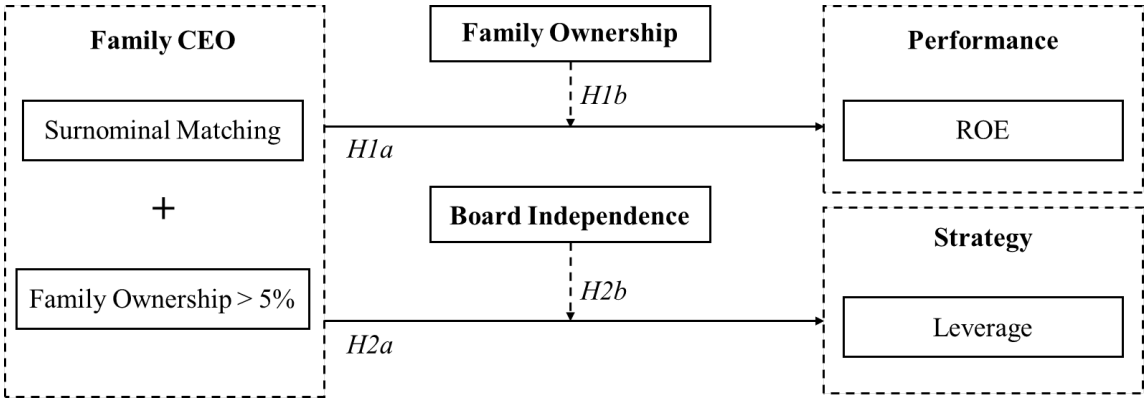
II. *CEO Family* × *Board Independence*: calculated via the interaction of the independent variable *CEO Family* and the control variable *Board Independence*.

Method of Analysis

Analyses are performed in RStudio following a standardized sequence: descriptive statistics (number of observations, minimum, maximum, mean, median, standard deviation), pairwise Pearson correlation matrix and verification of multicollinearity via VIF; downstream, the model estimation.

For chosen dependent variables (ROE, Leverage), OLS models with random-effects panels are employed. In every specification the control variables are included (CEO Duality, CEO Age, CEO Tenure, Board Size, Board Independence, Family Ownership, Family Name on Firm, Firm Size, Firm Age) along with year dummies (2018–2022) and industry dummies constructed on the NACE Rev. 2 main sections; with the introduction of statistical moderators where needed (CEO Family × Family Ownership, CEO Family × Board Independence), which RStudio computes automatically without requiring the product term between the independent variable and the control variable to be pre-created in the dataset. For each dependent variable, two models are presented: a baseline model with controls only (including year and industry) and a full model that adds the independent variable CEO Family, so as to verify robustness to the progressive inclusion of regressors, reporting the R-squared and Adjusted R-squared coefficients. Variable significance is indicated as follows: * for p-value < 0.05; ** for p-value < 0.01; and *** for p-value < 0.001.For the linear models, the estimated coefficients, standard errors, and R^2 are reported.

Figure 2 - Ideogram of Hypotheses



RESULTS

Descriptive Statistics

Table 1 shows the *descriptive statistics* for the variables being studied. These give a full picture of how each variable is spread out and what its central tendency is in the dataset. The “N” column indicates the number of observations available for each variable, giving an indication of the completeness of the data. Next, the “Min” and “Max” values represent the minimum and maximum 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 “Std Dev” quantifies the dispersion of data points around the mean, indicating the variability or spread of the data, as standard deviation.

This table reports for the full panel of 500 firm-year observations; in the analysis of CEO Family, its mean is 0,646 (median = 1), indicating that roughly two-thirds of the observations feature a family CEO. Performance and capital structure exhibit the greatest dispersion. ROE averages 2,1% (median = 8,0%; SD = 51,5 p.p.) and ranges from −738,0% to 260,2%, reflecting the influence of occasional outliers on equity returns consistent with marked volatility in operating profitability. Leverage, the debt intensity ratio, has a mean of 126,7% (median = 94,0%; SD = 1,260) and reaches 961,2% at the upper bound, confirming a heavy-tailed distribution of indebtedness.

Table 1 - Descriptive Statistics

	Variable	N	Min	Max	Mean	Median	Std Dev
1	Ceo Family	500	0	1	0,646	1	0,479
2	Ceo Duality	500	0	1	0,372	0	0,484

3	Ceo Age	500	29	83	57,794	57	9,287
4	Ceo Tenure	500	0	40	9,101	6,650	8,031
5	Board Size	500	3	18	9,556	9	2,564
6	Board Independence	500	0,091	0,833	0,445	0,444	0,129
7	Family Ownership	500	0,051	0,946	0,553	0,599	0,213
8	Family Name on Firm	500	0	1	0,160	0	0,367
9	Firm Size	500	7,996	21,059	13,700	13,458	2,106
10	Firm Age	500	1	162	53,136	47	36,117
11	ROE	500	-7,380	2,602	0,021	0,080	0,515
12	Leverage	500	0,002	9,612	1,267	0,940	1,260
13	Year	500	2018	2022			
14	Industry	500	1	15			
	Number of valid cases	500					

Correlation Analysis

The *pairwise Pearson correlation* coefficients between the variables under consideration are shown in *Table 2*. Multicollinearity is typically considered problematic when coefficients have absolute values greater than 0,8; all pairwise correlations in our instance have absolute values less than 0,5, which suggests that the variables are highly independent or, at most, weakly interdependent. Based on this data, we draw the conclusion that multicollinearity does not raise questions about the validity of the multivariate regression models that were used; they mantain the robustness and reliability in their representation of the relationships that are being studied.

Table 2 - Pairwise Pearson Correlation Matrix

	Variable	1	2	3	4	5	6	7	8	9	10	11	12
1	Ceo Family	1											
2	Ceo Duality	0,423	1										
3	Ceo Age	0,099	0,366	1									
4	Ceo Tenure	0,249	0,383	0,383	1								
5	Board Size	-0,042	-0,140	0,284	0,154	1							
6	Board Independence	-0,076	-0,202	-0,041	-0,114	0,066	1						
7	Family Ownership	-0,051	0,106	-0,038	0,008	-0,111	-0,216	1					
8	Family Name on Firm	-0,031	-0,065	0,187	0,021	0,137	-0,181	0,071	1				
9	Firm Size	-0,077	-0,115	0,068	0,086	0,374	0,128	-0,056	0,014	1			
10	Firm Age	-0,091	0,052	0,172	0,052	0,094	0,034	0,082	0,169	0,157	1		
11	ROE	0,093	-0,004	-0,031	0,026	0,113	0,041	-0,077	0,036	0,125	-0,010	1	
12	Leverage	-0,052	0,006	-0,028	-0,028	-0,054	0,018	0,200	-0,110	0,148	0,024	-0,153	1

Multicollinearity Test

To prevent multicollinearity among independent variables, *the Variable Inflation Factor Test (VIF)* and *Tolerance Test (1/VIF)* were implemented. When there is a strong correlation between two or more independent variables, multicollinearity could occur.

This issue arises when the Tolerance value is lower than 0,2 and the VIF result is greater than 5. *Table 3* illustrates that the VIF result for each independent variable is less than 5 while the tolerance results are greater than 0,2. This proves there are no problems with multicollinearity between independent variables.

Table 3 - Multicollinearity Test

	Variable	VIF	1/VIF (Tolerance)
1	Ceo Family	1,278	0,782
2	Ceo Duality	1,708	0,586
3	Ceo Age	1,504	0,665
4	Ceo Tenure	1,334	0,749
5	Board Size	1,366	0,732
6	Board Independence	1,154	0,867
7	Family Ownership	1,090	0,917
8	Family Name on Firm	1,146	0,872
9	Firm Size	1,214	0,824
10	Firm Age	1,103	0,906

Regressions Analysis

To test hypotheses of this study and to learn the impact of the independent variable on the dependent variables the following statistical models have been used.

Equation 1: Linear Regression General Formula

$$y_i = \beta_0 + \beta_1 \text{CeoFamily}_i + \beta_2 \text{CeoDuality}_i + \beta_3 \text{CeoAge}_i + \beta_4 \text{CeoTenure}_i + \beta_5 \text{BoardSize}_i + \beta_6 \text{BoardIndependence}_i + \beta_7 \text{FamilyOwnership}_i + \beta_8 \text{FamilyNameOnFirm}_i + \beta_9 \text{FirmSize}_i + \beta_{10} \text{FirmAge}_i + \beta_{11} \text{Year}_i + \beta_{12} \text{Industry}_i + \beta_{13} \text{Moderator}_i + \varepsilon_i i$$

Testing Hypothesis 1

Table 4 shows the results of the linear regressions used to analyze hypothesis 1. In particular, in model 1 only control variables have been considered, while in model 2 the independent variables have been introduced, so as to verify robustness to the progressive inclusion of regressors.

In Model 2, where the dependent variable is ROE, the coefficient of CEO Family is again positive but not significant (β = 0.062). For the control variables, Board Size (β = 0.006) and Firm Size (β = 0.007) are consistently positive and significant in Model 2. In Model 4, both Board Size (β = 0.030) and Firm Size (β = 0.034) remain significant, while Ceo Age shows a negative and significant association with ROE (β = –0.008). Other variables do not display significant effects in either model. The linerar regression demonstrated overall model significance ($p < 0.001$). R2 indicates that the models' explanatory power is consistent with what is typically seen in econometrics and the social sciences, where values in the range of 0.05–0.20 are frequently reported and considered valid ($R^2 = 0.148$, Adj. $R^2 = 0.097$). According to these findings, when combined, both models explain a larger percentage of the variance in the dependent variable than would be predicted by chance.

Model 3 study the Hypothesis 1b where an interaction has been implemented between the CEO Family independent variable and the Family Ownership control variable to model 2. To study the effect of moderators, the marginal effect of CEO Family can be expressed in general form as:

Equation 2- Effects of moderators: General form

$$\frac{\partial Y}{\partial \text{CEO Family}} = \beta_{\text{CEO}} + \beta_{\text{Int}} \cdot M$$

where β_{CEO} is the coefficient of *CEO Family*, β_{Int} is the coefficient of the interaction term, and M is the level of the moderator. The turning point (i.e., the level of the moderator at which the effect of *CEO Family* changes sign) is obtained by solving:

Equation 3 –Turning point: General form

$$0 = \beta_{\text{CEO}} + \beta_{\text{Int}} \cdot M^* \quad \Rightarrow \quad M^* = -\frac{\beta_{\text{CEO}}}{\beta_{\text{Int}}}$$

In Model 3 (extension of Model 2, DV = ROE, linear regression), CEO Family has a negative and significant effect (β = –0.300, $p < 0.05$). The interaction term *CEO Family* × *Family Ownership* is positive and significant (β = 0.637, $p < 0.05$). The marginal effect of CEO Family on ROE can be written as:

Equation 4 – Moderator effect and turning point on ROE

$$\frac{\partial \text{ROE}}{\partial \text{CEO Family}} = -0.300 + 0.637 \cdot \text{Family Ownership} \quad \Rightarrow \quad M^* = \frac{0.300}{0.637} \approx 0.471$$

The turning point is reached when Family Ownership ≈ 0.471 (47.1%), meaning that below this threshold the effect of CEO Family is negative, while above it the effect becomes positive. Significant control variables include Ceo Age (β = –0.007, $p < 0.05$), Board Size (β = 0.032, $p < 0.01$), Family Ownership (β = –0.565, $p < 0.01$), and Firm Size (β = 0.034, $p < 0.01$). The model explains 16% of the variance ($R^2 = 0.160$; Adj. $R^2 = 0.108$) and is highly significant ($p < 0.001$).

Table 4 – Regression Analysis for Hypothesis 1a and Hypothesis 1b

N = 500 **DV =**	**Model 1**	**Model 2** **Hypothesis 1a** ***ROE***	**Model 3** **Hypothesis 1b**
Ceo Family		0,062	-0,300 *
Ceo Duality	0,136 *	0,108	0,126
Ceo Age	-0,008 **	-0,008 **	-0,007 *
Ceo Tenure	0,003	0,002	0,001
Board Size	0,030 **	0,030 **	0,032 **
Board Independence	0,281	0,274	0,282
Family Ownership	-0,139	-0,135	-0,565 **
Family Name on Firm	0,054	0,053	0,039
Firm Size	0,034 **	0,034 **	0,034 **
Firm Age	-0,001	-0,001	-0,001
Ceo Family : Family Ownership			0,637 *
Year	Controlled	Controlled	Controlled
Industry	Controlled	Controlled	Controlled
R-squared	0,146	0,148	0,160
Adj. R-squared	0,097	0,097	0,108
Full model p-value	< 0,001	< 0,001	< 0,001

*Signif. Codes for p-value: < 0,05 * ; < 0,01 ** ; 0,001 ****

Testing Hypothesis 2

In Table 5, Models 4 and 5 designed to test Hypothesis 2a, the analysis included both control-only specifications (Model 4) and extended specifications with the independent variable (Model 5).

In Model 5, with Leverage as the dependent variable, the independent variable CEO Family has a positive but non-significant coefficient (β = 0.066). Within the control variables, consistent patterns emerge. Firm Size and Family Ownership shows a positive and significant association (Model 5: β = 0.093, β = 1.272). Other controls do not display significant effects. Model 5, estimated using OLS regression, was statistically significant with a full model p-value < 0.001 with $R^2 = 0.216$ and Adj. $R^2 = 0.170$.

In Model 6 (extension of Model 5, DV = Leverage, linear regression), CEO Family shows a positive and significant effect (β = 1.303, p < 0.01). The interaction term *CEO Family × Board Independence* is negative and significant (β = –2.739, p < 0.01). The marginal effect is:

Equation 5 - Moderator effect and turning point on Leverage

$$\frac{\partial \text{Leverage}}{\partial \text{CEO Family}} = 1.303 - 2.739 \cdot \text{Board Independence} \quad \Rightarrow \quad M^* = \frac{1.303}{2.739} \approx 0.476$$

The sign inverts at a value of Board Independence ≈ 0.476 (47.6%), indicating that below this level the effect of CEO Family on Leverage is positive, while above it the effect becomes negative. Among the controls, Ceo Tenure is negative (β = –0.017, p < 0.05), while Family Ownership (β = 1.270, p < 0.001), Firm Size (β = 0.083, p < 0.01), and Board Independence (β = 1.429, p < 0.05) are positively significant. The model shows an R^2 of 0.231 and Adj. R^2 of 0.184, with overall significance (p < 0.001).

Table 5 - Regression Analysis for Hypothesis 2a and Hypothesis 2b

N = 500 **DV =**	**Model 4**	**Model 5** **Hypothesis 2a** ***Leverage***	**Model 6** **Hypothesis 2b**
Ceo Family		0,066	1,303 **
Ceo Duality	0,052	0,022	0,007
Ceo Age	0,006	0,007	0,010
Ceo Tenure	-0,012	-0,013	-0,017 *
Board Size	-0,029	-0,029	-0,026
Board Independence	-0,267	-0,273	1,429 *
Family Ownership	1,268 ***	1,272 ***	1,270 ***
Family Name on Firm	-0,241	-0,242	-0,252
Firm Size	0,093 **	0,093 **	0,083 **
Firm Age	-0,001	-0,001	-0,001
Ceo Family : Board Independence			-2,739 **
Year	Controlled	Controlled	Controlled
Industry	Controlled	Controlled	Controlled
R-squared	0,216	0,216	0,231
Adj. R-squared	0,171	0,170	0,184
Full model p-value	< 0,001	< 0,001	< 0,001

*Signif. Codes for p-value: < 0,05 * ; < 0,01 ** ; 0,001 ****

DISCUSSION

There is broad consensus in the family-business literature that, in strategic decisions, family firms pursue not only shareholders' economic interests and corporate growth but also aims tied to the preservation of socioemotional wealth (SEW) understood as maintaining family control, identity and continuity (Gomez-Mejia et al., 2011). One of the strategic choices in which SEW's influence is most salient concerns leadership and, specifically, the appointment of a family CEO.

This study set out to analyze the impact of having a family CEO on performance and risk propensity, and to verify whether such leadership produces behaviors that differ from those of nonfamily CEOs. In particular, in studying family CEOs, the analysis focused on three main aspects: performance (ROE), risk propensity (leverage), and the moderating role of ownership and governance.

This study partially confirmed existing theory on how SEW influences family firms. With respect to performance, no statistical significance was found in the direct relationship between a family CEO and ROE. However, when ownership concentration is introduced as a moderating variable, important effects emerge: below the 47% family-ownership threshold, family CEOs perform worse than nonfamily CEOs, whereas above that threshold their leadership yields significantly better performance. The 47% figure is very close to an absolute majority of 50% and, in practice, ensures effective family control that is the ability to command a majority of votes on the board. It is precisely beyond this threshold that the preservation of SEW translates into a competitive advantage, strengthening the alignment between firm and family objectives (Anderson & Reeb, 2003; Barontini & Caprio, 2006; Calabrò et al., 2024). By contrast, below this threshold the family lacks direct control and the actions of a family CEO risk turning into entrenchment, as emphasized by Cuevas-Rodríguez et al. (2023).

Turning to Hypothesis 2, here too, in the absence of moderators, no significance was found between a family CEO and leverage. With board independence introduced as a moderating variable, however, significant differences emerge: below the 48% independence threshold, family CEOs are associated with higher levels of indebtedness; above that threshold, by contrast, they reduce leverage and thus risk propensity. The 48% value represents nearly half independent directors on the board and, in effect, ensures

substantial external oversight of management, with the capacity to influence the CEO's financial choices (García-Ramos et al., 2017).

The result observed below the independence threshold is particularly interesting because it is unexpected. According to SEW theory, one would expect family CEOs to be more risk-averse and thus to avoid excessive reliance on debt (Moussa, 2025). By contrast, our data show that, in the absence of adequate governance mechanisms, family CEOs tend to increase indebtedness. One possible interpretation is that debt is preferred to opening the equity to new shareholders, since it allows the preservation of family control and autonomy. Thus, even at the cost of greater financial exposure, resorting to debt becomes a strategy for protecting SEW (Khurana et al., 2025; Paolone et al., 2025). When the board is highly independent, by contrast, external supervision disciplines the family CEO, inducing a reduction in financial leverage and bringing behavior more in line with the risk aversion predicted by the theory (García-Ramos et al., 2017).

Overall, the empirical results show that the presence of a family CEO does not produce universally positive or negative effects, rather, it depends on governance conditions. Without moderators, family leadership shows no significance for either performance or risk; with ownership concentration and board independence, by contrast, opposing and material effects emerge. Family CEOs perform worse below a control threshold but better when the family holds a substantial stake, likewise, they take on more debt in contexts of low board independence but reduce risk when governance is solid.

LIMITATIONS AND POSSIBLE DEVELOPMENTS

A study of this complexity inevitably entails certain limitations, which nonetheless open the way to numerous avenues for future research. The first limitation concerns the sample analyzed. The study focused exclusively on Italian listed companies, overlooking the broad universe of unlisted family firms that constitute the majority of the country's entrepreneurial fabric. This restricts the generalizability of the results. In the future, it would be advisable to broaden the sample to include unlisted firms and a longer time horizon, so as to better capture the evolution of behaviors. In addition, a comparison with other European contexts would make it possible to understand how different institutional and cultural arrangements shape the observed dynamics.

A second limitation is tied to the nature of the data used, which are entirely secondary. Reliance on public sources prevented a deeper investigation of the internal dynamics and decision-making processes that characterize family leadership. For example, it would have been useful to consider the CEO's education and experience, factors that can affect the ability to balance economic and socioemotional objectives and implicitly assuming that the family acts as a unitary bloc is a constraint: in reality, internal conflicts and disagreements among relatives can trigger power struggles and alter corporate strategies. These variables, more qualitative in nature and difficult to measure, could greatly enrich the analysis.

A third limitation concerns the measurement of family ownership. The aggregate share held by the family was considered without distinguishing dispersion among members, the presence of multiple family branches, the actual number of shareholders, and their operational involvement. Nor was the degree of participation of different generations taken into account. In particular, it was not possible to ascertain which generation the family CEO belonged to a relevant aspect, since leadership by first, second, or third generations may have very different effects on strategic choices and on the management of SEW. In sum, despite its limitations, this study provides a significant foundation for further inquiry. Future research could combine quantitative and qualitative analyses, include variables that are not currently measurable, broaden the sample, and adopt a dynamic approach. In this way it would be possible to obtain a richer, more complete understanding of the role of family leadership and SEW in Italian and European firms.

IMPLICATIONS AND CONTRIBUTIONS OF THE STUDY

This study advances theory in several ways. It shows that the logic of Socioemotional Wealth operates in Italian listed family firms not only in private tightly held settings and that it manifests through the combination of leadership identity and ownership/board structures. In this sense, the SEW–strategy link does not depend on ownership structure per se, but on its interaction with family leadership and the governance architecture. In line with SEW theory, the analysis treats contingency factors as structural components of the model: family ownership and board independence are formalized as explicit moderators that condition the effect of family leadership on outcomes, introducing a non-

linear reading with empirically identified breakpoints. This strengthens the dialogue of SEW with the Behavioral Agency Model by shifting attention from the "amount" of family involvement to the coherence of design among ownership, board and the executive apex. While much of the literature relies on international samples, this inquiry focuses on a single institutional setting (Italian STAR-segment firms, 2018–2022), offering an internal-validity benchmark that helps disentangle effects attributable to leadership and governance from those due to market heterogeneity. Moreover, the study assesses the direct relationship between the CEO's family origin and two core domains, performance and risk propensity and how that relationship changes because, how demonstrated, the effect is not univocal. With high enough ownership concentration and adequate board independence, material and opposite differentials between the two outcomes exist. It consequently follows that SEW is an ordering principle for decisions only if the control structure can facilitate alignment with corporate objectives. Finally, in relation to the state of the art, the contribution lies in the joint estimation, on Italian data, of working thresholds estimated to take into account reversals of family leadership effects, a technique completing a gap highlighted by the national-context literature. Due to all these factors, the study contributes significantly to Italian industry and capital markets by offering an operational model on assessing when family management can be translated into competitiveness and how governance structure can be organized in consonance with that choice in the domestic market.

Practical implications. Facts offer policy makers and family actionable recommendations: For companies that want to keep family ownership in control, ex-ante governance structure reconciling ownership presence and board independence is necessary to reconcile economic and socioemotional objectives; on the investor-transparency axis, standardization of disclosure on CEO identity, family character of and board structure reduces information asymmetry and increases market appeal; given that family CEOs are prevalent in the sample, self-regulatory tools offering target thresholds for independence and specifying oversight protection can limit financially costly behavior in situations with inadequate monitoring.

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