High-performance work systems in family firms: A mixed gamble approach

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ABSTRACT

Research on the use of high-performance work systems (HPWSs) in family firms has yielded mixed evidence. This study aims to bridge this gap by using the socioemotional wealth (SEW) approach and the behavioral agency model (BAM) to explain why certain family firms have a greater incentive to use HPWS. We argue that the decision of family firms to implement HPWS is part of a mixed-gamble scenario of balancing risks with financial and family wealth prospects. Our results from 453 Spanish medium-sized and private family firms confirm that the importance of preserving SEW has a positive effect on the adoption of HPWS and that this influence is particularly pronounced in high-risk firms whose management is mainly controlled by family members and by the second generation. These findings contribute to the literature by explaining how using HPWS by family firms is significantly contingent on business risk.

1 Introduction

In the family business field, there is growing interest in understanding the determinants and consequences of adopting formal and performance-oriented human resource management (HRM) policies (Pittino et al., 2016; Sánchez-Marín et al., 2019; Tsao, Chen, et al., 2016). These types of policies are commonly found in the so-called HPWSs, which describe a set of best policies oriented toward efficiently managing people, supporting business operations, and enhancing employee and firm performance (Jiang, Lepak, Hu, et al., 2012; Lepak et al., 2006). Based on the idea that these human resource (HR) policies can improve the organizational capability of people to create an important source of competitive advantage (Astrachan & Kolenko, 1994; Lado & Wilson, 1994), scholars in the family business field have mainly focused on understanding what factors can explain the decision to implement these policies and how family businesses could differ from nonfamily firms in these choices.

The research available thus far has widely noted that both family and nonfamily firms use more formal HR policies and HPWSs as the firm size grows, but these policies are generally less used by family firms than by nonfamily firms (Michiels et al., 2021; Sánchez-Marín et al., 2019). The explanations that support this evidence are based both on the informality that characterizes family firms (Aldrich & Langton, 1997; De Kok et al., 2006; Reid & Harris, 2002) and the influence of altruism and nepotism (Michiels et al., 2021; Schulze et al., 2003). However, a stream of research has shown that the presence of the owning family encourages the adoption of formal HR policies (Hernandez-Linares et al., 2021; Kim & Gao, 2010; Kotey & Folker, 2007; Peláez-León & Sánchez-Marín, 2022). Some scholars point out that a higher presence of family control in business might represent the best way to translate a need for adopting formal HR policies, considering the high discretion of the owning family (Steijvers et al., 2017), its desire to express a sense of consistency and fairness for all employees (Steijvers et al., 2017), and its intention to avoid losses on its nonfinancial and emotional goals associated with the firm (Firfiray et al., 2018; Peláez-León & Sánchez-Marín, 2022). In addition, recent studies have found specific configurations among HPWS and family wealth preservation (Hernandez-Linares et al., 2021; Peláez-León & Sánchez-Marín, 2022): family firms can implement HPWS in the context of high preservation of family wealth, emphasizing some potential combinations between economically driven HR practices and family-centered goals.

According to this conflicting evidence, further research is needed to better understand why certain family firms have more incentives to use HPWSs and how the peculiarities of the family business might influence this decision. Thus, following the research lines opened by Hernández-Linares et al. (2021) and Peláez-León and Sánchez-Marín (2022) and considering that HR policies constitute a concrete manifestation of family influence (Barnett & Kellermanns, 2006; Hedberg & Luchak,

2018), we are interested in determining how the owning family might influence the implementation of HPWS through the importance given to its nonfinancial goals—in terms of socioemotional wealth (SEW) preservation—when the risk facing the firm is considered. For this purpose, we extend the SEW approach (Gómez-Mejía et al., 2007, 2011) with refinements from the behavioral agency model (BAM) (Gómez-Mejía et al., 2018, 2019; Martin et al., 2013) to understand and shed light on the decision-making process regarding the adoption of HPWSs in family firms facing risk conditions.

From the SEW perspective, scholars have argued that family firms may favor the use of more informal HR policies (Cruz et al., 2011), but when a firm's risk conditions jeopardize both SEW and the firm's viability, the use of formal HR approaches find greater acceptance (Cruz et al., 2011; Gómez-Mejía et al., 201; Peláez-León & Sánchez-Marín 2022). A firm's risk conditions are defined as performance hazards or the extent to which there is uncertainty over performance outcomes (Gray & Cannella Jr, 1997). Under these conditions, family firms become aware of implementing formal and performance-oriented HR policies only as part of a gamble toward avoiding potential SEW losses (Cruz et al., 2011; Wiseman & Gómez-Mejía, 1998). However, using the BAM framework as a complementary view (Gómez-Mejía et al., 2019; Martin et al., 2013), family firms could become aware of implementing performance-oriented HR policies or an HPWS as part of a mixed gamble oriented toward avoiding potential SEW losses. Hence, beyond the situation mentioned above regarding high-risk family firms, a family firm sustaining good economic outcomes in low-risk situations could also implement an HPWS to enhance firm competitiveness and, thus, ensure its SEW. This argument maintains the logic of loss aversion. It aligns with those suggesting that family firms might also be motivated to provide the family's economic sustenance without necessarily jeopardizing its nonfinancial wealth (SEW) (Gómez-Mejía et al., 2014, 2019).

Thus, this study addresses these issues by analyzing, in a sample of 453 Spanish medium-sized private family firms, the effect of the importance attached to preserving SEW on the use of HPWS. Furthermore, we examine how, and to what extent, this relationship is moderated by the risk facing the firm and by two essential characteristics of family governance—family involvement in management and the family generation in control—to explain family firm heterogeneity in the relationship between SEW, firm risk, and HPWS.

In doing so, we make several contributions to HRM and the family business research field. First, we contribute to the literature on HRM and family businesses by providing evidence for how and under which circumstances (firm risk, degree of family involvement in management, and family generational stages) the importance given to preserving SEW frames decisions about the use of HPWS. Second, we provide further research to extend the SEW approach, analyzing the relationship between SEW and HRM under various contingencies (Cruz et al., 2011; Gómez-Mejía et al., 2011; Hedberg & Luchak, 2018; Jaskiewicz, Block, Combs, et al., 2017) and, thus, contributing to the understanding of how noneconomic goals and family firm heterogeneity affect HRM decisions. Third, we amplify the SEW theoretical approach by considering the BAM extension regarding the mixed-gamble scenario (Gómez-Mejía et al., 2018, 2019; Martin et al., 2013) in which family firm decision-makers can balance the probability of losing their current stock of perceived wealth (that is, their SEW). In this context, family firms face both gain and loss contexts simultaneously related to the consequence of implementing HPWSs to enhance the value of their future wealth by accepting greater risk (Martin et al., 2013). Finally, our results have important practical implications for owning families, HR managers, and scholars regarding the decision to implement HPWSs in family firms.

The following section provides the theoretical framework and the hypothesis development. Then, we explain our research design and present the results. Finally, we conclude with a discussion of the main findings and the contributions of the study.

2. Theoretical background and hypotheses

2.1. SEW preservation and firm risk

The SEW preservation approach is a general extension of the BAM (Wiseman & Gómez-Mejía, 1998) to explain family firms' decision-making. BAM initially held that the firm decision-makers would prefer to prevent potential losses of their perceived wealth rather than seek economic profits, rendering them more reluctant to take risks (Wiseman & Gómez-Mejía, 1998). In a refinement of the BAM's original formulation, Martin et al. (2013) argued that the decision-maker balances the fear of losing current perceived wealth with the prospect of enhancing the value of future wealth by accepting more risks. Hence, the scenario of a mixed gamble is explained since decision-makers might face both gain and loss contexts simultaneously (Martin et al., 2013). This dynamic reflects the logic that decision-makers are aware of the potential for gains and losses to their wealth, which can cause their strategic decisions to change depending on the reference point used to compare the anticipated outcomes (Gomez-Mejia et al., 2017).

In family firms, one distinctive feature is that the owning family assesses strategic choices based on financial returns and their SEW (Gómez-Mejía et al., 2007). Thus, SEW is assumed to be the predominant reference point in decision-making in this type of business (Berrone et al., 2010, 2012; Gómez-Mejía et al., 2007, 2011). Defined as "the array of nonfinancial benefits specifically associated with the well-being and affective needs of family members derived from operating a business enterprise" (Debicki et al., 2017, p. 85), SEW includes nonfinancial aspects, such as the desire to maintain control of the business and to prolong it for future generations, the social bonds built with stakeholders, the emotional attachment of family members, the close and strong identification of the family members with the company, and the importance of meeting family members' needs (Berrone et al., 2012; Debicki et al., 2016).

Based on the BAM logic, the primary decision-maker in family firms (the owning family) has dual SEW and economic reference points regarding potential gains and losses when the family makes strategic decisions under a particular business risk scenario. One of the most significant risks that condition decision-makers in family firms in their aim to preserve SEW is performance hazard (Gómez-Mejía et al., 2007), an idiosyncratic (firm-specific) risk defined by the degree of uncertainty over performance outcomes (Gray & Cannella Jr, 1997). Firm risk focuses on the likelihood that a firm fails because of poor past performance and manifests itself either in the probability of organizational failure or below-target performance (e.g., Gómez-Mejía et al., 2007, 2018). Thus, in high-risk family firms facing evident financial deterioration, the owning family could find a stronger incentive to make economically driven decisions to avoid the failure of the firm and thus the total loss of their SEW (Gómez-Mejía et al., 2011, 2019; Patel & Chrisman, 2014; Stockmans et al., 2010). As firm risk increases, the owning family is increasingly exposed to losing everything (the family's standard of living, patrimony, and SEW) if the firm does not survive (Cruz et al., 2011; Mahto et al., 2022). The reasoning regarding family firms with poor business performance (high-risk firms), which made more economically oriented decisions, has been evidenced in the literature, for example, in R&D investments (Patel & Chrisman, 2014), in earnings management (Stockmans et al., 2010) and in other strategic choices (Gómez-Mejía et al., 2007).

Conversely, in low-risk family firms facing the dilemma of deciding between financial gain and SEW, the owning family might generally prefer to protect the latter, making its decisions at the expense of financial rewards even if it means accepting a greater firm risk (for example; Chrisman & Patel, 2012; Gómez-Mejía et al., 2007; Jaskiewicz, Block, Miller, et al., 2017; Memili et al., 2013; Miller et al., 2013). However, consistent with the findings of Gómez-Mejía et al. (2019) regarding low-risk family firms adopting more economically driven executive compensation decisions, the owning family may perceive the

prospect of preserving its SEW through a long-term financial wealth orientation, maintaining the loss aversion logic to ensure the family's economic sustenance without necessarily jeopardizing its nonfinancial wealth (that is, SEW) (Gómez-Mejía et al., 2014, 2019; Sánchez-Marín et al., 2020).

2.2. Effects of SEW preservation and firm risk on HPWS

The HPWS is one of the HR systems that has received the most attention in the literature (Lepak et al., 2006; Posthuma et al., 2013). This system is defined as a coordinated bundle of high-performance, economically oriented policies that guide the choice of formal HR practices and create synergistic effects between them to enhance organizational performance (Posthuma et al., 2013). Although several policies have been attributed to this system (Lepak et al., 2006), it is typically characterized by policies of selective recruitment and selection (that involve more proactive recruitment and selection to attract well-qualified candidates with specific skill sets), broadly defined job responsibilities, extensive training and development, reliance on pay for performance, and employee participation in aspects of organizational decision-making (Appelbaum et al., 2000; Jiang et al., 2013, 2017; Tsao et al., 2009).

In the context of family businesses, the choice to adopt an HPWS may be determined by the preference for improving business sustainability or preserving family SEW, among other factors (Hernández-Linares et al., 2021), which ultimately depends on firm risk. For example, high-risk family firms may find more incentives to implement HPWSs to achieve better business performance and avoid the loss of SEW. Because the owning family has likely consolidated a large amount of its financial wealth in a single business (Cruz et al., 2014) and the value of SEW is "anchored at a deep psychological level among family owners whose identity is inextricably tied to the organization" (Berrone et al., 2010, p. 87), its financial and socioemotional capital is linked to the destiny of the business, indicating that the family loses everything if the firm does not survive (Cruz et al., 2014; Gómez-Mejía et al., 2011). Therefore, it is expected that the owning family will see its SEW compromised if the risk of further economic deterioration increases, thus becoming more incentivized to implement performance-oriented HR policies. In other words, in high-risk contexts, HPWSs allow family firms to maintain better control of their financial performance (by mitigating the negative effect of tight business conditions) without sacrificing SEW (that is, by introducing high-quality selection, control, and performance mechanisms).

This high-risk effect of SEW on HPWS has been partially confirmed empirically by investigations on isolated HR policies. For example, family firms in a weaker financial situation —directly or indirectly considering their smaller size—have shown more formal and specific job criteria to select employees as a mechanism to reduce nepotism and adverse recruitment (Dyer, 2006), as well as formal performance appraisal, intensive training, and incentive-based compensation to increase employees' performance and business productivity (Blanco-Mazagatos et al., 2018; Carrasco-Hernández & Sánchez-Marín, 2007; De Kok et al., 2006).

Conversely, low-risk family firms may adopt high-performance HR policies to enhance firm sustainability without necessarily jeopardizing family SEW. As BAM postulates (Martin et al., 2013), the owning family may perceive that a higher level of prospective gains offered by HPWS is likely to offset the negative effect attributed to SEW preservation over this performance-oriented decision (Cruz et al., 2011). This argument maintains the logic of family firms' loss aversion, introducing the idea of a mixed gamble through which family firms can balance SEW preservation and financial wealth. This is also consistent with Gómez-Mejía et al.'s empirical findings (2019) regarding family firms with a low likelihood of firm failure—low-risk firms—adopting strategic choices, such as equity-based incentive systems—a specific manifestation of a high-performance HR policy—to reconcile the need to preserve SEW

with long-term financial wealth.

Overall, HR policies that are formal and performance-oriented become a valuable mechanism to reverse a situation that simultaneously threatens the economic and socioemotional wealth of the family firm (high-risk family firms). Additionally, these policies exploit a situation that entails offsetting the negative SEW preservation effect over the positive performance orientation (low-risk family firms) (Gómez-Mejía et al., 2011, 2014, 2019). Hence, it is expected that the importance of preserving family SEW will generally increase the likelihood that family firms will adopt an HPWS and that these relationships will be stronger in high-risk family firms. Thus, we propose the following hypothesis:

H1: The positive effect of SEW on the use of HPWS will be stronger in high-risk family firms than in low-risk family firms.

2.3. Moderating effects of family governance

As noted above, the risk that family firms face conditions the decision to adopt an HPWS. However, firm risk is not the only conditioning variable. The relationship between SEW and HPWS is also tempered by two characteristics that accentuate the heterogeneity of family firms (Cruz et al., 2011; Gómez-Mejía et al., 2011): the involvement of the owning family in management and its generational stage.

Family involvement in management indicates a family's substantial managerial presence in a firm and the discretion to affect the firm's strategic action without exercising unilateral control (Chua et al., 1999). It signifies a more significant influence over day-to-day operations and the strategic decision-making of the business than ownership alone (Tsao, Newman, et al., 2016). Thus, when a family plays a decisive role in the business, either through a family CEO or with greater participation on the top management team, the likelihood of family members developing their SEW will be stronger (Dawson & Mussolino, 2014). In fact, since SEW embraces a variety of affective needs derived from the controlling position of the owning family (Gómez-Mejía et al., 2007), the importance of preserving SEW will increase with a greater proportion of family managers and/or if the CEO is a member of the owning family (Jaskiewicz, Block, Combs, et al., 2017; Memili et al., 2013; Sánchez-Marín et al., 2020a).

Concerning HPWS, family firms might exhibit minor intentions to implement these types of policies when facing lower-risk situations and when they have a greater proportion of family managers. The use of formal and performance-oriented HR policies could be considered unnecessary when the firm's performance is good in economic terms. In such cases, as Cruz et al. (2011) suggested, the owning family might prefer more informal HR policies to protect the firm's SEW, such as selecting employees based on the values and culture of the family, using less formal recruitment methods, or placing less emphasis on variable pay and formal appraisal systems. Similarly, some researchers have pointed out that if the CEO is a member of the owning family, the family CEO will experience difficulty in the objective implementation of formal HR policies, especially with family members (Reid et al., 2002).

Conversely, high-risk family firms with a higher degree of family involvement in management might find it easier to adopt an HPWS and give them the corresponding support. Since higher risk means the owning family will see its SEW compromised by an increase in the probability of further economic deterioration, it is expected that greater family involvement—both through a larger proportion of family managers or by the presence of a family CEO—favors the use of formal HR policies (Peláez-León & Sánchez-Marín, 2022; Reid et al., 2002; Steijvers et al., 2017). Greater involvement in management causes family managers and family CEOs to enjoy intentional trust and higher levels of goal alignment with the owning family (Sánchez-Marín et al., 2020a; Steijvers et al., 2017). In a high-risk situation, this top management team configuration might place family managers and family CEOs in a better disposition to implement HPWS. Although nonfamily managers might be well trained and experienced in introducing formal and performance-

oriented systems, family managers are better suited for making difficult decisions for formally managing family employees. In a situation of probable SEW deterioration or loss, the family could trust its judgment as being in the family's best interests (Steijvers et al., 2017).

Additionally, family managers and family CEOs have generally grown up in the firm. They are aware of the importance of the family's values and the role of the overall family within the firm, especially if they wish to protect its SEW (for example, Berrone et al., 2012; Gómez-Mejía et al., 2011), giving them the advantage of establishing formal HR policies before ceding control to outsiders. Thus, we hypothesize that the positive moderating effect of family involvement in management on the SEW preservation-HPWS relationship will be more pronounced for high-risk family firms than for those facing low-risk situations.

H2a: Family firms with greater participation of the owning family on the top management team will exhibit a greater positive effect of SEW on the use of HPWS under high-risk situations.

H2b: Family firms with a family CEO will exhibit a greater positive effect of SEW on the use of HPWS under high-risk situations.

The family's generational stage can also condition the importance of SEW as a point of reference to implement HPWSs. The generation of the owning family heading the firm is a clear source of heterogeneity among family firms arising from structural and management changes as the family firm progresses from generation to generation (Kidwell et al., 2018; Sánchez-Marín et al., 2020b). The generation in control is a central component of a family firm's life cycle since each change in generation creates essential changes in the family firm's resources, attributes, and structure, as well as in the family's emotional attachment to the firm and its self-identification (for example; Beck et al., 2011; Cannella et al., 2015).

The emphasis on preserving SEW and adopting formal HR policies can also vary across the family life cycle in the firm (for example, Jaskiewicz, Block, Combs, et al., 2017; Miller & Le Breton-Miller, 2014; Reid & Adam, 2001; Steijvers et al., 2017). The evidence suggests that the desire to preserve nonfinancial wealth is stronger in the generational stage, during which family influence is also strong, usually in the first generation, while in the later stages, the levels of SEW preservation tend to decrease considerably and, in turn, financial considerations become more important as a frame of reference (Gómez-Mejía et al., 2011). Scholars have noted how decisions that offer a competitive alternative to the firm but that weaken family ties and socioemotional goals increase across generations (for example, Gómez-Mejía et al., 2007; Jaskiewicz, Block, Miller, et al., 2017).

Regarding adopting an HPWS, contradictory results have emerged in the literature. Some scholars have suggested that family firms managed by first-generation family CEOs may have more formal HR practices (Steijvers et al., 2017). However, most scholars have argued that the passing of family generations is more strongly related to implementing formal HR practices (e.g., Bannò & Sgobbi, 2016; León-Guerrero et al., 1998). This is consistent with the idea that the degree of a family firm's formalization increases as a firm moves through generations (Cruz et al., 2011; Sánchez-Marín et al., 2019) and with the idea of implementing high-performance work practices to improve the alignment of interest between employees and owners as a mechanism to mitigate a high-risk context (Blanco-Mazagatos et al., 2018; Pittino et al., 2016).

Based on this evidence, we posit that both first and later generations may introduce the use of an HPWS in family firms. Nevertheless, the likelihood increases with the importance of preserving SEW, which, in turn, depends on the firm's risk situation. Therefore, considering our arguments in H2 regarding family involvement and relating them to the family generation's preferences regarding nonfinancial goals, we expect the firm's risk to strongly determine the influence of SEW preservation on the adoption of HPWSs. Specifically, in high-risk contexts, where the economic and socioemotional capital of the business and the family is threatened, we posit that all generations could positively influence the effect of SEW preservation on an HPWS. Nevertheless, only the first generation might experience a greater impact due to its desire to protect

SEW, which is greater than that held by later generations that are usually more interested in classic performance considerations. Thus, we propose that this moderating effect by earlier generational stages will be greater for high-risk family firms than for those facing low-risk situations.

H3: Family firms in earlier generational stages will exhibit a greater positive effect of SEW on the use of HPWS under high-risk situations.

The research model and the hypotheses are presented in the Fig. 1.

3. Methodology

The population of family firms was identified from an extensive database created by *The Family Business Firms Institute* in Spain (Casillas et al., 2015), which uses information from the Spanish SABI (Iberian Balance Sheets Analysis System) database. In this database, a firm is considered a family firm if the family is involved in the governance/management of the firm (that is, at least one family member is present on the board of directors or the management team) and if the family has a level of participation in the ownership structure (that is, either one family member holds at least 5 % of ownership or several members of the same family hold at least 20 %). Together with this selection criterion, we used three exclusion criteria to delimit our sample, removing firms with incomplete information, firms in special economic situations, and firms listed on stock markets (Cabrera-Suárez et al., 2014). Then, we focused on private and medium-sized family firms.[1] Thus, we obtained a selected population of 3740 private and medium-sized family firms.

Information was obtained using two sources: the SABI database (to get firm ownership information, financial data, and some control variables) and an ad-hoc survey based on a questionnaire (to collect information about SEW, HPWS, family involvement, and generational stage). The design of this survey was based on a stratified –by sector and firm age- random sample of our population. 508 medium-sized family firms were contacted by telephone between March and June 2016. All family firms were previously checked by asking the HR manager or its CEO whether they think their firm was a family firm. After reviewing the dataset obtained, a final sample of 453 medium-sized family firms was obtained (response rate of 12.11 % of total population, sample error 4.3 %, and 95 % confidence level for p = q = 0.5).

We undertook several steps to alleviate concerns about common method bias and nonresponse bias. Regarding common method bias, we used two different sources to collect our variables. Also, we conducted Harman's one-factor test and CFA to check for potential bias (Podsakoff et al., 2003). Results of the unrotated factor analysis of all of the survey items showed that no single factor was dominant (the variance explained was 35.13 %), and the one-factor model for all of the survey items yielded an insufficient data fit (CFI = 0.535, NNFI = 0.488, IFI = 0.537 RMSEA = 0.144 with 90 % confidence interval values of 0.139 and 0.149 and normed S-Bχ^2 = 10.397). Regarding nonresponse bias, we followed Blanco-Mazagatos et al. (2018) to assess it in two ways. First, based on independent t-tests, we found no differences between family firms included in the sample and those excluded in either firm risk (p >.10) or size (p >.10). Second, we found no significant differences between the early and late respondents using an independent samples *t*-

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[1] Three reasons bring us to focus on medium-sized family firms. First, unlike public firms, private firms tend to adopt managerial practices and firm strategies that most closely reflect the welfare interests of the owners because they have a more concentrated ownership and major owner oversight (Neckebrouck et al., 2018). Second, medium-sized firms often have clear definitions of a set of HR policies, compared to small and micro sized firms. Furthermore, large firms have much greater access to resources than small and medium-sized firms (Sánchez-Marín et al., 2019), which could distort the analysis of their HR systems. Third, private and medium-sized family firms tend to experience substantial trade-offs in their preferences for economic and noneconomic goals (Memili et al., 2013), and they can experience stronger family influence than large or public companies with complex organizational structures (Kraiczy et al., 2015).
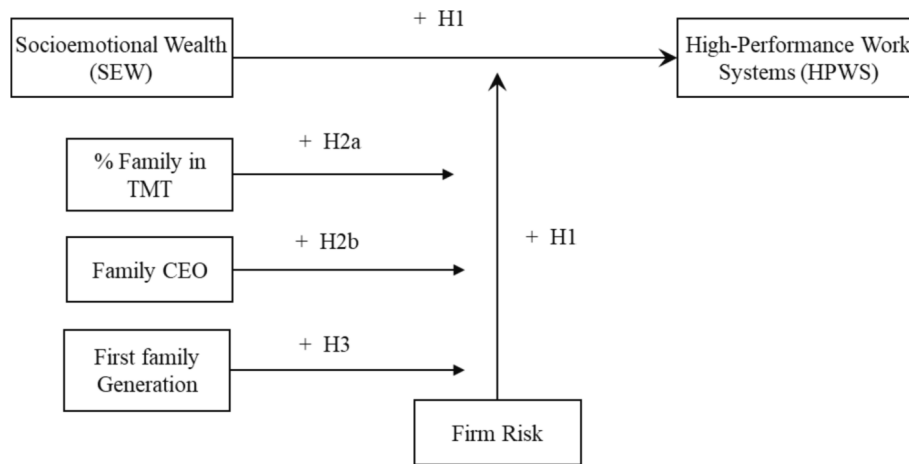
Fig. 1. Research framework and hypothesis.

test to compare our main variables (t-tests cutoff points at 10 %, 20 %, and 30 % yielded similar results). All the results and procedures suggested that common method and nonresponse bias are not serious threats in our study.

3.1. Measures

HPWS. The scale used to measure HPWS consists of 16 items measured on a 5-point Likert-type scale (1 = strongly disagree; 5 = strongly agree). The items for this scale were adopted from Jiang et al.'s study (2017) to indicate the extent to which a set of HR policies was offered to core employees (non-manager level) over the previous three years. These items involved six typical high-performance HR policies around the Abilities-Motivation-Opportunities (AMO) model's dimensions (Appelbaum et al., 2000); one of the most representative current frameworks to conceptualize HPWS (Jiang et al., 2017; Jiang, Lepak, Han, et al., 2012). Although these items have been used in prior research (e.g., Peláez-León & Sánchez-Marín, 2022; Sánchez-Marín et al., 2022), we performed a confirmatory factor analysis (CFA), including HPWS as a second-order latent factor to evaluate the dimensionality of this scale. The existence of a higher-order factor (HPWS) between the set of policies associated with HPWS has been argued by several scholars to be evidence of an internal fit among the HPWS dimensions (e.g., Beltrán-Martín et al., 2008; Jiang, Lepak, Han, et al., 2012). After confirming the reliability and validity of the HPWS scale (see appendix A for a detailed overview), one index was built with the weighted average of items to test our hypotheses. The higher the value obtained, the greater the extent to which the firm offered an HPWS to their core employees.

SEW. To measure the importance of preserving SEW, we developed a 13-item scale based on SEWi (acronym for Socioemotional Wealth importance) and FIBER (acronym for dimensions of Family control, family Identification; Binding social ties, Emotional attachment, and Renewal of family bonds) scales (Debicki et al., 2016; Berrone et al., 2012) and already validated on previous studies that empirically operationalized SEW (Baixauli et al., 2021; Belda-Ruiz et al., 2022; Peláez-León & Sánchez-Marín, 2022). On a five-point Likert-type scale ranging from "1″ (not important) to "5" (very important), the respondents answered based on their understanding of and personal experience with the importance of each item for the owning family over the previous three years. After performing the EFA, nine items passed the required factor loadings, converging into two factors (family continuity and family enrichment). The subsequent CFA led us to remove two additional items that did not show acceptable levels of fit, suggesting the respecification of the model (Byrne, 2006). After removing these two items, the CFA exhibited good fit (CFI = 0.990, NNFI = 0.984, IFI =

0.990 RMSEA = 0.041 with 90 % confidence interval values of 0.007 and 0.068 and normed S-Bχ^2 = 1.760), testing a second-order factor model that shows two highly and significant correlated dimensions (0.692, p <.001). This procedure is in accordance with SEW's conceptual definition, a multidimensional construct that includes the motivations and goals that a family derives from its controlling position in a firm (Berrone et al., 2012, Gómez-Mejía et al., 2007, 2011). After confirming the reliability and validity of our SEW scale (see appendix B for a detailed overview), one index was built with the weighted average of items to test our hypotheses. The higher the value obtained, the higher the extent to which respondents perceived that the owning family had given importance to preserving SEW.

Firm risk. We defined firm risk as an idiosyncratic (firm-specific) risk determined by the degree of uncertainty over performance outcomes (Gray & Cannella Jr, 1997) based on performance hazard (Gómez-Mejía et al., 2007). To measure performance hazard, we used the likelihood of the firm's below-target performance based on social comparison as a common proxy that captures the comparison between the focal firm's average performance and the average performance of competitors in the same years (Gómez-Mejía et al., 2007, 2014, 2018). Following Gómez-Mejía et al. (2014, 2018), we used an industry-median-adjusted return on assets (ROA) since this benchmark signals how well it is doing compared to others firms in the industry. We first calculated the average performance through the ROA ratio from our sample, estimated as the yearly net income (in thousands of euros) divided by total assets (in thousands of euros) for the year. Then, we calculated an average for the three years before our study (2013, 2014, and 2015). For competitors' performance, we calculated the mean performance of firms (ROA) according to the type of industry for the three years before our study. Lastly, we compared the mean performance of each firm with the mean performance of their industry. Thus, if a firm exhibits low average performance compared to the industry's average firm is interpreted as a higher performance hazard; conversely, if the firm's average performance is much higher than the industry's average firm, this signals a lower performance hazard. As such, we used an inverse of this measure to ease interpretation (Gómez-Mejía et al., 2014).

Family involvement in management. We adopted two variables for measuring family involvement in management (Hoffman et al., 2019; Steijvers et al., 2017). First, we asked the respondents to disclose the total number of top managers and the number of these managers who were family members. We then calculated the percentage of members of the owning family in top management teams (that is, family in TMT). Second, we asked the respondents about the presence of a family CEO, and we operationalized this answer using a dummy variable (1 = CEO is a member of the owning family, 0 = otherwise).

Family generation. Drawing on previous research (Michiels et al.,

2013; Steijvers et al., 2017), we asked the respondents about the generation of the owning family heading the firm, operationalizing their answers in three dummy variables: *first generation* (1 = first family generation, 0 = otherwise), *second generation* (1 = second family generation, 0 = otherwise), and *later generations* (1 = third and later family generations, 0 = otherwise).

Control variables. We controlled for industry, firm age, firm size, family ownership, HR specialization, CEO's education level, and family core employees due to their possible influence on adopting an HPWS in family firms. *The firm industry* was measured with a dummy variable that allowed us to differentiate between family firms belonging to industry (=0) and services (=1). *Firm size* was measured using the natural logarithm of total assets (Jaskiewicz, Block, Combs, et al., 2017; Lepak & Snell, 2002) and *firm age* as the natural logarithm of the number of years since the firm was founded (Jaskiewicz, Block, Combs, et al., 2017). *Family ownership* was calculated as the proportion of ownership held by members of the owning family (Tsao, Chen, et al., 2016). *HR specialization* was measured through one dichotomous variable indicating whether the firm has an HR manager (=1) or not (=0) (De Kok et al., 2006). *CEO's education level* was operationalized through one dichotomous variable indicating whether the CEO received a university-level education (=1) or had a non-university degree (=0) (Steijvers et al., 2017). Finally, we measured *family core employees* as the proportion of family–nonmanagerial-core employees (Barnett & Kellermanns, 2006; Jennings et al., 2018).

4. Results

4.1. Descriptive statistics

The firms in the sample included 321 family firms in the service sector (70.9 %) and 132 in the industry sector (29.1 %). The average age of all the family firms was 27 years old, and they had an average of 96 employees and an asset size of €12,334,562. The percentages of family ownership and management were 96 % and 70 %, respectively, while in 83 % of cases, a family member held the CEO position. Regarding the family generation stage, 42 % of family firms in our study were in the first generation, 46 % in the second generation, 10 % in the third generation, and 2 % in the fourth generation. On average, 48 % of family firms in our sample had an HR manager. Table 1 shows the means, standard deviations, and correlations for each variable under analysis.

4.2. Testing the hypotheses

To test our hypothesis, we used the hierarchical regression analysis.[2] This test helps analyze the amount of variance explained in a dependent variable (DV) when more than one predictor variable is sequentially added to a previous regression model (Ross & Willson, 2017). This test builds several regression models adding variables to a previous model at each step, which is very helpful in determining if the variables of our interest explain a statistically significant amount of variance in our DV after accounting for all other variables.

The results for testing hypothesis 1 are reported in Table 2. Model 1 included the control variables and showed that only the firm's industry was positively and significantly related to HPWS ($B = 0.143$, $p \leq 0.05$), indicating that family firms in the service sector have higher levels of HPWS. Model 2 adds the main independent variable (that is, SEW) and suggests that the importance of preserving SEW has a positive effect on the use of an HPWS in family firms ($B = 0.341$, $p \leq 0.001$). Model 3

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[2] Multicollinearity issues were tested –not representing a significant concern– by assessing the correlation matrix and the variance inflation factor (VIF). The absolute correlation between the explanatory variables (largest absolute value 0.783) and the VIF values (largest VIF.1.58) were less than the critical values of 0.80 and 10, respectively (Hair et al., 2006).

Table 1
Descriptive statistics and correlations.

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. HPWS	3.814	0.719														
2. SEW	3.918	0.898	0.334***	–												
3. Firm risk	-0.004	0.048	-0.153**	0.006	–											
4. Family in TMT[a] (%)	0.703	0.336	0.009	0.224***	0.060	–										
5. Family CEO[b]	0.830	0.376	0.060	0.068	0.008	0.366***	–									
6. First generation[c]	0.424	0.495	0.016	-0.083†	-0.119*	-0.104*	-0.052	–								
7. Second generation[d]	0.455	0.498	-0.035	0.064	0.087†	-0.015	0.036	-0.783***	–							
8. Later generations[e]	0.121	0.327	0.029	0.027	0.048	0.066	0.024	-0.319***	-0.339***	–						
9. Firm industry[f]	0.709	0.455	0.123**	0.050	-0.034	0.123**	0.085†	-0.097*	-0.097*	-0.014	–					
10. Firm size[g]	8.718	1.288	0.023	0.054	-0.069	-0.233***	-0.198***	0.108*	0.082†	0.175***	-0.324***	–				
11. Firm age[h]	3.183	0.537	-0.023	0.030	0.156**	0.017	-0.007	-0.121***	0.181***	0.311***	-0.222***	0.442***	–			
12. Family ownership (%)	0.958	0.122	0.029	0.067	0.045	0.064	-0.001	-0.387***	0.001	0.001	-0.013	-0.011	0.001	–		
13. HR manager[i]	0.481	0.500	0.063	-0.075	-0.027	-0.188***	-0.025	-0.035	0.017	0.048	-0.082†	.184***	0.051	-0.057	–	
14. CEO's education[j]	0.627	0.484	0.078†	-0.093*	0.017	-0.218***	-0.114*	-0.048	0.035	0.119*	-0.053	0.126*	0.146**	-0.034	0.113*	–
15. Family core employees (%)	0.062	0.154	0.047	0.045	-0.056	0.105*	0.091†	-0.005	0.011	-0.009	0.068	-0.093†	-0.001	0.029	0.031	-0.054

Notes: $n = 453$. Variables HPWS and SEW derive from averaging the corresponding scale items. [a]TMT: top management team. [b]Dummy variable: 1 = Family CEO; 0 = Non-family CEO. [c]Dummy variable: 1 = first family generation; 0 = otherwise. [d]Dummy variable: 1 = second family generation; 0 = otherwise. [e]Dummy variable: 1 = third and later family generations; 0 = otherwise. [f]Dummy variable: 1 = services; 0 = industry. [g]The natural logarithm of total assets. [h]The natural logarithm of years. [i]Dummy variable: 1 = family firm has an HR manager; 0 = otherwise. [j]Dummy variable: 1 = CEO with university degree; 0 = CEO without university degree. †$p \leq 0.10$ *$p \leq 0.05$ **$p \leq 0.01$ ***$p \leq 0.0$.

Table 2
Hierarchical regression analyses for testing hypothesis H1 and H2a.

Variables	High-performance Work System (HPWS)				
	M1	M2	M3	M4	M5
Control variables					
Firm industry	0.143* (0.078)	0.118* (0.074)	0.112* (0.073)	0.107* (0.072)	0.102* (0.072)
Firm size	0.070 (0.031)	0.036 (0.029)	−0.008 (0.029)	0.017 (0.029)	0.017 (0.029)
Firm age	−0.037 (0.070)	−0.044 (0.066)	−0.010 (0.067)	−0.021 (0.066)	−0.014 (0.067)
Family ownership	0.037 (0.275)	0.016 (0.259)	0.022 (0.256)	0.021 (0.253)	0.025 (0.252)
HR manager	0.056 (0.069)	0.081[†] (0.065)	0.081[†] (0.064)	0.081[†] (0.063)	0.075[†] (0.064)
CEO's education	0.080 (0.071)	0.111* (0.067)	0.112* (0.066)	0.111* (0.065)	0.107* (0.066)
Family core employees	0.046 (0.219)	0.031 (0.206)	0.020 (0.205)	0.016 (0.202)	0.011 (0.202)
Main effect					
SEW		0.341*** (0.036)	0.343*** (0.035)	0.346*** (0.035)	0.346*** (0.036)
Moderating variables					
Firm risk			−0.149*** (0.666)	−0.139** (0.659)	−0.164*** (0.678)
Family in TMT (%)					−0.020 (0.102)
2-way interaction terms					
SEW × firm risk				0.150** (0.781)	0.164** (0.849)
SEW × Family in TMT (%)					0.078[†] (0.098)
Firm Risk xFamily in TMT (%)					0.037 (1.985)
3-way interaction term					
SEW × firm riskx Family in TMT (%)					0.127** (2.061)
Adjusted R^2	0.018	0.131	0.150	0.171	0.181
R^2	0.033	0.146	0.167	0.189	0.206
ΔR^2		0.113***	0.021**	0.022**	0.017*
F-value	2.174*	9.499***	9.872***	10.323***	8.130***

Notes: Standardised regression coefficients shown (standard errors in parentheses). SEW, firm risk and family in TMT were mean-centered before the interaction terms were created to minimise the effects of non-essential multicollinearity (Aiken & West, 1991). *n = 453 family firms.* [†]$p \leq 0.10$ *$p \leq 0.05$ **$p \leq 0.01$ ***$p \leq 0.001$.

incorporates the firm's risk, and then model 4 is included as a moderator of the relationship between SEW and HPWS. According to the results, the two-way interaction effect of the firm's risk is significant and positive ($B = 0.150$, $p \leq 0.01$), indicating that the positive effect of SEW preservation on the use of an HPWS increase as the firm's risk does. Hence, Hypothesis 1 is supported.

To better understand the moderating effect on the relationship between SEW and HPWS that the firm's risk levels entail, we plotted the interaction's significance graphically, following the recommendations of Aiken and West (1991) and Dawson (2014). As Fig. 2 shows, with the firm's risk as moderator, the slopes were significant for higher risk (t = 8.581; p < 0.001) and lower risk (t = 3.121; p < 0.01). Thus, the importance given to preserving the SEW has a greater positive influence on the use of HPWS when the risk facing the family firm is lower, but when the risk increases, so do the effect of SEW on HPWS.

To test Hypothesis 2a, we followed the procedures recommended by Aiken and West (1991) and Dawson and Richter (2006). First, we

entered a three-way interaction involving SEW, firm risk, and Family members in TMT. As is shown in Model 5 in Table 2, we found that this three-way interaction was statistically significant ($B = 0.127$, $p \leq 0.001$) as well as the main effect of SEW on HPWS ($B = 0.346$, $p \leq 0.001$) and the effect of the two-way interaction between SEW and firm risk on HPWS ($B = 0.164$, $p \leq 0.01$). Second, we plotted the three-way interaction effect and performed the slope difference tests corresponding to these figures (Dawson & Richter, 2006) (see Fig. 3 and Table 3). These results confirm that the slope of Group 1 was significantly different from those of other groups, thereby supporting Hypothesis 2a, which indicates that the positive relationship between SEW and HPWS is stronger when family firms face higher risk and when family members have greater participation in the top management team.

To test H2b and H3, we split our sample following previous studies (Baixauli-Soler & Sánchez-Marín, 2011; Tosi & Gómez-Mejía, 1994), in two subgroups based on the firm's risk variable: the high-risk and low-risk family firms subsample. This procedure helps interpret results
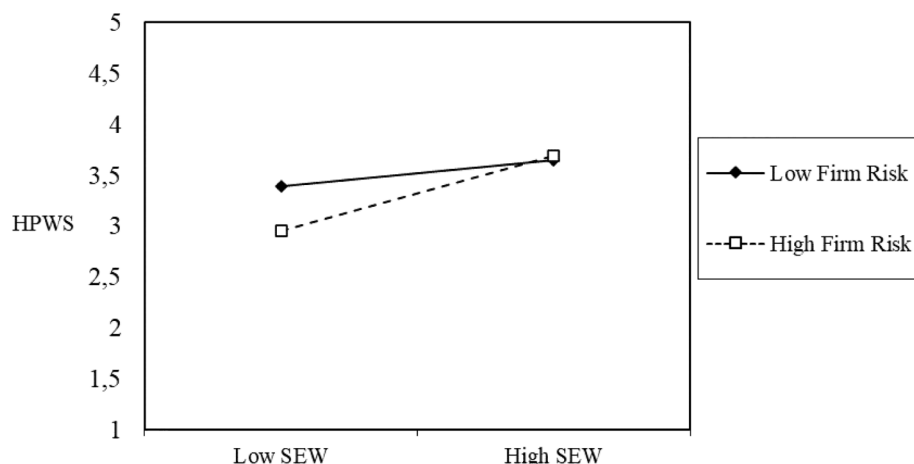

Fig. 2. Two-way interaction plot of SEW and firm's risk predicting HPWS.

Table 3

Standard error and *t*-test results for simple slopes in three-way interaction including SEW, Firm Risk and Family in TMT.

Slopes	Slopes differences	*t*-value	*p*	95 % Confidence interval
Group 1 and Group 2	0,289	2,884	0,004	(0,093, 0,486)
Group 1 and Group 3	0,460	3,926	0,000	(0,230, 0,690)
Group 1 and Group 4	0,402	4,008	0,000	(0,205, 0,598)
Group 2 and Group 3	0,171	1,535	0,126	(−0,047, 0,389)
Group 2 and Group 4	0,113	1,214	0,225	(−0,069, 0,294)
Group 3 and Group 4	−0,058	−0,656	0,512	(−0,232, 0,116)

Note: Group 1: High firm risk, High family participation in TMT; group 2: High firm risk, Low family participation in TMT; group 3: Low firm risk, High family participation in TMT; group 4: Low firm risk, Low family participation in TMT.

considering the comparative dummy-based approach and the

differences based on the firm's risks found in our previous hypotheses. In this vein, and similarly to other studies (Gómez-Mejía et al., 2014), we identified those firms that exhibited an average ROA lower than the industry-median-adjusted average ROA as an indicator of higher risk. Similarly, we identified those firms that showed a higher average ROA as an indicator of lower risk. We used hierarchical regression analyses for each subgroup to test the interaction effects of CEO status and family generational stage in the relationship between SEW preservation and HPWS. For each hypothesized effect, we performed the Chow test (Chow, 1960) to determine whether the impact of the independent and moderating variables on the different subgroups of the sample was equal and ANCOVA (analysis of covariance) (Andrade & Estévez-Pérez, 2014; Rogosa, 1980) to determine whether the impact of the moderating variables on the same subgroup was equal.

To include the interaction effects of CEO status and family generation, Table 4 shows the results of Models 6 and 7. Because we had dummies as moderators and given that the direct effect of the moderator is not as relevant as the coefficient of the interaction terms to test moderating effects (Baron & Kenny, 1986), we followed the partition approach explained by Yip and Zang (2007), used recently in family firm research (for example; Schepers et al., 2014; Steijvers et al., 2017) and
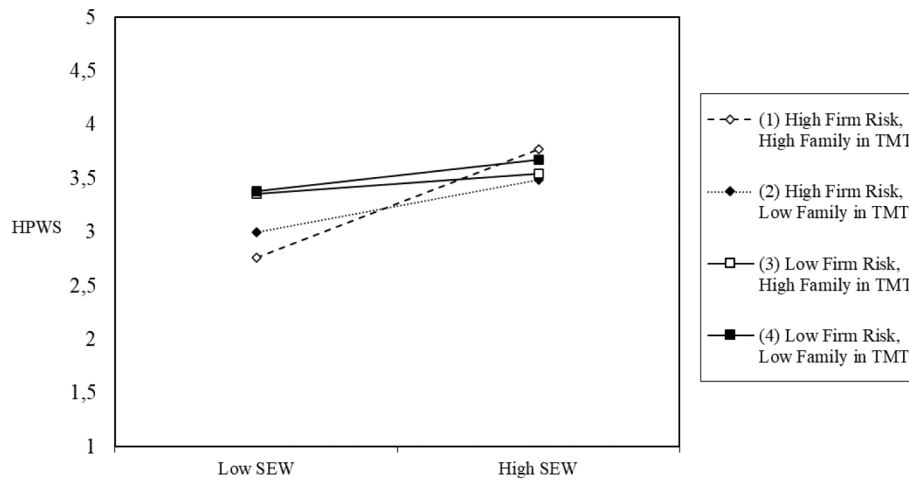

Fig. 3. Three-way interaction plot of SEW, firm risk and Family members in TMT predicting HPWS.

Table 4

Hierarchical regression analyses for testing hypothesis H2b and H3.

	High-performance Work System (HPWS)					
	high-risk family firms			low-risk family firms		
Variables	M1a	M6a	M7a	M1b	M6b	M7b
Control variables						
Firm industry	0.142* (0.113)	0.111[†] (0.103)	0.108[†] (0.103)	0.161* (0.107)	0.141* (0.105)	0.147* (0.106)
Firm size	−0.097 (0.043)	−0.105 (0.039)	−0.110 (0.040)	0.249** (0.044)	0.212** (0.043)	0.215** (0.044)
Firm age	0.067 (0.113)	0.013 (0.104)	0.017 (0.104)	−0.102 (0.090)	−0.079 (0.089)	−0.089 (0.089)
Family ownership	0.070 (0.401)	0.021 (0.373)	0.016 (0.373)	0.008 (0.368)	0.005 (0.360)	0.004 (0.362)
HR manager	0.079 (0.098)	0.118[†] (0.089)	0.119[†] (0.089)	0.030 (0.096)	0.034 (0.095)	0.041 (0.095)
CEO's education	0.082 (0.102)	0.124* (0.093)	0.123* (0.093)	0.095 (0.096)	0.115[†] (0.095)	0.108 (0.096)
Family core employees	−0.005 (0.324)	−0.027 (0.295)	−0.031 (0.295)	0.109 (0.294)	0.106 (0.289)	0.103 (0.289)
Interaction terms						
SEW × family CEO		0.387*** (0.054)			0.172** (0.057)	
SEW × non-family CEO		0.193** (0.112)			0.140* (0.122)	
SEW × 1st generation			0.241*** (0.072)			0.130[†] (0.083)
SEW × 2nd generation			0.328*** (0.073)			0.167* (0.074)
SEW × later generations			0.158*(0.148)			0.050 (0.151)
Adjusted R^2	0.014	0.190	0.190	0.043	0.084	0.078
R^2	0.044	0.221	0.225	0.074	0.122	0.120
ΔR^2		0.177***	0.181***		0.048**	0.046*
F-value	1.491	7.120***	6.527***	2.399*	3.196***	2.817**

Notes: Standardised regression coefficients shown (standard errors in parentheses). *n = 236 family firms in high-risk conditions and 217 family firms in low-risk conditions.*
[†]$p \leq 0.10$ *$p \leq 0.05$ **$p \leq 0.01$ ***$p \leq 0.001$.

other relevant literature (Guenther et al., 2016) to estimate and interpret the interaction effects with dummy variables. In this approach, the estimation of the main effect coefficient must be dropped, and the multiplicative terms between the independent variable and the full set of dummy variables must be included. Therefore, to test Hypothesis H2b, the effect of the independent variable (that is, SEW) on the dependent variable (that is, HPWS) is partitioned for family CEO and nonfamily CEO. The results in Models 6a and 6b suggest that in both high- and low-risk conditions for private and medium-sized family firms managed either by family CEOs or nonfamily CEOs, the effect of SEW on the use of HPWS is positive and significant. However, this effect is significantly stronger in family firms in high-risk conditions with a family CEO ($B = 0.387$, $p \leq 0.001$) than in those with a nonfamily CEO ($B = 0.193$, $p \leq 0.01$) and in family firms managed by a family CEO in low-risk conditions ($B = 0.172$, $p \leq 0.01$). Thus, Hypothesis H2b is supported since the results obtained from ANCOVA and the Chow tests confirmed that these *B*-values are significantly different from each other for both family and nonfamily CEOs in high-risk conditions ($F = 23.030$, $p \leq 0.001$) and for family CEOs in high and low-risk conditions ($F = 17.095$, $p \leq 0.001$). In addition, Fig. 4 graphically shows the interaction effects between family CEO, SEW, and firm risk. As can be seen, the slopes of the family CEO*SEW interaction confirm the hypothesis H2b.

We performed the same partition approach to test Hypothesis H3. In this case, the effect of the independent variable (SEW) of each subgroup (that is, firms at high risk and low risk) was partitioned for three dummy variables: first family generation, second family generation, and third and later family generations. On the one hand, Model 7a suggested that, in high-risk conditions, private family firms showed a positive and significant effect of SEW on the use of an HPWS, regardless of the family generation controlling the firm. However, the results indicated that this effect was significantly stronger for the first generation ($B = 0.241$, $p \leq 0.001$) than for third and later generations ($B = 0.158$, $p \leq 0.05$), and contrary to our expectations, this effect was significantly stronger for the second generation ($B = 0.328$, $p \leq 0.001$) than for the first generation. On the other hand, Model 7b suggested similar results for family firms in low-risk conditions. However, as the Chow test confirmed, interaction effects provided by first ($F = 8.496$, $p \leq 0.001$), second ($F = 12.998$, $p \leq 0.001$), and third and later generations ($F = 4.243$, $p \leq 0.01$) were stronger for family firms in high-risk conditions than for those in low-risk condition. Since the strongest influence on the relationship between SEW and HPWS is presented in family firms in high-risk conditions controlled by the second generation, and the *B*-value for the second family generation is significantly different from all of the others in both family firms in high ($F = 25.749$, $p \leq 0.001$) and low-risk conditions ($F = 6.252$, $p \leq 0.01$), Hypothesis H3 is partially supported. Fig. 5 graphically captures the interaction effects between generation, SEW, and firm risk, gathering specifically the effects of the second

generation*SEW interaction corroborated by hypothesis H3.

Furthermore, we assured the robustness of the above results by testing –and confirming- our hypotheses employing two different firm's risk measures: Z-score used as an inverse proxy for the firm's probability of failure (Berger et al., 2009) and Leverage used to indicate financial risk (Amit & Livnat, 1988). Finally, as expected for some control variables, an HR manager and CEOs with high educational levels (that is, university degree) had a significant and positive effect on the use of an HPWS but only in private and medium-sized family firms in high-risk conditions. The proportion of family core employees had a significant and positive effect on using an HPWS but only in those firms in low-risk situations when the proportion of family on the TMT was analyzed. Conversely, firm age and proportion of family ownership did not have significant effects.

5. Conclusions and discussion

The purpose of this study is to examine how the importance placed on the nonfinancial goals of the owning family in terms of SEW preservation frame decisions about the use of an HPWS in family firms. We adopt SEW and BAM theoretical frameworks (Gómez-Mejía et al., 2007; Wiseman & Gómez-Mejía, 1998) to focus on explaining variations in HRM policies when the family firm faces different risk situations, identifying differences among them based on the extent of family involvement in management and generational stages (Hedberg & Luchak, 2018). Based on our sample of 453 medium-sized and private family businesses, we found that both low-risk and high-risk family firms might use an HPWS as a mechanism to preserve their SEW. These findings generally supported BAM assumptions about how the owning family might balance the fear of losing current endowment wealth (that is, SEW) with the prospect of enhancing the value of its future wealth (that is, business performance) by undertaking actions that favor both the firm and family in hazardous conditions, in this case, a more formal, high-performance HR system (that is, HPWS).

In this research, we contribute to the "mixed-gamble" debate between financial and SEW considerations in decision-making (Gómez-Mejía et al., 2014, 2018; Kotlar et al., 2018), showing that SEW as a frame of reference for strategic decision-making does not necessarily imply giving up the achievement of financial wealth to pursue nonfinancial wealth. Using recent BAM interpretations (Hernández-Linares et al., 2021; Gómez-Mejía et al., 2007), we argue that implementing formal strategic HR policies, such as the use of an HPWS, which originally stems from economic logic (that is, increasing employee performance) (Lepak et al., 2006), does not mean jeopardizing SEW in terms of family continuity and family enrichment. In this context, family firms simultaneously face gain and loss contexts related to the consequence of implementing HPWS with the prospect of enhancing the value of their
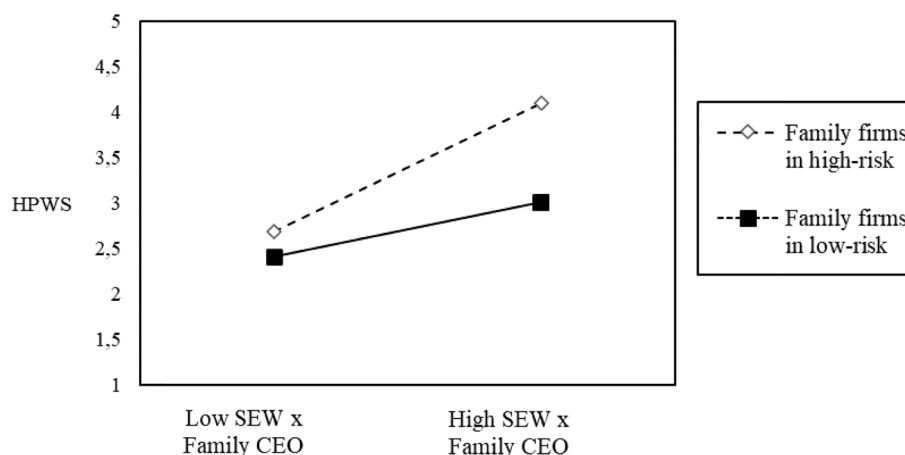

Fig. 4. Interaction plot of SEW, family CEO and firm's risk predicting HPWS.
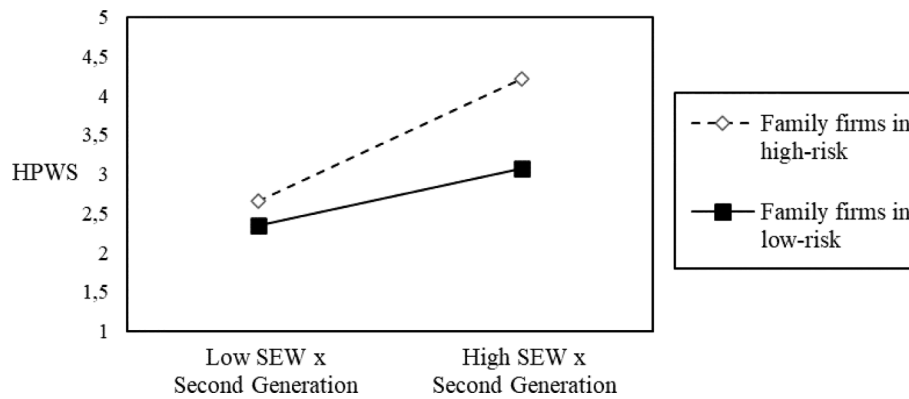
Fig. 5. Interaction plot of SEW, second family generation and firm's risk predicting HPWS.

future wealth by accepting more risks (Martin et al., 2013). In doing so, we make several contributions to HRM and family business research fields since, as far as we know, this is the first study specifically exploring the effect of SEW preservation in the decision to implement an HPWS in family firms while considering their level of firm-related risks (Chrisman and Patel, 2012; Gomez-Mejía et al., 2019) and analyzing the role of family involvement in management and governance as sources of heterogeneity (Chua et al., 2012). In addition, our results have important practical implications for owning families, HR managers, and scholars regarding the decision to implement HPWS in family firms.

As our results show, low-risk family firms can use HPWSs to enhance the prospect of greater future wealth and, by doing so, to ensure their SEW. Meanwhile, high-risk family firms use this choice as a more expected way to avoid the family firm's failure and thus prevent a total loss of SEW. More specifically, high-risk family firms that wish to preserve their threatened SEW show clear preferences for high-performance HR policies for employees (that include selective recruitment and selection, intensive training, formalized performance appraisal, and incentive-based compensation use of performance-based incentives) (Gómez-Mejía et al., 2013; Sánchez-Marín et al., 2020); in contrast, low-risk family firms see an opportunity with the implementation of HPWSs to maintain and preserve SEW even at the expense of accepting higher levels of financial risk (Martin et al., 2013; Gómez-Mejía et al., 2019). In other words, in both contexts, HPWSs allow family firms to maintain better control over their financial performance (through mitigating the negative effect of risky business environments) without sacrificing SEW.

We also extend and integrate the previous theoretical work about the relationship between SEW and HRM under a range of contingent circumstances (Cruz et al., 2011; Gómez-Mejía et al., 2011; Hedberg & Luchak, 2018; Jaskiewicz, Block, Combs, et al., 2017), helping to explain the heterogeneity of family firms claimed in the literature (for example, Chua et al., 2012; Jaskiewicz, Block, Miller, et al., 2017). In this vein, our results indicate that greater participation of family members in management and the presence of a family CEO effectively increases the positive effect of SEW preservation on the use of an HPWS in high-risk family firms. This finding supports previous work on the discretionary power of the owning family and the greater importance given to preserving SEW and its influence on HR policy decisions (for example, Combs et al., 2010; Gómez-Mejía et al., 2011), also supporting the most recent idea that family firms having a family CEO do not imply less use of formal HR practices (Sánchez-Marín et al., 2020; Steijvers et al., 2017). Our findings also suggest that a family CEO may even be better than a nonfamily CEO at running a family firm professionally (that is, with an HPWS) when the firm faces higher-risk situations, especially when the family CEO has a university education.

Analyzing the role of the family generation stage as a source of heterogeneity (Kidwell et al., 2018; Sánchez-Marín et al., 2020b), our results corroborate the idea that first-generation family firms might find the importance of preserving their SEW a stronger incentive to implement an HPWS compared with family firms in third and later generations. Interestingly, the strongest influence on the relationship between SEW and HPWS is presented in second-generation family firms. It is even greater when family firms perform at below aspiration levels (family firms in high-risk situations). This finding can be explained based on the "growing up" of the second-generation family members in the firm, making them aware of the importance of the family's values to accommodate the needs of the family and the roles of its members in the firm. As the founding family of the firm can have more influence over the second generation than subsequent generations (Sonfield et al., 2005), this "first-generation shadow" may influence the strategic behavior of succeeding generations of family managers and the wish to protect family values, and nonfinancial goals could be equally strong in the second generation. This tacit knowledge, which might be lacking in later generations, indicates that members of the second generation support the family in the firm—in high-risk circumstances—when formal HR practices and control systems must be implemented. Moreover, as some scholars have noted, the second generation could find it easier to accept an HPWS than the first generation (Blanco-Mazagatos et al., 2018; Pittino et al., 2016).

Overall, these results contribute to the literature on the HRM and family business fields by providing clear evidence and a significant understanding of the idiosyncratic context of family firms and their unique characteristics that influence decision-makers' preferences about the HR policies to adopt (Sánchez-Marín et al., 2019). By clarifying how family involvement in management and its generational stage account for variance in the importance of preserving socioemotional endowment in several family firms' risk conditions, this study advances the research line concerning the SEW approach as an important framework for HRM choices beyond economic considerations only.

Finally, this research also provides important implications for practitioners. Our findings suggest that family firms can find both financial and nonfinancial motivations to adopt an HPWS. When the owning family is more involved in management, these motivations complement higher-risk circumstances. Greater concern by the owning family for the extended preservation of its firm and its socioemotional wealth provides strong incentives to adopt HR policies oriented toward achieving high performance. Decision-makers in family firms, therefore, should carefully assess and balance their HR policy choices concerning both financial wealth and SEW, considering that financial and nonfinancial wealth viewpoints can lead to compatible and harmonious family and firm strategic purposes and ends. To balance out financial wealth and SEW gains and losses, managers in family firms must encompass risk conditions in their HR choices. Thus, HR decision-makers, advisors, and scholars should know that the trade-offs between economic and noneconomic goals are significant. Their understanding will assist them in determining and providing interventions or advice to improve the functioning of family firms.

Moreover, professionals in family businesses should encourage the

importance of transmitting the value of SEW from generation to generation. As we pointed out, the significance of this wealth turned out to be stronger in the second generation, causing a greater effect on strategic decisions, such as the implementation of formal HR policies, when the company faces high-risk conditions. Suppose SEW represents a great incentive for families to improve the stability of their businesses. In that case, the importance of passing through generations should be emphasized, and it should be taught how this wealth can help to meet the economic objectives, including those oriented toward formal HR policies, of family firms.

In addition to our contributions, we must also acknowledge the limitations of our study, which, in turn, provide fruitful lines for future research. First, although our findings are theoretically and statistically quite robust and consistent, generalizing them should be undertaken with care since they are based on a cross-sectional sample of medium-sized and private family firms in Spain. Future research could extend the geographical area or the sample size to improve the evidence for the importance of financial and nonfinancial goals in HRM decision-making, as well as to conduct longitudinal studies to incorporate into the analysis how the evolution of firm risk levels (that is, high and low) influences SEW and, in turn, HR policy orientation (that is, high performance, commitment oriented, and control oriented). Second, our measure of firm risk is limited to below-target firm performance due to the information available in the database to which we had access. Although this proxy implicitly recognizes the likelihood of poor past performance compared with other firms in the sector, future studies could examine how the importance of preserving SEW affects the use of HPWS under different forms of firm risk, for example, the likelihood that the family firm ceases operations in the future (Gómez-Mejía et al., 2007). Future research could also focus on complex environment and industry conditions, for example, when firms face major competitive threats and high dynamism (Cruz et al., 2011) or when firms are impacted by sudden shocks (Mahto et al., 2022), as in the case of natural disasters or economic crisis caused by pandemic outbreaks such as COVID−19 (Donthu

& Gustafsson, 2020). Third, our study focuses on the perception of the main person responsible for the HRM function. Considering the potentially different treatments of family and nonfamily employees in HR practices (Daspit et al., 2018), we attempted to include this issue by controlling the percentage of family core employees. Nevertheless, further research should be conducted to more directly explore this effect, considering whether different individual perceptions (family vs nonfamily members; manager vs nonmanager employees) of HR policies increase or diminish when family firms face low-risk or high-risk conditions. Fourth, the single construct of interactions between SEW and HPWS measures led us to obtain unidimensional findings about them. Future studies should explore each dimension of SEW with several policy areas of high-performance HRM to obtain more specific and detailed relationships.

CRediT authorship contribution statement

Juan David Peláez-León: Investigation, Funding acquisition, Formal analysis, Writing – original draft, Writing – review & editing, Conceptualization. **Gregorio Sánchez-Marín:** Investigation, Funding acquisition, Formal analysis, Writing – original draft, Writing – review & editing, Conceptualization.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Acknowledgments

Appendix A. Reliability and validity of the measures used to capture HPWS

HPWS dimensions	Items	Factor loading	Composite Reliability	Discriminant Validity				
Motivation-enhancing policies	1. The firm has assessed employee's performance based on objective and quantifiable results	0.781	0.856					
	2. … has assessed employee's performance based on multiple sources	0.728						
	3. … has given feedback to employees based on their performance appraisals	0.739						
	4. … has paid employees based on their performance	0.742		Average variance extracted (AVE) on diagonal. Squared construct correlations off-diagonal				
	5. … has provided incentives based on the results achieved	0.695						
Training policies	6. The firm has provided continued training programs.	0.807	0.906		**1**	**2**	**3**	**4**
	7. … has invested considerable time and money in training	0.852		1. Motivation-enhancing	(0.546)			
	8. … has implemented training programs to achieve high quality of work	0.854		2. Training	0.339	(0.707)		
	9. … has provided comprehensive training, not limited to skill training	0.771		3. Opportunity-enhancing	0.327	0.346	(0.576)	
Opportunity-enhancing policies	10. The firm has encouraged employees to make suggestions improving the work	0.652	0.844	4. Selection	0.355	0.250	0.417	(0.679)
	11. … has asked employees to participate in work-related decisions	0.745						
	12. … has cared about work-life balance of employees	0.801						
	13. … has considered employee off-work situations when making schedules	0.790						
Selection policies	14. The firm has made a great effort to select the right person	0.768	0.863					
		0.814						

(continued on next page)

(continued)

HPWS dimensions	Items	Factor loading	Composite Reliability	Discriminant Validity
	15. … has selected according to specialties required of the job			
	16. … has selected according to general traits and abilities to complete diverse functions.	0.809		
	Cronbach's alpha (all items)	**0.914**		

Notes: n = 453; Model fit (S-Bχ2 = 221.1073 (df = 100, normed S-Bχ2 = 2.211, p =.00001), CFI = 0.959, NNFI = 0.951, IFI = 0.959, RMSEA = 0.052 with 90 % confidence interval values of 0.042 and 0.061). Values of model fit were obtained after we performed confirmatory factor analysis (CFA) including HPWS as a second-order latent factor underlying the first-order latent variables corresponding to the HPWS dimensions. Design of table based on Brinkerink and Bammens (2018).

Appendix B. Reliability and validity of the measures used to capture SEW

SEW dimensions	Items	Factor loading	Composite Reliability	Discriminant Validity		
Family continuity	1. Maintaining the unity of the family.	0.721	0.889			
	2. Preserving the family dynasty in the business.	0.700		Average variance extracted (AVE) on diagonal Squared construct correlations off-diagonal.		
	3. Preserving the family values.	0.937				
	4. Upholding the family reputation.	0.891			1	2
Family enrichment	5. Enhancing family harmony through operating the business.	0.830		1. Family continuity	(0.670)	
	6. Considering the owning family needs in the business decisions.	0.779	0.845	2. Family welfare	0.478	(0.645)
	7. Ensuring the happiness of the members of the owning family outside the business.	0.800				
	Cronbach's alpha (all items)	**0.890**				

Notes: n = 453; Model fit (S-Bχ2 = 22.874 (df = 13, normed S-Bχ2 = 1.760, p =.04317), CFI = 0.990, NNFI = 0.984, IFI = 0.990, RMSEA = 0.041 with 90 % confidence interval values of 0.007 and 0.068). Values of model fit were obtained after we performed confirmatory factor analysis (CFA) including SEW as a second-order latent factor underlying the first-order latent variables corresponding to the SEW dimensions. Design of table based on Brinkerink and Bammens (2018).

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