INFLUENCE OF FAMILY-CENTERED GOALS ON DIVIDEND POLICY IN FAMILY FIRMS: A SOCIOEMOTIONAL WEALTH APPROACH

María Belda-Ruiz[a], Gregorio Sánchez-Marín[b], J. Samuel Baixauli-Soler[a],

[a] Department of Management and Finance. University of Murcia, Spain

[b] Department of Economics and Business. University of Alcala, Spain

Link to this article: https://doi.org/10.1007/s11365-021-00741-x

INFLUENCE OF FAMILY-CENTERED GOALS ON DIVIDEND POLICY IN FAMILY FIRMS: A SOCIOEMOTIONAL WEALTH APPROACH

Abstract

Socioemotional wealth (SEW) preservation is likely to be a key determinant for family firms to shape their dividend policy. This paper analyzes how family-centered goals captured by SEW influence on dividend policy in private family firms, exploring as well the moderating role on these relationships of family involvement in management, generational stage, and firm hazard. Results indicate a negative association between SEW preservation and both the likelihood of giving dividends and the amount of dividend paid. This negative relationship is stronger when the CEO is a family member, in early generational stages and when the firm faces greater performance hazard. The amount of dividend paid is also lower when there are family members in other top management positions beyond the CEO. Thus, the evidence provided suggests that the existing heterogeneity regarding dividend policy in the context of privately held family firms is strongly driven by differences in SEW priorities.

Keywords: Socioemotional wealth; Family-centered goals; Dividend policy; Family involvement; Family firms

INFLUENCE OF FAMILY-CENTERED GOALS ON DIVIDEND POLICY IN FAMILY FIRMS: A SOCIOEMOTIONAL WEALTH APPROACH

Introduction

Dividend policy is considered a useful mechanism to mitigate agency problems in large public firms (Jensen and Meckling 1976). Higher dividend payments imply lower free cash flow and therefore lower possibilities of wealth expropriation that managers could carry out in those environments characterized by the separation between ownership and control (Jensen 1986). In public family firms, the free cash flow problem could also exist between controlling family shareholders and minority shareholders, where minority shareholders could press for dividends when they face situations fostering wealth expropriation by family shareholders (Gomez-Mejia et al. 2001; Pindado et al. 2012; Setia-Atmaja 2010). Studies on dividend policy in family firms have mainly centered on publicly traded firms from the perspective of agency theory reporting mixed results (Attig et al. 2016; Gugler 2003; Isakov and Weisskopf 2015; Setia-Atmaja 2010; Setia-Atmaja et al. 2009).

The reasons for dividend payments may differ for smaller private family firms, where the separation between ownership and control is usually inexistent and both agency costs and the incentives to reduce them may not exist (González et al. 2014; Jensen 1986; Michiels et al. 2015, 2017). It is necessary to move forward from agency theory to other theoretical contexts (i.e., behavioral economics arguments) to explain dividend policy in private family firms (Brannon and Edmond 2016; Michiels and Molly 2017). In this regard, the theoretical framework of socioemotional wealth (SEW), developed by Gomez-Mejia et al. (2007) as an extension of the behavioral agency model (BAM) (Wiseman and Gomez-Mejia 1998), is being widely used to explain decision-making in family firms (Calabró et al. 2020; Gomez-Mejia et al. 2011; Nason et al. 2019; Schulze and Kellermanns 2015). Under this approach, the desire of family owners is to protect their SEW, that is, the utilities family owners derive from non-economic aspects of the firm; this is a unique factor differentiating family firms (Holt et al. 2018; Swab et al., 2020). As Berrone et al. (2012) point out, it is expected that discretionary power and personal attachment to the firm will be extremely high in private family firms, and therefore SEW concerns will be more evident than in publicly listed firms. However, due to difficulties in obtaining private family firms' data, the analysis of SEW

concerns in the private family context is frequently ignored by the academic literature (Michiels and Molly 2017). Additionally, although the interest in family business research is quickly growing, the area of dividend policy in private family firms is yet underestimated (Motylska-Kuzma 2017). Taking together, there is a dearth of evidence on how the preservation of the family's SEW as a key goal for private family firms is likely to determine their dividend policy.

To fill this gap, the purpose of this study is to provide empirical evidence of the SEW effect on dividend policy for a sample of private medium-sized Spanish family firms. Going further, and considering studies' suggestions about the primacy of a SEW point of reference when taking managerial decisions and the possible influence of contingency factors (Gomez-Mejia et al. 2011), we incorporate some of these factors –from both family and business nature– in order to obtain a more detailed picture of dividend policy in family firms. Specifically, since both family involvement and generational stage are expected to have meaningful effects on dividends (Attig et al. 2016; González et al. 2014; Isakov and Weisskopf 2015; Vandemaele and Vancauteren 2015), we consider both of them as potential moderators within the SEW-dividend relationship. Besides, we consider how performance hazard faced by a family firm could moderate the SEW impact on dividends (Gomez-Mejia et al. 2011, 2014).

With this research, we contribute to the literature in several ways. First, we integrate management and corporate finance disciplines to understand the dividend policy in family firms. Applying SEW framework, we are considering views from the behavioral theory of the firm (Cyert and March 1963), agency theory (Jensen and Meckling 1976), and prospect theory (Kahneman and Tversky 1979) to obtain a better picture of how private family firms shape their dividend policy. As our results are consistent with the view that SEW preservation negatively influences dividend payments, we add an important management dimension to be considered in future research focused on financial-investment decisions of family firms. Second, previous studies have mostly examined dividend-related differences between family and non-family firms taking into account large publicly traded firms (Attig et al. 2016; Deslandes et al. 2016; Isakov and Weisskopf 2015; Setia-Atmaja 2010). We leave such differences aside and focus exclusively on family firms to provide new evidence and major understanding about their heterogeneity (Chua et al. 2012; Mariotti et al. 2020), considering SEW differences within family firms and variations of family involvement in

management and generational stages as well as under various firm's risk scenarios. Third, we investigate this topic in the context of private smaller-size family businesses, which has been widely unexplored in the literature focused on dividend policy and where the inclusion of SEW research is vital (Karjalainen et al. 2020; Motylska-Kuzma 2017; Xi et al. 2015). Family SMEs are the predominant businesses around the world and research focused exclusively on this field is necessary to advance in the knowledge of their idiosyncrasy and, due to their subsequent effect on value and performance (De Andrés et al. 2005), to understand their decision-making process in terms of dividends. Private medium-sized family firms are therefore a key context to integrate the mentioned two disciplines. Fourth, from the empirical point of view, Swab et al. (2020) recently highlight that the indirect proxies for SEW, based on family ownership and management, are no longer sufficient for capturing the SEW essence and can provide and incomplete assessment of SEW. Accordingly, we consider a direct measure for SEW preservation in order to provide a more accurate evidence of the SEW-dividend relationship (Debicki et al. 2016; Michiels and Molly, 2017; Schulze and Kellermanns 2015).

In the following section, we review the theoretical and empirical literature on SEW, dividends and potential moderators as well as the research hypotheses. Next, we describe the data, variables and methodology to, later, present the empirical results. Finally, we discuss the results and present the main conclusions of this study.

Theoretical framework and research hypotheses

SEW preservation and dividend policy

One of the most important aspects to be taken into account in family firm-based research are the family-centered goals and their emotional connotation, which is reflected in the existence of SEW being a key reference point for explaining managerial decisions (Gomez-Mejia et al. 2011; Nason et al. 2019). SEW is considered by Gomez-Mejia et al. (2007) as non-financial aspects of the firms that meet the family's affective needs. By non-financial aspects, these researchers refer to identity, having the family name associated with their firms, the perpetuation of the family dynasty and the ability to exercise family influence, authority and control over the business (Gomez-Mejia et al. 2007, 2011). The idea underlying SEW approach is that family owners are loss averse with respect to the SEW

(Martin et al. 2016), and they are willing to make decisions that seem financially inexplicable and unprofessional but are aimed at sustaining their SEW endowment. Losing this SEW implies lose intimacy, reduce status and failure to meet the family's expectations (Gomez-Mejia et al. 2007). Thus, gains and losses in SEW represent the pivotal frame of reference that family firms use to make major strategic choices in general (Berrone et al. 2012; Gomez-Mejia et al. 2007), and financial decisions as dividend payout versus retained benefits in particular (Vandemaele and Vancauteren 2015).

Within the family business context, most previous studies deal with dividend policy in publicly traded firms, but none of them have used SEW as driver of dividend policy and the evidence this literature provides is inconclusive. From an agency perspective, some studies find that family firms distributed less dividends (Attig et al. 2016; Gugler 2003; Wei et al. 2011). Another stream of research finds that family firms exhibit higher dividend payouts than non-family firms to overcome agency problems, alleviate expropriation concerns (Pindado et al. 2012; Setia-Atmaja et al. 2009; Setia-Atmaja 2010) and also motivated by reasons based on reputation building and family income needs (Deslandes et al. 2016; Isakov and Weisskopf 2015). But it must be considered the existing heterogeneity among the family firm universe (Chua et al. 2012) and the potential differences between publicly traded firms and private firms. Private family firms are assumed to follow a logic in their decision-making that is driven by both economics and non-economic factors (Gallo et al. 2004; Koropp et al. 2014; Michiels et al. 2017).

Moving to private family firms, recent literature has started to focus their attention on dividend policy (González et al. 2014; Michiels et al. 2015, 2017; Vandemaele and Vancauteren 2015). While Michiels et al. (2015) analyze the influence of the use of family governance practices, Michiels et al. (2017) examine whether the degree of professionalization of the family firms influences dividend payout. They show that professionalized family firms (non-family members in governance systems) pay higher dividends than do less-professionalized firms. This is in line with the findings of González et al. (2014) and Vandemaele and Vancauteren (2015), who study the impact of family influence in ownership and management on dividend policy. The study of Vandemaele and Vancauteren (2015) is the first attempt to bind SEW arguments and private family firms together finding that dividend payout is low when the CEO is member of the family and in the presence of a family-dominated board, being lower in the case of earlier generational

stages. As they highlight, the main reason behind these findings is the stronger desire to protect SEW. However, they do not capture the SEW effect properly limiting their analyses to family involvement measures. There is still much work to do particularly integrating SEW framework into dividend policy properly.

Applying SEW arguments to dividend payouts, the importance attached to the SEW varies depending on the family firm (Gomez-Mejia et al. 2007), which consequently influences their dividend policy. Internal financing in the form of retention of earnings as opposed to relying on external equity, enables family firms to maintain tight control and keep decision making within the family in order to preserve their SEW (Blanco-Mazagatos et al. 2007; Gomez-Mejia et al. 2007; Michiels et al. 2017). The use of debt, for instance in the form of bank loans, may put SEW at risk because of the financial risk associated with debt (Baixauli-Soler et al. 2021), which does not exist in the case of retaining earnings. Since obtaining resources using retained earnings leads not to pay dividends to their shareholders or to a reduced dividend payout, under the SEW perspective, we argue that the stronger the family's desire to protect its SEW, the less likely the firm will be to pay dividends. Also, the importance attached by the firm to the SEW will influence the level (or amount) of dividend payout, being lower in the case of greater SEW preservation concerns. Thus, within the context of private family firms, we propose the following hypotheses:

> *H1: The likelihood of making a dividend payout is lower in private family firms with higher SEW preservation.*
> *H2: The level of dividend payout is lower in private family firms with higher SEW preservation.*

Moderating role of family involvement in management

Considering that both socioemotional and economic foundations can considerably vary from a family firm to another family firm (Berrone et al. 2012), the orientation of dividend policies within family firms may also be quite heterogeneous. In accordance with Chua et al. (2012), we argue that potential behavioral heterogeneity among family firms and the integration of non-economic goals in strategic decision-making related to dividend policies will be shaped by diverse configurations of family involvement in management (Attig et al. 2016; González et al. 2014; Isakov and Weisskopf 2015; Vandemaele and Vancauteren 2015). Therefore, in

general it is followed that both the presence of family members in the management team and the CEO family status can be considered important indicators of the dividend decision-making in the family firm context.

Family involvement influences dividend policy in listed family firms (Attig et al. 2016; Isakov and Weisskopf 2015) but also in private family firms where there is little evidence in the prior literature. The scarce evidence is consistent with the negative relationship between family involvement –in management, ownership and control– and dividend payouts (González et al. 2014; Vandemaele and Vancauteren 2015). The empirical evidence shows that private family firms led by a family CEO have a lower dividend payout, as a result of retaining earnings to reinvest them avoiding in this way external funding, compared to those firms led by an external CEO (Vandemaele and Vancauteren 2015). This is consistent with SEW framework: the stronger the role of the family in management, the more likely the firm is to strive for protecting SEW (Gomez-Mejia et al., 2007).

The family's attachment to the firm is highest when the firm is managed by the own family (Gomez-Mejia et al., 2007). In this context, the power of the family members leads them to have more discretion to influence corporate decisions aimed at protecting SEW and therefore opting for SEW preservation strategies (Berrone et al., 2012). Then, not all family firms have the same incentives to preserve their SEW, which depends on the level of family involvement via management (Arzubiaga et al. 2018), for instance, having a family CEO or a great presence of family members in management positions (Sánchez-Marín et al. 2020). Based on these arguments, we suggest that as family involvement in management increases, the likelihood and level of dividend payout caused by SEW preservation will be still lower because of the fear to SEW damage. Formally stated, we put forward the following hypothesis:

H3: Family involvement in management –both through the presence of a family CEO and/or family members in other management positions– strengthens the negative relationship between SEW preservation and dividend payout in private family firms.

Moderating role of family generation managing the firm

Generational involvement creates heterogeneity among family firms since their structure and management change as the family firm progresses from one generation to the next

(Kellermanns and Eddleston 2006; Kellermanns et al. 2008; Le Breton-Miller and Miller 2006). There are different generational stages in family businesses (Cruz and Nordqvist 2012; Gomez-Mejia et al. 2007; Miller et al. 2007; Sonfield and Lussier, 2004): the first stage refers to founding-family-controlled and managed firms; the second stage refers to ownership and management by extended family and, finally, the third or later stages are characterized by ownership by extended family and professionally managed firms. The generation in control is a central component of a family firm's life cycle and creates important changes in the family firm's resources, attributes, and structure (Beck et al. 2011; Cannella et al. 2015). Several aspects such as the emotional attachment to the firm and the self-identification are likely to evolve with the generational stage; said another way, the importance of SEW and its effect on economic decisions are likely to evolve with the generation that is in charge of the firm (Gomez-Mejia et al. 2007; Vandemaele and Vancauteren 2015).

Family firms tend to be more concerned about preserving firm control and SEW in early generational stages (Gomez-Mejia et al. 2007, 2011). According to Mariotti et al. (2020), first generation family firms are characterized by a strong SEW orientation and also by narrow organizational capabilities. In this first stage, the need to preserve SEW is likely to be balanced with the need of the family to develop financial wealth and to grow the business into a transgenerational sustainable firm (Sciascia et al. 2014). Identification with the firm and emotional attachment are likely to decline over time and thus a decreased need for SEW preservation induces family managers to focus more on increasing financial wealth (Sciascia et al. 2014). This is consistent with the findings of Isakov and Weisskopf (2015) in the field of dividend policy, who find that lone founder family firms (husband and spouse) have a lower likelihood of making payouts than other family firms. Vandemaele and Vancauteren (2015) also show that the positive relationship between family involvement in the form of family CEO or family-dominated board and retained earnings is stronger in earlier generational stages compared with later generational stages.

Whether the desire to preserve SEW is stronger in the founding-family-controlled and managed firms (first stage) and it should be relatively lower as the firm moves into later stages (Gomez-Mejia et al. 2007), where the financial considerations become more important as a frame of reference (Gomez-Mejia et al. 2011; Sciascia et al. 2014), it is expected that generational stage moderates the impact of SEW on dividend policy in private

family firms. Particularly, we suggest that the negative relationship between SEW and dividend payouts is strongly present in earlier generational stages, where the higher desire to preserve SEW leads family members to retain earnings to finance their investments with the consequent omission or decrease in dividend payouts. This moderating effect will lessen as the family firm moves through generations (second and third generational stage). We formulate the hypothesis as follows:

H4: The negative relationship between SEW and dividend payout in private family firms will be stronger in early generational stages.

Moderating role of firm hazard

According to Gomez-Mejia et al. (2011), firm hazard is a business-related factor likely to moderate the SEW effect on the dividend policy of private family firms. Under the BAM view (Wiseman and Gomez-Mejia 1998), decision makers prefer to prevent losses to accumulated endowment even this means accepting higher risks. Gomez-Mejia et al. (2007) based on this idea to develop their model since SEW is a fundamental endowment of family members (Berrone et al. 2012). Family members may be inclined to take greater risks to the firm's financial welfare if this decision prevents losses in their SEW. Family firms are willing to accept a performance hazard in order to maintain control and SEW, but this greater risk may lead to organizational failure and therefore loss of all SEW (Gomez-Mejia et al. 2007). If this hazard increases, the family is exposed to both loss of patrimony and SEW and, in the worst context, the family loses everything if the firm does not survive (Gomez-Mejia et al. 2011).

The evidence is consistent with the idea that the family would accept SEW losses when there are signs indicating that the survival of the firm is at risk and therefore firms' behavior becomes more economically motivated (Chrisman and Patel 2012; Cruz et al. 2011; 2014; Jaskiewicz et al. 2017). For their sample of family-owned olive oil mills, Gomez-Mejia et al. (2007) show that the family is willing to join coops, which could be associated with SEW losses, when olive oil sales has been experiencing a major downward trend. Later, Gomez-Mejia et al. (2010) find that family firms are more likely to diversify, which means

potential SEW losses, when firm performance is decreasing. As systematic risk increases, family firms are also willing to accept SEW losses (Gomez-Mejia et al. 2007, 2010).

Focusing on financial policy, the decision of external funding is likely to imply loss of control and SEW (Carney and Gedajlovic 2002), due to the likelihood of financial distress derived from debt and the appearance of new actors from outside the firm if it issues new equity (Baixauli-Soler et al. 2021). The family in charge of the firm is more willing to jeopardize SEW when there is clear evidence of the firm's decline in terms of financial wealth (Gomez-Mejia et al. 2011). The fact of obtaining external funding may benefit the firm in terms of potential financial wealth if performance hazard is extremely disturbing. But in this context, the situation of the firm would not allow to give dividends; on the contrary, we predict that the negative relationship between SEW preservation and dividend policy will be stronger when the family firm faces performance hazard in order to use even more retained earnings, and complement them with external funding, to finance its activity and get out of its particular crisis. Thus, we formulate the following hypothesis:

H5: The negative relationship between SEW preservation and dividend payout in private family firms will be stronger in high firm's risk situations.

Research methodology

Population, sample and data collection

The family firms' database created by the Spanish Family Firm Institute (Casillas et al. 2015), focused on the SABI (Iberian Balance Sheets Analysis System) database, is the basis of this research focused on examining the SEW effect on dividend policy and potential moderators in private family firms. From this database, we extract an initial sample consisting of 3,920 private Spanish medium-sized family firms. We carry out our study with medium-sized family firms due to the greater facility to obtain information compared to smaller firms (Sánchez-Marín et al. 2019), the substantial trade-offs in their preferences for financial and non-financial goals (Memili et al. 2013), and the stronger family influence compared to large companies with complex corporate structures (Brannon and Edmon, 2016; Kraiczy et al. 2015).

A questionnaire was administered by a telephone survey –in the March-June period of 2016– to collect primary data on the required variables that include measures of SEW, family involvement and generation managing the firm. We obtained valid information from 508 firms (response rate of 12.96%). After adding quantitative data for the measure of firm hazard and control variables from the SABI database, we obtained a final sample for our study of 482 private Spanish medium-sized family firms.

Variables measurement

Dividend policy. We employ two dependent variables to measure dividend policy. First, we capture the decision to make a dividend payout using a dummy variable, *DIVD*, which takes the value of 1 when firms decide to pay dividends in at least one year over the period 2013-2015, and 0 otherwise (Deslandes et al. 2016; Michiels et al. 2015). Second, we capture the dividend payout level, *DIVL,* defined as the amount of dividend payout averaged for three years (2013-2015), which is in line with that used by Vandemaele and Vancauteren (2015). We do not consider one year of dividend payouts since whether or not the firm gives dividends in one particular year may be a consequence of some specific events that happen during such year (Michiels et al. 2015). Also, the fact of considering previous years is justified due to the nature of SEW as a stock variable. SEW is relatively stable over time within family firms since, for instance, phenomena such as reputation, transgenerational intentions and tradition are difficult to change year after year (Arregle et al. 2007; Debicki et al. 2017).

Socioemotional wealth. As far as the independent variable is concerned, the difficulty in this research area resides on how to measure the SEW construct that allows us to provide significant empirical evidence of its real effects (Schulze and Kellermanns 2015; Swab et al. 2020), avoiding problems associated with indirect measures of SEW (Berrone et al. 2012; Lardon et al. 2017; Miller and Le Breton-Miller 2014). To capture the SEW essence, we include in the questionnaire the 9-item scale based on Debicki et al. (2016), who empirically validated this concept. The items were oriented to measure the importance of non-financial goals of the owing family along a five-point Likert Scale, where 1 and 5 mean *not important* and *very important*, respectively. Exploratory factor analysis (EFA) shows (after several iterations and removal of items that did not pass the necessary factor loadings), two factors

emerging with eigenvalues above 1 (family continuity and family enrichment) explaining 69.06% of the total variance (see Table 1).

[Insert Table 1 about here]

[Insert Table 2 about here]

Next, we perform a confirmatory factor analysis (CFA) testing the two factors as inter-correlated latent variables. The fit indices show acceptable values (see Table 2), thus confirming the dimensionality of the SEW scale. Second-order factor shows high and significant correlations (0.694, $p < 0.01$) suggesting the same underlying construct, the SEW (Gomez-Mejia et al. 2007, 2011). After constraining the two variances of the disturbance terms associated with each first-order factor (Bentler 2006; Byrne 2006), we obtained an adjusted identified model. Fit indices corresponding to this CFA shows acceptable values, as it is shown in Table 2. After confirming reliability and the convergent and discriminant validities of the scale[1], we calculated one index with the average value of the eight-items that comprises our final SEW measure. The higher the value obtained, the higher the extent to which the owning family has given importance to preserve SEW.

Moderating variables. To test the moderating roles described in the previous section, we consider two measures of family involvement in management: a dummy variable (*FCEO*) taking the value of 1 when the CEO is member of the family and 0 whether the firm is managed by an external CEO (Baixauli-Soler et al. 2021), and the percentage of firm's managers who were also family members (*FM*) (Sánchez-Marín et al. 2020; Sciascia et al. 2014). Regarding the moderating effect of generational stage, we consider the dummy variable *STAGE (*Michiels et al. 2015), which equals 1 if the firm is in the second or later generation and 0 for the first-generation family firm. Finally, in order to proxy for firm hazard (*HAZARD*), we follow Gomez-Mejia et al. (2014) and use an industry-median-

---

[1] First, a Cronbach's Alpha of 0.880, reliability coefficient RHO of 0.905 and composed reliability (CR) of 0.941 provide support for reliability (Fornell and Larcker 1981). Second, concerning the convergent validity, the index of average variance extracted (AVE) for family continuity is 0.666 and 0.534 for family enrichment, exceeding the cutoff criteria of 0.50 (Hair et al. 2006). And third, the discriminant validity is verified as the square root of AVE of each first-order factor (0.816 and 0.737 for the first and second factor respectively) is higher than the correlation among these two factors (0.694). Furthermore, as it is shown in Table 2, results of the CFA suggest that both the second-order factor and the correlated two factors models fit the data significantly better than the alternative one-factor model (all eight items are combined).

adjusted return on assets (ROA). This measure indicates how well the firm is doing compared to firms in the same industry. For each firm, a high (low) ROA compared to the industry median firm signals lower (higher) performance hazard. As such, similar to Gomez-Mejia et al. (2014), we use an inverse of this measure to ease interpretations.

Control variables. Finally, the empirical models control for the typical variables including in research on dividend payout. LEVERAGE is measured as the firm's total debt over equity and a negative relation is expected because of the necessity to retain cash in order to pay the interest of debt (González et al. 2004; Sharma 2011; Vandemaele and Vancauteren 2015). We also consider cash flow, CASH, defined as the firm's cash flow over total assets due to its potential positive impacts on dividend payout (Michiels et al. 2015, 2017). GROWTH, measured as the percentage of growth in total sales, is a proxy for a firm's investment opportunities and we expect a significant negative impact on dividend payout because whether sales increases the firm has greater investment opportunities (Attig et al. 2016; Isakov and Weisskopf 2015). We include firm size, SIZE, defined as the natural logarithm of the firm's total assets since the evidence shows that larger firm are more likely to pay dividends (Deslandes et al. 2016; Fama and French 2001; Isakov and Weisskopf 2015). The analysis also controls for the firm's maturity, AGE, using the natural logarithm of firm age. It is likely that older firms give more dividends provided by exceeds of cash available by the years (González et al. 2004; Sharma 2011). RISK attempts to capture the negative impact of firm volatility on dividend payouts and is defined as the standard deviation of return of assets for the previous three years (Setia-Atmaja et al. 2009; Setia-Atmaja 2010). Industry dummies are also included to control for sector effects[2].

Estimation methods

Consistent with those studies focused on dividend policy in private family firms, our sample includes many firms that paid no dividends. In particular, 82% of the firms are dividend nonpayers, which is in line with the figure reported by the Spanish Family Firm Institute (Casillas et al. 2015). Then, our dependent variables are left censored at zero, which means that the variable under analysis is not empirically observed at this value. Thus, in the case of the likelihood of paying dividends, estimations follow a Logit model (Michiels et al. 2015),

---

[2] Following Vandemaele and Vancauteren (2015), the empirical models do not consider profitability measures (such as return of assets, ROA, or return of equity, ROE), in our case, due to potential multicolinearity problems with the existing control variables.

while a Tobit regression analysis is conducted when the level of dividend payout is examined (González et al. 2014; Michiels et al. 2017).

Results

Table 3 reports descriptive statistics of all variables. In accordance with the prior literature, only 18% of the sample's firms are dividend payers and the dividend paid averages 71.25 thousand €. The mean (median) value for the SEW measure is 3.95 (4.13), which shows the great importance of family-related goals within the private family context. Regarding family involvement measures, the CEO of 84% of our firms is member of the family in charge of the firm while, on average, family members hold 70% of the firm's management positions. Moreover, 45% of the firms are founding-family controlled and managed firms (first generational stage). Firm hazard shows a positive mean value of 0.03 which means that, on average, the firms are doing well showing high ROA compared to the industry median firm. Descriptive statistics for control variables are in line with those shown in the prior literature.

[Insert Table 3 about here]

Table 4 presents the Pearson correlation coefficients between the variables. As expected, some interesting correlations between variables reflect the sense of the formulated hypotheses, which is the case of the negative correlation between SEW and both the likelihood of giving dividends and the amount of dividend payout. Also, the presence of a family CEO and family members in management positions are negatively related to dividend payout measures, while the generational stage variable and firm hazard show a positive correlation with those measures. Cash flow, firm size and age are positively related to both dividend measures. In order to control for multicollinearity problems, we calculate the variance inflation factor (VIF). All correlations are within acceptable limits taking into account that the conventional cut-off for VIF index is 10 (Hair et al. 2006).

[Insert Table 4 about here]

Table 5 shows the results obtained for the estimation of the SEW effect on dividend policy. While Model 1 considers the dividend dummy as the dependent variable to test

Hypothesis 1 following a Logit regression analysis, Model 2 considers the amount of dividend paid by private family firms and estimations follow a Tobit model to test Hypothesis 2. According to Model 1, the coefficient of the SEW variable is negative and significant which supports the first hypothesis of this study. As the family's desire to preserve SEW increases, the likelihood of paying dividends decreases. The family prefers to use retained benefits to finance their inversions, and therefore not to pay dividends, instead of issuing new equity or going to debt which could put their family-centered goals at risk. Hypothesis 2 is also supported. It can be observed in Model 2 that SEW preservation has a negative and significant impact on the amount of dividend payout. Thus, private family firms with higher concern of SEW preservation are less likely to pay dividends and, if they give them, the amount of the dividend payout is lower compared to those firms in which SEW preservation is less important. As expected, as far as control variables is concerned, the firm's cash flow and size are significantly and positively related to dividend measures, while firm volatility has a significant negative effect.

[Insert Table 5 about here]

Table 6 incorporates the moderating effects of family involvement in management (Model 1), the generational stage in the family business (Model 2) and firm hazard (Model 3), considering as dependent variable the dividend dummy. A joint model of potential moderators is included in the last column (Model 4). It can be seen that the significant and negative relationship between SEW preservation and the likelihood of making a dividend payout persists regardless the model, which supports the results of Table 5 regarding the first hypothesis of this study. Focusing on the moderating effects, it must be taken into account that the direct effect of the moderator is not relevant to testing the moderator hypotheses, and we therefore focus on the coefficient of the interaction terms (Michiels et al. 2015). Model 1 shows that the percentage of family members in management positions does not have a significant moderating effect on the SEW-dividend relationship. However, if we consider the family CEO status within such relationship, Model 1 of Table 6 indicates that there is a significant and negative moderating effect when the CEO is a family member. Said another way, the stronger the role of the family in management specifically through the presence of a family CEO, the stronger the negative relationship between SEW preservation

and the likelihood of dividends will be in the context of private family firms. Then, we find support for Hypothesis 3 when family involvement in management is measured by CEO family status.

[Insert Table 6 about here]

[Insert Table 7 about here]

With respect to heterogeneity within family firms creates by generational stage and its moderating effect, Model 2 of Table 6 shows that the coefficient of the interaction variable is significantly positive. This means that the negative relationship between SEW preservation and the likelihood of paying dividends exists in the first generational stage but, as the firm moves into later stages it is more likely that firm makes a dividend payout. These results support Hypothesis 4. Model 3 also offers significant evidence to support Hypothesis 5. The coefficient of the interaction term between SEW and firm hazard is negative and significant. This means that high-risk scenarios facing greater performance hazard significantly moderate the SEW impact on the propensity to pay dividends. Firm hazard does not explain dividend policy (no significant effect of the direct effect), while SEW preservation is associated with a lower likelihood of paying dividends and this negative effect is stronger when the firm faces greater performance hazard. When we consider all the moderating effects within the same model (Model 4), the last column of Table 6 points out that the most important factor to be taken into account as moderator of the SEW-dividend relationship is the family CEO status, since the coefficient of its interaction term remains negative and significant.

Finally, Table 7 considers the dividend payout level as the dependent variable to test the moderating roles. Focusing on the direct effect of SEW variable, the negative and significant sign corroborates the results of Table 5 and provide evidence to continue supporting Hypothesis 2. Model 1 shows that the coefficients of the interaction terms of both CEO family status and the percentage of family members in the management team are significantly negative, which supports Hypothesis 3 for the two measures of family involvement in management. Then, the firm's desire to protect their SEW leads to a lower amount of dividend paid when the CEO is member of the family and/or there are family

members in the management team. Consistent with Table 6, Model 2 of Table 7 provides evidence to support Hypothesis 4 due to the positive and significant interaction of the SEW variable and generational stage, while Model 3 indicates that firm hazard significantly moderates the relationship between SEW preservation and the amount of dividend payout with a negative sign, which leads us to support Hypothesis 5. Again, if we consider the moderating variables within the same model, Model 4 highlights the importance that the CEO family status plays in the SEW effect on the amount of dividend paid to shareholders in private family firms.

Discussion and conclusions

Drawing from SEW perspective (Gomez-Mejia et al. 2007), this paper provides new empirical evidence on family-centered goals as drivers of the decision-making process within the dividend payout policy of private family firms. Using a sample Spanish family firms, we investigate whether non-economic reasons are behind of both the likelihood to give dividends and the amount of the dividend payout in the private business context. In addition, this paper analyzes whether several contingency factors –family involvement in management, generational stage and firm hazard– play a significant moderating role in the SEW-dividend relationship. All that by considering a direct measure for SEW that attempts to overcome the problems associated with indirect measures of SEW preservation previously used in the literature (Berrone et al. 2012; Swab et al. 2020; Schulze and Kellermanns 2015).

This paper provides important findings from the SEW approach. Those family firms with higher desire to preserve their SEW are more likely to omit dividends and, if they decide to give them, they give a lower amount of payout. Precautionary motives related to their non-economic goals are therefore behind the dividend policy. Private family firms prefer not to pay dividends or pay a lower dividend and use retained benefits to finance their investments. In this way, there are not external funds by issuing new equity or debt which are likely to put SEW at risk. Also, the heterogeneity of family firms in terms of the degree of family involvement in management or generational stage in business moderates the SEW effect on dividends. This paper shows that the CEO family status is the most relevant moderator in this context. If the CEO is member of the family in charge of the firm, the stronger the role of the family within the firm and therefore the more likely the firm will be

to protect SEW, which leads to reduce both the likelihood of giving dividends and the amount of dividend paid. On the other hand, we provide evidence that the presence of family members in management positions also negatively moderates the SEW preservation effect on the amount dividend payout, while it does not significantly affect the decision of paying dividends.

We also provide evidence on generational differences within the effect of SEW preservation on dividend policy. The stronger desire to preserve SEW exists in early generational stages, where it leads to omit dividend or give a low dividend payout. But as the private family firm progresses from the second or third generation, their view about dividend policy is likely to change in the opposite direction (Vandemaele and Vancauteren 2015). Finally, this paper provides significant findings about firm hazard as moderator of the SEW-dividend relationship. It seems that the protection of family-centered goals is behind the dividend policy even though firm performance is decreasing and the firm is facing a high-risk scenario. Private family firms in our sample responds to the increasing of risk according to the SEW expectations regarding dividend policy.

Academic and practical contributions can arise from our analysis. From the theoretical point of view, first, we link a management dimension –SEW preservation– with the economic context –dividends– in a family business field frequently ignored by the prior literature, as being the private family firms. Unlike large listed firms, and due to the overlap between the family and the business, it is expected closer relationships between family members and a stronger emotional feeling in smaller family firms, which makes the adoption of SEW preservation perspective even more relevant than in larger family firms (Xi et al. 2015). SEW arguments enter into the financial decision-making process of family firms and, according to the evidence provided in this study, significantly influence the dividend policy. Second, heterogeneous behaviours related to the existence of a different degree of family bonds in the management of family firms also emanate from this study. Although family firms and non-family firms are usually treated as being two different universes in their management and strategic decisions (Berrone et al. 2010; Setia-Atmaja 2010; Sánchez-Marín et al. 2019), family firms share attributes but are, themselves, heterogeneous (Chua et al. 2012). SEW priorities change depending on the person holding the CEO position (family member or external CEO), the presence of family members in other management positions or the family generation in charge of the business. In this regard, the knowledge of such

different behaviours according to the desire to preserve SEW leads to a better understanding of dividend policy in the private family firm field. Emotional attachment and the prevalence of family-related goals in the decision-making increases as family members are actively managing the firm, and it is in this case when the desire to preserve SEW is associated with lessening dividends. Finally, responding to calls for further research regarding the use of comprehensive instruments for measuring SEW (Michiels and Molly 2017), this paper goes beyond the classical indirect measures providing additional fine-grained evidence of the SEW influence within the financial area of private family firms. Our direct reliable and valid SEW measure can be used in the literature to further attempts to provide a more complete picture of the non-economic motives and strategic decision-making in family firms.

From the practical point of view, our study indicates that family managers are more inclined to avoid the use of external equity (in the form of debt or new equity) and used retained earnings (with the subsequent effect on dividends) searching to achieve SEW-related goals, including the fact of maintaining the unit of the family, preserving family values, dynasty, reputation, harmony or the happiness of the family. Thus, it seems that emotional attachment and the well-being of the family are the key drivers of family firms' managers' decision-making (Brannon and Edmon 2016), and this pattern continue in existence even though the firm faces performance hazard. Economic motives –underlying in agency theory for large publicly firms– seems not so relevant for family firms' decisions regarding the design of dividend policy, which need to be better explained by non-economic behavioral arguments. Furthermore, our findings show that managers should consider that dividend policy in particular, but economic and financial decisions in general, have a subsequent effect (directly or indirectly) on firm value and performance (De Andrés et al. 2005). Then, in order to get an optimal calibration of dividend policies, managers in private family firms must take into account how different configurations or management structures of the business, as well as how contextual factors regarding risk and socioemotional preservation preferences, lead to a different orientation in the decision-making process.

This study presents some limitations that should be considered and could constitute future lines of research. First, we use cross-sectional data and the fact of considering longitudinal data might provide additional interesting insights. Second, within the field of private family firms, we limit out study to medium-sized firms. Despite the obstacles to obtain information from smaller firms, it would be interesting to analyze the role of family-

centered goals and the desire to preserve SEW in this other context to analyze if SEW is more or less important to shape strategic decisions and particularly dividend policy. Third, if SEW affects dividend policy and existing factors moderate such effect, it would be interesting to extend our analysis and considering, for instance, an important aspect analyzed in family business literature as being family involvement in the board of directors (Arzubiaga et al. 2018; Molly et al. 2019) and, drawing on SEW framework, how family firms employ the resources they do not distribute to their shareholders. Finally, this study does not differentiate the SEW effect according to each dimensions of this theoretical construct. Due to the multidimensional nature of SEW (Swab et al. 2020), future research should focus on other SEW validated measures such as the FIBER scale (Berrone et al. 2012) and analyzing how each dimension, separately, influences strategic decisions in private family firms.

References

Arosa, B., Iturralde, T., & Maseda, A. (2010). Ownership structure and firm performance in non-listed firms: Evidence from Spain. *Journal of Family Business Strategy, 1*(2), 88–96.

Arregle, J. L., Hébert, L., & Beamish, P. W. (2006). Mode of international entry: The advantages of multilevel methods. *Management International Review, 46*(5), 597–618.

Arzubiaga, U., Iturralde, T., Maseda, A., & Kotlar, J. (2018). Entrepreneurial orientation and firm performance in family SMEs: the moderating effects of family, women, and strategic involvement in the board of directors. *International Entrepreneurship and Management Journal, 14*(1), 217–244.

Attig, N., Boubakri, N., El Ghould, S., & Guedhami, O. (2016). The global financial crisis, family control, and dividend policy. *Financial Management, 45*(2), 291–313.

Bagozzi, R. P., & Yi, Y. (1988). On the evaluation of structural equation models. *Journal of the Academy of Marketing Science, 16*, 74–94.

Baixauli-Soler, J. S., Belda-Ruiz, M., & Sánchez-Marín, G. (2021). Socioemotional wealth and financial decisions in private family SMEs. *Journal of Business Research*, *123*, 657–668.

Beck, L., Janssens, W., Debruyne, M., & Lommelen, T. (2011). A study of the relationships between generation, market orientation, and innovation in family firms. *Family Business Review*, *24*(3), 252–272.

Bentler, P. M. (2006). *EQS 6 structural equations program manual*. Encino, CA: Multivariate Software.

Berrone, P., Cruz, C., & Gomez-Mejia, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Review*, *25*(3), 258–279.

Berrone, P., Cruz, C., Gomez-Mejia, L. R., & Larraza-Kintana, M. (2010). Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less? *Administrative Science Quarterly*, *55*(1), 82–113.

Blanco-Mazagatos, V., Quevedo-Puente, D., & Castrillo, L. A. (2007). The trade-off between financial resources and agency costs in the family business: An exploratory study. *Family Business Review, 20*(3), 199–213.

Brannon, D. L., & Edmond, V. P. (2016). A socioemotional wealth perspective in small family firms. *Academy of Entrepreneurship Journal, 22*(1), 51–64.

Byrne, B. M. (2006). *Structural equation modeling with EQS: Basic concepts, applications, and programming*. Mahwah, NJ: Lawrence Erlbaum Associates.

Calabrò, A., Cameran, M., Campa, D., & Pettinicchio, A. (2020). Financial reporting in family firms: A socioemotional wealth approach toward information quality. *Journal of Small Business Management*, 1–35. In Press.

Cannella, A. A., Jones, C. D., & Withers, M. C. (2015). Family-versus lone-founder-controlled public corporations: Social identity theory and boards of directors. *Academy of Management Journal, 58*(2), 436–459.

Carney, M., & Gedajlovic, E. (2002). The coupling of ownership and control and the allocation of financial resources: Evidence from Hong Kong. *Journal of Management Studies, 39*(1), 123–146.

Casillas, J. C., López, M. C., Meroño, A., Pons, A., & Baiges, R. (2015). *La Empresa Familiar en España*. Madrid: Instituto de Empresa Familiar.

Chrisman, J. J., & Patel, P. C. (2012). Variations in R&D investments of family and nonfamily firms: Behavioral agency and myopic loss aversion perspectives. *Academy of Management Journal, 55*(4), 976–977.

Chua, J. H., Chrisman, J. J., Steier, L. P., & Rau, S. B. (2012). Sources of heterogeneity in family firms: An introduction. *Entrepreneurship Theory and Practice, 36*(6), 1103–1113.

Cruz, C, Firfiray, S., & Gomez-Mejia, L. R. (2011). Socioemotional wealth and human resource management (HRM) in family-controlled firms. *Research in Personnel and Human Resources Management, 30*(1), 159–217.

Cruz. C., & Nordqvist, M. (2012). Entrepreneurial orientation in family firms: A generational perspective. *Small Business Economics, 38*(1), 33–49.

Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*. New York: Prentice-Hall.

De Andrés, P., Iturriaga, F. J., & Rodríguez, J. A. (2005). Financial decisions and growth opportunities: a Spanish firm's panel data analysis. *Applied Financial Economics*, *15*(6), 391–407.

Debicki, B. J., Kellermanns, F. W., Chrisman, J. J., Pearson, A. W., & Spencer, B. A. (2016). Development of a socioemotional wealth importance (SEWi) scale for family firm research. *Journal of Family Business Strategy*, *7*(1), 47–57.

Debicki, B. J., Van de Graaff Randolph, R., & Sobczak, M. (2017). Socioemotional wealth and family firm performance: A stakeholder approach. *Journal of Managerial Issues, 29*(1), 82–111.

Deslandes, M., Fortin, A., & Landry, S. (2016). Payout differences between family and nonfamily listed firms. A socioemotional wealth perspective. *Journal of Family Business Management, 6*(1), 46–63.

Fama, E. F., & French, K. R. (2001). Disappearing dividends: changing firm characteristics or lower propensity to pay? *Journal of Financial Economics, 60*(1), 3–43.

Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research, 18*(1), 39–50.

Gallo, M. A., Tàpies, J., & Cappuyns, K. (2004). Comparison of family and nonfamily business: Financial logic and personal preferences. *Family Business Review, 17*(4), 303–318.

Gomez-Mejia, L. R., Campbell, J. T., Martin, G., Hoskisson, R. E., Makri, M., & Sirmon, D. G. (2014). Socioemotional wealth as a mixed gamble: Revisiting family firm R&D investments with the behavioral agency model. *Entrepreneurship Theory and Practice*, *38*(6), 1351–1374.

Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms. *Academy of Management Annals, 5*(1), 653–707.

Gomez-Mejia, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative science quarterly*, *52*(1), 106–137.

Gomez-Mejia, L. R., Makri, M., & Larraza-Kintana, M. (2010). Diversification decisions in family-controlled firms. *Journal of Management Studies*, *47*(2), 223–252.

Gomez-Mejia, L. R., Nunez-Nickel, M., & Gutierrez, I. (2001). The role of family ties in agency contracts. *Academy of Management Journal, 44*(1), 81–95.

González, M., Guzmán, A., Pombo, C., & Trujillo, M. A. (2014). Family involvement and dividend policy in closely held firms. *Family Business Review*, *27*(4), 365–385.

Gugler, K. (2003). Corporate governance, dividend payout policy, and the interrelation between dividends, R&D, and capital investment. *Journal of Banking & Finance*, *27*(7), 1297–1321.

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. (2006). *Multivariate data analysis*. Upper Saddle River, NJ: Pearson Prentice Hall.

Holt, D. T., Pearson, A. W., Payne, G. T., & Sharma, P. (2018). Family business research as a boundary spanning platform. *Family Business Review, 30*(2), 182–202.

Hu, L. T., & Bentler, P. M. (1999). Cutoff criteria for fit indexes in covariance structure analysis: Conventional criteria versus new alternatives. *Structural Equation Modeling: A Multidisciplinary Journal, 6*(1), 1–55.

Isakov, D., & Weisskopf, J. (2015). Pay-out policies in founding family firms. *Journal of Corporate Finance, 33*, 330–344.

Jaskiewicz, P., Block, J. H., Miller, D., & Combos, J. G. (2017). Founder versus family owners' impact on pay dispersion among non-CEO top managers: implications for firm performance. *Journal of Management, 43*(5), 1524–1552.

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance and takeovers. *American Economic Review, 76*(2), 323–329.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*, 305–360.

Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decisions under risk. *Econometrica, 47*, 262–291.

Karjalainen, J., Kasanen, E., Kinnunen, J., & Niskanen, J. (2020). Dividends and tax avoidance as drivers of earnings management: Evidence from dividend-paying private SMEs in Finland. *Journal of Small Business Management*, 1-33. In Press.

Kellermanns, F. W., & Eddleston, K. A. (2006). Corporate venturing in family firms: Does the family matter? *Entrepreneurship Theory and Practice, 30*(6), 837–854.

Kellermanns, F. W., Eddleston, K. A., Barnett, T., & Pearson, A. (2008). An exploratory study of family member characteristics and involvement: Effects on entrepreneurial behavior in the family firm. *Family Business Review, 21*(1), 1–14.

Koropp, C., Kellermanns, F. W., Grichnik D, & Stanley, L. (2014). Financial decision making in family firms: An adaptation of the theory of planned behavior. *Family Business Review, 27*(4), 307–327.

Kraiczy, N. D., Hack, A., & Kellermanns, F. W. (2015). What makes a family firm innovative? CEO risk-taking propensity and the organizational context of family firms. *Journal of Product Innovation Management, 32*(3), 334–348.

Lado, A. A., Dant, R. R., & Tekleab, A. G. (2008). Trust-opportunism paradox, relationalism, and performance in interfirm relationships: evidence from the retail industry. *Strategic Management Journal, 29*(4), 401–423.

Lardon, A., Dellof, M., & Joriseen, A. (2017). Outside CEOs, board control and the financing policy of small privately held family firms. *Journal of Family Business Strategy, 8*(1), 29–41.

Le Breton-Miller, I. L., & Miller, D. (2006). Why do some family businesses out-compete? Governance, long-term orientations, and sustainable capability. *Entrepreneurship Theory and Practice, 30*(6), 731–746.

Mariotti, S., Marzano, R., & Piscitello, L. (2020). The role of family firms' generational heterogeneity in the entry mode choice in foreign markets. *Journal of Business Research*. In Press.

Martin, G., Campbell, J. T., & Gomez-Mejia, L. (2016). Family control, socioemotional wealth and earnings management in publicly traded firms. *Journal of Business Ethics, 133*(3), 453–469.

Memili, E., Misra, K., Chang, E. P. C., & Chrisman, J. J. (2013). The propensity to use incentive compensation for non-family managers in SME family firms. *Journal of Family Business Management, 3*(1), 62–80.

Michiels, A., & Molly, V. (2017). Financing decisions in family businesses: A review of suggestions for developing the field. *Family Business Review, 30*(4), 369–399.

Michiels, A., Uhlaner, L., & Dekker, J. (2017). The effect of family business professionalization on dividend payout. *Journal of Small Business and Enterprise Development, 24*(4), 971–990.

Michiels, A., Voordeckers, W, Lybaert, N., & Steijvers, T. (2015). Dividends and family governance practices in private family firms. *Small Business Economics, 44*(2), 299–314.

Miller, D., & Le Breton-Miller, I. (2014). Deconstructing socioemotional wealth. *Entrepreneurship Theory and Practice, 38*(4), 713–720.

Miller, D., Le Breton-Miller, I, Lester, R. H., & Cannella Jr, A. A. (2007). Are family firms really superior performers? *Journal of Corporate Finance, 13*(5), 829–858.

Molly, V., Uhlaner, L. M., De Massis, A., & Laveren, E. (2019). Family-centered goals, family board representation, and debt financing. *Small Business Economics*, *53*(1), 269–286.

Motylska-Kuzma, A. (2017). The financial decisions of family businesses. *Journal of Family Business Management, 7*(3), 351–373.

Nason, R., Mazzelli, A., & Carney, M. (2019). The ties that unbind: Socialization and business-owning family reference point shift. *Academy of Management Review*, *44*(4), 846–870.

Pindado, J., Requejo, I., & De la Torre, C. (2012). Do family firms use dividend policy as a governance mechanism? Evidence from the Euro zone. *Corporate Governance: An International Review, 20*(5), 413–431.

Sánchez-Marín, G., Carrasco-Hernández, A. J., & Danvila-del-Valle, I. (2020). Effects of family involvement on the monitoring of CEO compensation. *International Entrepreneurship and Management Journal*, *16*(4), 1347–1366.

Sánchez-Marín, G., Meroño-Cerdán, A. L., & Carrasco-Hernández, A. J. (2019). Formalized HR practices and firm performance: an empirical comparison of family and non-family firms. *The International Journal of Human Resource Management, 30*(7), 1084–1110.

Schulze, W. S., & Kellermanns, F. W. (2015). Reifying socioemotional wealth. *Entrepreneurship Theory and Practice, 39*(3), 447–459.

Sciascia, S., Mazzola, P., & Kellermanns, F. W. (2014). Family management and profitability in private family-owned firms: Introducing generational stage and the socioemotional wealth perspective. *Journal of Family Business Strategy, 5*(2), 131–137.

Setia-Atmaja, L. (2010). Dividend and debt policies of family controlled firms. *International Journal of Managerial Finance, 6*(2), 128–142.

Setia-Atmaja, L., Tanewski, G. A., & Skully, M. (2009). The role of dividends, debt and board structure in the governance of family controlled firms. *Journal of Business Finance and Accounting, 36*(7-8). 863–898.

Sharma, V. (2011). Independent directors and the propensity to pay dividends. *Journal of Corporate Finance, 17*(4), 1001–1015.

Sonfield, M. C., & Lussier, R. N. (2004). First-, second-, and third-generation family firms: A comparison. *Family Business Review*, *17*(3), 189–202.

Swab, R. G., Sherlock, C., Markin, E., & Dibrell, C. (2020). "SEW" What do we know and where do we go? A review of socioemotional wealth and a way forward. *Family Business Review*, *33*(4), 424–445.

Vandemaele, S., & Vancauteren, M. (2015). Nonfinancial goals, governance, and dividend payout in private family firms. *Journal of Small Business Management, 53*(1), 166–182.

Wei, Z., Wu, S., Li, C., & Chen, W. (2011). Family control, institutional environment and cash dividend policy: Evidence from China. *China Journal of Accounting, 4*(1-2), 29–46.

Wiseman, R. M., & Gomez-Mejia, L. R. (1998). A behavioral agency model of managerial risk taking. *Academy of Management Review, 23*(1), 133–153.

Xi, J. M., Kraus, S., Filser, M., & Kellermanns, F. W. (2015). Mapping the field of family business research: past trends and future directions. *International Entrepreneurship and Management Journal*, *11*(1), 113–132.

Table 1. Exploratory Factor Analysis (EFA)

	Factors	
	1	2
1. Maintaining the unity of the family	**0.752**	0.285
2. Preserving the family dynasty in the business	**0.813**	0.163
3. Preserving the family values	**0.858**	0.324
4. Upholding the family reputation	**0.835**	0.321
5. Treating non-family employees (social capital) as part of the family	0.136	**0.630**
6. Enhancing family harmony through operating the business	0.344	**0.801**
7. Considering the owning family needs in the business decisions	0.281	**0.762**
8. Ensuring the happiness of the members of the owning family outside the business	0.264	**0.802**
Eigenvalue	4.453	1.072
% of variance	36.833	32.230
Cumulative variance explained	36.833	69.063

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. The higher factor loading of each item in bold. Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy = 0.873. Barlett's test of sphericity: χ^2 = 2181.704 (df = 28, p = .000).

Table 2. Fit Indices for the Confirmatory Factor Analyses (CFA)

Model	S-B[a] X^2	*df*	*P*	Normed X^2	NNFI[b]	CFI[c]	IFI[d]	RMSEA[e]	90% Confidence Interval of RMSEA
SEW scale (correlated two first-order factors)	34.1113	19	0.018	1.795	0.981	0.987	0.987	0.040	(0.016, 0.061)
SEW scale (second-order factor)	34.1108	19	0.018	1.795	0.981	0.987	0.987	0.040	(0.016, 0.061)
SEW scale (all items in one factor)	227.241	20	0.000	11.362	0.752	0.823	0.824	0.144	(0.127, 0.160)

We used the Satorra-Bentler X^2 due to the non-normality of the variables. b. Bentler-Bonnet Non-normed Fit Index (NNFI). c. Comparative Fit Index (CFI). d. Bollen's Incremental Fit Index (IFI). e. Root Mean Square Error of Aproximation (RMSEA). To show good fit, the recommended minimum value for NNFI, CFI and IFI is 0.90, while RMSEA lower than 0.06 (Hu and Bentler 1999; Lado et al. 2008) and a normed χ^2 (i.e., the ratio between χ^2 and the degree of freedom) lower than 3 (Bagozzi and Yi 1988).

Table 3. Descriptive statistics

	Mean	Standard deviation	10th percentile	Median	90th percentile
DIVD[a]	0.18	0.38	0.00	0.00	1.00
DIVL[b]	71.25	319.79	0.00	0.00	133.33
SEW[c]	3.95	0.84	2.75	4.13	4.88
FCEO[a]	0.84	0.37	0.00	1.00	1.00
FM[c]	0.70	0.34	0.20	1.00	1.00
STAGE[a]	0.55	0.50	0.00	1.00	1.00
HAZARD[c]	0.03	0.08	-0.01	0.03	0.11
LEVERAGE[c]	0.89	6.50	0.00	0.49	2.52
CASH[c]	0.07	0.09	0.01	0.07	0.15
GROWTH[c]	0.04	0.36	-0.18	0.05	0.26
SIZE[d]	3.78	1.31	6.81	8.92	10.24
AGE[d]	3.17	0.54	2.46	3.27	3.75
RISK[c]	3.23	4.70	0.26	1.88	6.71

DIVD dummy variable that takes a value of 1 when the firm makes a dividend payout in at least one year of the period 2013-2015, and 0 otherwise; *DIVL* amount of dividend payout averaged for 2013-2015; *SEW* measure of socioemotional wealth; *FCEO* dummy variable that takes a value of 1 when the CEO is member of the family, and 0 otherwise; *FM* percentage of firm's managers who were also family members; *STAGE* dummy variable that takes a value of 1 when the firm is in the second or later generation, and 0 for the first-generation family firm; *HAZARD* industry-median-adjusted return on assets; *LEVERAGE* total debt over equity; *CASH* cash flow over total assets; *GROWTH* percentage of growth in total assets; *SIZE* natural logarithm of assets; *AGE* natural logarithm of firm age; *RISK* standard deviation of ROA over 2013-2015. Variables which does not consider three successive years are based on 2015.

[a] Dummy variable; [b] In thousand Euros; [c] In natural number; [d] In natural logarithm.

Table 4. Correlation matrix

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
1. DIVD	1.00												
2. DIVL	0.48	1.00											
3. SEW	-0.03	-0.06	1.00										
4. FCEO	-0.08	-0.10	0.06	1.00									
5. FM	-0.16	-0.13	0.20	0.20	1.00								
6. STAGE	0.02	0.01	0.07	0.03	0.10	1.00							
7. HAZARD	0.15	0.11	-0.05	0.05	-0.09	-0.03	1.00						
8. LEVERAGE	-0.01	-0.02	-0.05	-0.01	-0.05	-0.02	-0.01	1.00					
9. CASH	0.14	0.09	-0.04	0.04	-0.10	-0.02	0.44	-0.02	1.00				
10. GROWTH	-0.04	-0.06	-0.02	0.10	-0.04	0.03	0.16	-0.02	0.14	1.00			
11. SIZE	0.33	0.31	0.05	-0.13	-0.23	0.16	0.09	-0.02	0.10	0.10	1.00		
12. AGE	0.21	0.21	0.03	-0.13	0.00	0.36	-0.01	-0.01	-0.02	-0.04	0.44	1.00	
13. RISK	-0.05	-0.05	-0.05	0.01	0.07	-0.03	-0.14	0.01	-0.12	0.16	-0.21	-0.10	1.00

DIVD dummy variable that takes a value of 1 when the firm makes a dividend payout in at least one year of the period 2013-2015, and 0 otherwise; *DIVL* amount of dividend payout averaged for 2013-2015; *SEW* measure of socioemotional wealth; *FCEO* dummy variable that takes a value of 1 when the CEO is member of the family, and 0 otherwise; *FM* percentage of firm's managers who were also family members; *STAGE* dummy variable that takes a value of 1 when the firm is in the second or later generation, and 0 for the first-generation family firm; *HAZARD* industry-median-adjusted return on assets; *LEVERAGE* total debt over equity; *CASH* cash flow over total assets; *GROWTH* percentage of growth in total assets; *SIZE* natural logarithm of assets; *AGE* natural logarithm of firm age; *RISK* standard deviation of ROA over 2013-2015. Variables which does not consider three successive years are based on 2015.

Table 5. SEW effect on the likelihood of paying dividends (Logit analysis) and the level of dividend payout (Tobit analysis)

Variable	DIVD	DIVL
	Model 1	Model 2
SEW	-0.526***	-0.328***
	(0.116)	(0.087)
LEVERAGE	-0.011	-0.007
	(0.011)	(0.007)
CASH	5.714***	2.934***
	(1.884)	(1.000)
GROWTH	0.084	-0.083
	(0.708)	(0.268)
SIZE	0.159*	0.109*
	(0.091)	(0.062)
AGE	-0.157	-0.094
	(0.220)	(0.134)
RISK	-0.086**	-0.048**
	(0.041)	(0.022)
Model LR χ^2	80.233	113.21
Pseudo R^2	0.174	0.220
Sector controls	Yes	Yes
Observations	482	482

DIVD dummy variable that takes a value of 1 when the firm makes a dividend payout in at least one year of the period 2013-2015, and 0 otherwise; *DIVL* amount of dividend payout averaged for 2013-2015; *SEW* measure of socioemotional wealth; *LEVERAGE* total debt over equity; *CASH* cash flow over total assets; *GROWTH* percentage of growth in total assets; *SIZE* natural logarithm of assets; *AGE* natural logarithm of firm age; *RISK* standard deviation of ROA over 2013-2015. Variables which does not consider three successive years are based on 2015. Robust standard errors in parenthesis.

*, ** and *** Significant at 10%, 5% and 1%, respectively.

Table 6. Moderating role of family involvement in management, generational stage and firm hazard. Dependent variable: Dividend dummy (DIVD)

	Model 1	Model 2	Model 3	Model 4
SEW	-1.382***	-0.905***	-0.751***	-1.485***
	(0.319)	(0.193)	(0.154)	(0.316)
SEW*FCEO	-1.173***			-0.979***
	(0.373)			(0.381)
FCEO	2.318**			1.957**
	(0.961)			(0.954)
SEW*FM	-0.539			-0.393
	(0.420)			(0.468)
FM	0.179			-0.151
	(0.942)			(1.033)
SEW*STAGE		0.824***		0.376
		(0.250)		(0.369)
STAGE		-3.184***		-1.464
		(0.977)		(1.505)
SEW*HAZARD			-6.388***	-3.739
			(2.334)	(3.153)
HAZARD			11.739	2.056
			(9.242)	(12.061)
LEVERAGE	-0.009	-0.009	-0020	-0.013
	(0.011)	(0.011)	(0.013)	(0.015)
CASH	7.643***	6.063***	-3.771	-2.255
	(2.193)	(1.922)	(4.612)	(5.008)
GROWTH	-1.275*	0.221	-0.025	-1.483*
	(0.767)	(0.619)	(0.792)	(0.811)
SIZE	0.400***	0.262***	0.231**	0.435***
	(0.117)	(0.104)	(0.095)	(0.115)
AGE	0.296	-0.047**	-0.036	0.385
	(0.272)	(0.241)	(0.232)	(0.303)
RISK	-0.047	-0.080**	-0.085**	-0.054
	(0.049)	(0.040)	(0.043)	(0.052)
N	480	482	482	480
Model LR χ^2	90.893	81.909	82.816	95.090
Pseudo R^2	0.199	0.178	0.180	0.208
Sector controls	Yes	Yes	Yes	Yes
Observations	480	482	482	480

The dependent variable *DIVD* takes a value of 1 when the firm makes a dividend payout in at least one year of the period 2013-2015, and 0 otherwise; *SEW* measure of socioemotional wealth; *FCEO* dummy variable that takes a value of 1 when the CEO is member of the family, and 0 otherwise; *FM* percentage of firm's managers who were also family members; *STAGE* dummy variable that takes a value of 1 when the firm is in the second or later generation, and 0 for the first-generation family firm; *HAZARD* industry-median-adjusted return on assets; *LEVERAGE* total debt over equity; *CASH* cash flow over total assets; *GROWTH* percentage of growth in total assets; *SIZE* natural logarithm of assets; *AGE* natural logarithm of firm age; *RISK* standard deviation of ROA over 2013-2015. Variables which does not consider three successive years are based on 2015. Robust standard errors in parenthesis. *, ** and *** Significant at 10%, 5% and 1%, respectively.

Table 7. Moderating role of family involvement in management, generational stage and firm hazard. Dependent variable: Dividend payout level (DIVL)

	Model 1	Model 2	Model 3	Model 4
SEW	-0.708***	-0.523***	-0.399***	-0.738***
	(0.184)	(0.137)	(0.112)	(0.206)
SEW*FCEO	-0.517**			-0.420**
	(0.253)			(0.178)
FCEO	1.003*			0.834*
	(0.517)			(0.456)
SEW*FM	-0.326*			-0.266
	(0.187)			(0.186)
FM	0.310			0.179
	(0.454)			(0.447)
SEW*STAGE		0.464***		-1.193
		(0.167)		(1.221)
STAGE		-1.812***		-0.807
		(0.671)		(0.641)
SEW*HAZARD			-2.581*	1.202
			(1.555)	(1.227)
HAZARD			2.146	´2.908
			(5.854)	(4.410)
LEVERAGE	-0.005**	-0.006***	-0.010	-0.007
	(0.006)	(0.006)	(0.007)	(0.006)
CASH	3.323***	3.070***	-3.177	-2.626
	(0.927)	(0.969)	(2.419)	(2.309)
GROWTH	-0.775*	-0.039	-0.160	-1.009**
	(0.446)	(0.254)	(0.298)	(0.466)
SIZE	0.228***	0.163**	0.132*	0.238***
	(0.081)	(0.073)	(0.067)	(0.085)
AGE	0.083	-0.038	-0.024	0.135
	(0.114)	(0.124)	(0.126)	(0.111)
RISK	-0.023	-0.044**	-0.048**	-0.030
	(0.019)	(0.019)	(0.022)	(0.021)
N	480	482	482	480
Model LR χ^2	128.17	115.86	119.30	138.50
Pseudo R^2	0.251	0.226	0.232	0.271
Sector controls	Yes	Yes	Yes	Yes
Observations	480	482	482	480

The dependent variable *DIVL* is defined as the amount of dividend payout averaged for 2013-2015; *SEW* measure of socioemotional wealth; *FCEO* dummy variable that takes a value of 1 when the CEO is member of the family, and 0 otherwise; *FM* percentage of firm's managers who were also family members; *STAGE* dummy variable that takes a value of 1 when the firm is in the second or later generation, and 0 for the first-generation family firm; *HAZARD* industry-median-adjusted return on assets; *LEVERAGE* total debt over equity; *CASH* cash flow over total assets; *GROWTH* percentage of growth in total assets*; SIZE* natural logarithm of assets; *AGE* natural logarithm of firm age; *RISK* standard deviation of ROA over 2013-2015. Variables which does not consider three successive years are based on 2015. Robust standard errors in parenthesis. *, ** and *** Significant at 10%, 5% and 1%, respectively.