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An Exploratory Study on the Influence of Family CEOs on Tax Aggressiveness in Private Family Firms: The Moderating Role of CEO Gender and Survival Risk

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Abstract

The main purpose of this study is to investigate tax aggressiveness within private family firms. Drawing on the socioemotional wealth perspective, we hypothesize that the presence of a family CEO is negatively related to tax aggressiveness. Furthermore, we argue that the family CEO–tax aggressiveness relationship is moderated by individual- and firm-level factors. Specifically, we argue that the female gender of the CEO reinforces the negative impact of family CEOs on tax aggressiveness, whereas survival risk weakens the negative influence of having a family member at the helm of the company on tax aggressive strategies. Based on a balanced panel dataset of 1,953 observations, the results confirm our predictions and the validity of the socioemotional wealth model as an appropriate theoretical lens to explain tax aggressiveness across private family firms.

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1 Introduction

Minimizing tax payments represents a key factor in corporate decisions, which has led scholars to focus on the causes and consequences of tax aggressiveness in various contexts (Whait *et al.* 2018). Despite this growing attention, few works try to understand how private family firms shape tax aggressive strategies, although these companies represent the most prevalent form of organization (Bigliardi and Galati 2018). Scarce studies explore how family-firm idiosyncrasies explain differences in tax strategies in comparison to non-family firms but omit to provide insights into how tax aggressiveness varies across family firms.

To address this unresolved question, this research draws on the socioemotional wealth (SEW) perspective (Gómez-Mejía *et al.* 2007), a behavioral extension of the widely used agency perspective (Gómez-Mejia *et al.* 2011) to consider the role of non-financial goals in explaining variations in tax activities among private family firms. Specifically, this study examines how the SEW effect may differ within private family firms by assuming that the presence of a family CEO is the expression of the family's ability to influence firm behavior through SEW preservation (Sciascia *et al.* 2014). The authors argue that a family CEO's desire to protect his/her SEW, i.e. the stock of affect-related value that the family has endowed with the firm (Berrone *et al.* 2012), should discourage him/her from using tax aggressive strategies that could be damageable to the firm's image and reputation (Block *et al.* 2013).

Since the most salient SEW reference point of family decision-makers may drastically fluctuate depending on individual- (Cruz *et al.* 2014) and firm-level (Drago *et al.* 2018) characteristics, we also propose to investigate how the female gender of the CEO and survival risk may moderate the family CEO–tax aggressiveness relationship. Specially, we claim that compared to their male counterparts, female family CEOs will emphasize more on SEW preservation, thereby accentuating the negative relationship between the presence of a family CEO and tax aggressiveness. Yet, we argue that a family CEO's financial and SEW goals would converge when survival risk is more pronounced, resulting in a weaker negative relationship between the presence of a family CEO and tax aggressiveness.

2 Theoretical Background

Tax aggressiveness has been widely studied in accounting literature and is defined as the use of downward management of taxable income through tax planning activities which can be legal or illegal or may lie in between (Frank *et al.* 2009). While much of this research applies the agency perspective to argue that managers behave opportunistically and extract rents from tax savings at the expense of shareholders (Hanlon and Heitzman 2010), recent studies build on the behavioral agency model to argue that family firms are less tax aggressive than non-family firms (Chen *et al.* 2010; Mafrolla and D'Amico 2016; Steijvers and Niskanen 2014).

The behavioral agency model proposes that decision-makers prefer to avoid a loss of their accumulated wealth even if it implies a higher risk for the firm (Gómez-Mejia *et al.* 2007). Applying this logic to family firms, the preservation of the current SEW endowment is a key reference point for family principals (Gómez-Mejia *et al.* 2011). It means that family principals prefer to make decisions that prevent a loss of SEW, that is the non-financial benefit derived from the family's unrestricted authority within the firm, the family's influence over the firm, the preservation of benevolent ties among family members and other stakeholders, and the strong identification of the family with the firm (Kraus *et al.* 2016) even if such decisions may be harmful to the firm's financial well-being (Berrone *et al.* 2012). In respect to tax aggressiveness, Steijvers and Niskanen (2014) claim that family firms exhibit lower levels of

tax aggressiveness owing to the damaging impact of tax aggressive behaviors on reputation which may threaten the SEW endowment of family principals.

Although the above-mentioned studies examine how SEW preservation may clarify differences in the use of tax aggressive behaviors between family and non-family firms (Steijvers and Niskanen 2014), little is known about how SEW preoccupations may fluctuate within the heterogeneous group of private family firms to explain variations in tax aggressiveness. Recent advancements suggest that SEW predominance is likely to vary depending on the level of family involvement at different governance levels (Berrone *et al.* 2012). Prior research suggests that the presence of a family CEO is a source of heterogeneity that amplifies the prevalence of SEW protection in decision-making (Naldi *et al.* 2013). Indeed, having a family member at the helm of the company ensures the achievement of SEW goals such as sustaining firm reputation, which is often associated with the family's image (Block *et al.* 2013). Indeed, personal attachment and self-identification with the firm are stronger in family-led firms than in professionally managed firms (Deephouse and Jaskiewicz 2013). Family CEOs give greater heed to legitimacy and emotional attachment to a community's well-being in order to avoid potential SEW losses resulting from unethical behaviors that are likely to hamper the firm and family image (Labelle *et al.* 2018), whereas non-family CEOs are more likely to view their relationship with the firm as more distant, transitory, and utilitarian (Lubatkin *et al.* 2005). As a result, the presence of a family CEO generally implies a stronger concern for SEW preservation, resulting in lower levels of tax aggressiveness to avoid reputational damage to the firm's image. By contrast, SEW prerogatives tend to be less prevalent in the presence of a non-family CEO, inducing higher levels of tax aggressiveness. Therefore, we propose a negative relationship between a family CEO and tax aggressiveness.

Hypothesis 1. Among private family firms, there is a negative relationship between the presence of a family CEO and tax aggressiveness.

Recent evidence suggests that family executive goals may vary across family firms, resulting in a differing emphasis on SEW or financial goals (Berrone et al., 2012; Gómez-Mejia *et al.* 2014). Accordingly, we argue that the influence of family CEOs on tax aggressiveness is contingent upon factors that either lessen or enhance SEW predominance and orient family CEOs towards the pursuit of financial or SEW objectives respectively. More precisely, this research outlines the role of the female gender of the CEO and survival risk as such contingency factors.

The gender of the family CEO accounts for an individual-level characteristic that could influence the priority given to SEW preferences when deciding to be tax aggressive or not. Prior research suggests that compared to male managers, female executives are more deeply attached to the family's traditions, culture and social values which they have invested in the company (Campopiano *et al.* 2017) This strengthens their identification with the organization. As a result, they are more likely to perceive the firm as a projection of the family core values and consequently devote greater attention to the image they project to external stakeholders (Mari *et al.* 2016). Given their stronger stakeholder engagement, female executives may apply stricter ethical standards and be more inclined to judge questionable business practices as unethical in order to avoid potential damageable consequences for the firm's image and reputation. Consequently, they exhibit lower tolerance to opportunism and place less emphasis on self-interest (Krishnan and Parsons 2008) with significant implications on accounting and tax practices. Hence, female family CEOs may have a higher moral and ethical stance than male family CFOs regarding the use of tax strategies, thereby strengthening the negative relationship between the presence of a family CEO and tax aggressiveness.

Hypothesis 2. Among private family firms, the negative relationship between the presence of a family CEO and tax aggressiveness is reinforced when the family CEO is a woman.

Survival risk implies a situation in which the probability a firm will go bankrupt within the next two years is high (Altman 1968). Prior research suggests that the degree of exposure to such a critical situation for the long-term well-being of the firm influences the way decisions are framed by family executives (Gómez-Mejia *et al.* 2018). Indeed, when the firm is unlikely to enter bankruptcy, maintaining the current SEW endowment is the dominant reference frame for family CEOs who are less concerned with a possible threat on the company's economic situation (Gómez-Mejia *et al.* 2014). In that context, family CEOs are risk averse, focus on their current SEW endowment, and discount strategies with uncertain upside such as tax aggressive activities. This means that family CEOs are not compelled to take appropriate actions to further increase the firm's competitiveness and rather opt for strategic choices limiting SEW losses.

When facing financial distress, the survival of the firm, that is the source of the family's financial wealth and SEW is under threat. Confronted to this situation, family CEOs will be under greater pressure to improve the firm's financial situation and mitigate the risk of failure. As a result, they focus more on prospective financial considerations and are thus willing to take corrective actions at the expense of their current SEW endowment (Gómez-Mejia *et al.* 2018). Accordingly, SEW goals and financial objectives tend to converge when the viability of the firm is threatened since family CEOs may make economically driven decisions to sustain the family's future SEW and financial wealth (Kraus *et al.* 2016). Based on these arguments, family CEOs may be characterized by a lower inclination to engage in tax aggressive behaviors when the firm is healthy. However, there is a greater proclivity to opt for tax aggressive strategies which could possibly enhance profitability with a view to ensuring the family's future financial wealth and SEW when firm survival is threatened. Therefore, we propose the following hypothesis.

Hypothesis 3. Among private family firms, the negative relationship between the presence of a family CEO and tax aggressiveness weakens when firm survival is threatened.

3 Method

3.1 Sample

The financial data of our study stems from the Bureau Van Dijk Belfirst database which structures and collects financial and accounting statistics for more than 300,000 Belgian companies. To collect non-financial data relative to company ownership, governance and management, we designed a longitudinal mail questionnaire which was sent to a survey population based on several criteria also applied in Belfirst. First, companies from the social, financial and educational sectors were excluded. Secondly, private firms with less than 10 employees were left out to avoid including micro-firms that seldom develop sophisticated tax strategies. Thirdly, companies pertaining to a business group were also excluded. Fourthly, given our focus on private family firms, we only selected potential family firms based on the following criteria: the company either shared the same name as one of its directors or two or more directors were from the same family in order to detect possible family involvement within the company. Based on these criteria, we identified 5,924 possible private family firms from which we drew a random sample of 3,000 companies.

The mail questionnaires were sent out to the CEO of each company in 2017 to gather non-financial data over the period 2011–2017. After two separate rounds, we received 327 questionnaires. In this study, firms were identified as family businesses if they met the two following criteria: (a) at least 50% of the shares were owned by multiple members of a same

family and a family CEO was responsible for managing the business, or (b) at least 50% of the shares were owned by multiple members of a same family, and the company is not family led but the non-family CEO perceives the firm as a family business (Michiels *et al.* 2015). Finally, after excluding 32 non-family firms and 16 incomplete cases, the final sample consisted of 1,953 firm-year observations representing 279 distinct private family firms over 7 years.

3.2 Variable description

Dependent variable. In line with prior research, the measure of tax aggressiveness is based on the effective tax rate (ETR) which is defined as total tax expense divided by earnings before taxes (Chen *et al.* 2010; Chyz *et al.* 2013). Since the aim of all tax aggressive strategies is to reduce the effective tax rate, this measure is a viable indicator to assess tax aggressive choices that are difficult to capture in the context of private firms (Steijvers and Niskanen 2014). As low values of ETR represent higher levels of tax aggressiveness, the negative effective tax rate is used to measure tax aggressiveness, that is ETR*(-1) to facilitate interpreting regression analysis.

Independent variable. The presence of a family CEO is captured by a dummy variable equaling 1 if the CEO is a family member, and 0 otherwise.

Moderating variables. The female gender of the CEO is a dummy variable equaling 1 if the CEO is a woman, 0 otherwise. Following prior studies, the Altman's Z-score model is employed to assess *Survival risk* (Altman, 1968; 1984). The Altman's Z-score of private firms is calculated as follows: (Earnings Before Interest and Taxes / Total Assets)*3.3 + (Net Sales / Total Assets)*0.99 + (Book Value of Equity / Total Liabilities)*0.6 + (Working Capital / Total Assets)*1.2 + (Retained Earnings / Total Assets)*1.4 (Altman, 1968). The convention for interpreting the *Z*-score is high survival risk for Altman's Z-Scores below 1.81 and low survival risk for Altman's Z-Scores equal to or above 1.81 (Altman, 1968). Accordingly, S*urvival risk* finally corresponds to a dummy variable, assigning a value of ''1''if the firm has a Z-score below 1.81 and ''0'' if the firm has a Z-score equal to or above 1.81.

Control variables. As commonly accepted in tax studies, we controlled for performance (measured as return on assets: *ROA*), plant, property and equipment (*PPE*), intangible assets (*Intangible*), *firm size* and *foreign income*. We also controlled for three additional CEO attributes: *CEO ownership*, *CEO tenure* and *CEO duality*. *Board size*, family involvement on the board (*FIB*) and *family ownership* are also included as control variables. Finally, generational stage is included and corresponds to the generation managing the business (Sciascia *et al.* 2014). In our sample, 25% of private family firms are at their first-generation stage, 48% at their second, 16% at their third, 8% at their fourth and 3% at their fifth.

An overview of the different variables used in this empirical study is reported in Table 1.

Table I. Variable description

Variables	Description
Dependent variable	
Tax aggressiveness	(Total tax expense divided by earnings before taxes) * (-1)
Independent variables	
Family CEO	Dummy variable equaling 1 if the CEO is a family member, 0 otherwise.
Moderating variables	
Female CEO	Dummy variable equaling 1 if the CEO is a woman, 0 otherwise.
Survival risk	Dummy variable equaling 1 if the firm has a Z-score below 1.81, 0 otherwise.
Control variables	
ROA	The firm's net earnings divided by total assets.
Leverage	The firm's debts divided by total assets
PPE	The firm's plants, properties and equipment divided by total assets.
Intangible	The firm's intangibles divided by total assets.
Firm size	The number of full-time employees. For kurtosis consideration, the logarithm of this variable is used for regression analysis.
Foreign income	The firm's annual foreign income divided by total assets.
CEO ownership	The percentage of shares owned by the CEO.
CEO tenure	The number of years the CEO has occupied his/her position.
CEO duality	Dummy variable equaling 1 if the CEO is also chairman of the board, 0 otherwise.
Board size	The number of directors on the board.
FIB	The proportion of family members sitting on the board.
Family ownership	The percentage of shares owned by the same family.
Generational stage	A metric measure capturing the generation managing the business.

3.3 Research model

The following panel regression model was employed:

$$Tax\ aggressiveness_{i,t} = \alpha_0 + \beta_1 ROA_{i,t} + \beta_2 Leverage_{i,t} + \beta_3 PPE_{i,t} + \beta_4 Intangible_{i,t} + \beta_5 Firm\ size_{i,t} + \beta_6 Foreign\ Income_{i,t} + \beta_7 CEO\ Ownership_{i,t} + \beta_8\ CEO\ tenure_{i,t} + \beta_9 CEO\ duality_{i,t} + \beta_{10} Board\ size_{i,t} + \beta_{11} FIB_{i,t} + \beta_{12} Family\ ownership_{i,t} + \beta_{13} Generational\ stage_{i,t} + \beta_{14} Family\ CEO_{i,t} + \beta_{15} Femaly\ CEO_{i,t} + \beta_{16} Survival\ risk_{i,t} + \beta_{17} Family\ CEO * Female\ CEO\ _{i,t} + \beta_{18} Family\ CEO * Survival\ risk_{i,t} + Year\ dummies + \varepsilon_{i,t}$$

4 Results

4.1 Descriptive statistics

The correlation matrix and descriptive statistics are reported in Table 2. On average, private family firms present an effective tax rate of 26%, employ 38 full-time workers and are strongly family-owned with family ownership reaching 84%. Interestingly, our ETR is in line with the average ETR of 26.7 percent for Belgian firms (European Commission, 2015). A negative correlation is observed between tax aggressiveness and CEO ownership ($p < 0.05$) and the presence of a family CEO ($p < 0.01$) or a female CEO ($p < 0.05$). Besides, CEO tenure ($p < 0.05$) and generational stage ($p < 0.01$) are positively correlated with tax aggressiveness.

Table II. Descriptive statistics and correlation matrix

	Mean	Min.	Max.	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
1. Tax aggressiveness	-0.26	-0.07	-0.34	0.12	1.00											
2. Family CEO	0.81	0.00	1.00	0.17	-0.31**	1.00										
3. Female CEO	0.27	0.00	1.00	0.19	-0.10*	0.03	1.00									
4. Survival risk	0.31	0.00	1.00	0.17	0.04	-0.04	-0.04	1.00								
5. ROA	0.09	-0.21	0.38	0.19	0.03	-0.07†	0.05	-0.20**	1.00							
6. Leverage	0.31	0.08	0.71	0.24	0.02	-0.02	0.02	0.10*	0.12*	1.00						
7. PPE	0.29	0.09	0.40	0.10	0.04	-0.03	0.04	0.02	0.13*	0.12*	1.00					
8. Intangible	0.03	0.00	0.09	0.02	0.03	-0.02	0.03	0.04	0.08†	0.07†	0.03	1.00				
9. Firm size	38.02	12.00	87.00	0.21	0.02	0.02	0.04	0.04	0.05	0.02	0.02	0.02	1.00			
10. Foreign income	0.12	0.00	0.37	0.10	0.04	0.04	0.03	0.02	0.04	0.04	-0.02	0.02	0.05	1.00		
11. CEO ownership	0.64	0.00	0.92	0.31	-0.12*	0.04	-0.04	0.06	-0.06	-0.05	0.04	-0.04	0.03	-0.10*	1.00	
12. CEO tenure	6.20	2.00	29.00	3.64	0.11*	0.03	-0.07†	0.05	-0.04	-0.03	0.03	0.02	0.06	0.02	0.10*	1.00
13. CEO duality	0.44	0.00	1.00	0.21	-0.05	-0.07†	0.03	0.07†	-0.05	0.02	-0.02	-0.04	0.05	0.03	0.11*	0.11*
14. Board size	8.00	5.00	14.00	3.24	0.04	0.02	0.04	0.02	0.05	0.04	0.04	0.05	0.07†	-0.02	0.05	0.03
15. FIB	0.72	0.12	1.00	0.22	-0.04	0.03	0.05	0.03	0.04	-0.05	0.03	0.04	0.05	0.05	0.06	0.04
16. Family ownership	0.84	0.67	1.00	0.14	-0.13*	0.04	0.04	0.05	-0.07†	-0.14*	0.05	0.02	-0.02	-0.15*	0.12*	0.14*
17. Generational stage	2.34	1.00	8.00	1.32	0.23**	0.07†	0.07†	-0.04	0.05	0.15*	-0.02	0.07†	-0.03	0.04	-0.04	-0.08†

	13	14	15	16	17
13. CEO duality	1.00				
14. Board size	0.04	1.00			
15. FIB	0.10*	0.05	1.00		
16. Family ownership	0.15*	0.04	0.12*	1.00	
17. Generational stage	-0.08†	0.07†	-0.05	-0.04	1.00

*N = 1,953, † p < 0.10; * p <0.05; **p < 0.01; ***p < 0.001.*

4.2 Regression analyses

Given the panel structure of the data, a generalized least square (GLS) panel data model is employed to carry out the analysis. To determine whether a fixed-effect or a random-effect model should be used, the Hausman (1978) specification test was used and revealed that fixed-effect models are more appropriate than random-effect models ($\chi2 = 472.34$*** in Model 1, and $\chi2 = 497.63$*** in Model 2). Since the use of a fixed-effect model allows to account for time invariant firm-level heterogeneity, we did not control for variables such as industry or location (Miller *et al.* 2013). Furthermore, we tested for potential multicollinearity problems by calculating Variance inflation factors (VIFs). VIFs were below the generally accepted 5 cutoff, confirming that multicollinearity was not a major concern in our models.

Table 3 shows GLS fixed-effect regression model with estimates predicting tax aggressiveness in private family firms. Model 1 focuses on the direct impact of the independent, moderating and control variables while Model 2 adds the interaction of the independent variable and the moderators. Model 1 indicates that the presence of a family CEO is negatively and significantly related to tax aggressiveness ($\beta = -0.062$, $p < 0.01$), providing strong support for hypothesis 1. Interestingly, we also observed that both CEO tenure ($\beta = 0.042$, $p < 0.05$) and generational stage ($\beta = 0.063$, $p < 0.01$) have a significant positive effect on tax aggressiveness, whereas family ownership ($\beta = -0.102$, $p < 0.01$), CEO ownership ($\beta = -0.124$, $p < 0.01$) and the female gender of CEO ($\beta = -0.047$, $p < 0.05$) negatively impact tax aggressiveness. In line with our predictions for hypotheses 2 and 3, Model 2 reveals that the female gender of the CEO reinforces the negative impact of a family CEO on tax aggressiveness, while survival risk attenuates the negative influence of a family CEO on tax aggressiveness. Indeed, the interaction between a family CEO and female CEO is negative and significant ($\beta = -0.023$, $p < 0.001$). In contrast, the interaction between a family CEO and survival risk is positively and significantly related to tax aggressiveness ($\beta = 0.032$, $p < 0.05$).

As robustness check, we replicated the regressions with two alternative measures of tax aggressiveness: the cash effective tax rate (*cash ETR*) and the book-tax gap (*BTG*). Cash ETR is computed as cash tax expense divided by pre-tax income and BTG is calculated as the difference between the accounting profits before taxes and the taxable base. Similarly as with the effective ETR, the negative cash effective tax rate was used, that is cash ETR*(-1) to help interpret regression analysis. The results are reported in Table 3 and confirm the ones obtained with ETR. Indeed, Models 3 and 5 reveal that the presence of a family CEO has a negative and significant effect on the alternative indicators of tax aggressiveness ($\beta = -0.056$, $p < 0.01$ in Model 3; $\beta = -0.105$, $p < 0.01$ in Model 5). Additionally, Models 4 and 6 show that the interaction between a family CEO and female CEO is negative and significant ($\beta = -0.025$, $p < 0.001$ in Model 4; $\beta = -0.054$, $p < 0.001$ in Model 6), whereas the interaction between a family CEO and survival risk is positive and significant ($\beta = 0.035$, $p < 0.05$ in Model 4; $\beta = 0.067$, $p < 0.05$ in Model 6). Taken together, these results provide additional support to our findings.

Table III. Panel regression analyses

	Model 1: ETR	Model 2: ETR	Model 3: Cash ETR	Model 4: Cash ETR	Model 5: BTG	Model 6: BTG
Intercept	0.217***	0.233***	0.105***	0.123***	0.321***	0.336***
	(0.023)	(0.027)	(0.014)	(0.017)	(0.014)	(0.022)
ROA	0.102	0.126	0.084	0.074	0.123	0.142
	(0.094)	(0.074)	(0.066)	(0.052)	(0.099)	(0.116)
Leverage	0.056	0.048	0.036	0.033	0.084	0.091
	(0.052)	(0.042)	(0.028)	(0.024)	(0.066)	(0.073)
PPE	0.102	0.113	0.131	0.142	0.054	0.061
	(0.085)	(0.096)	(0.122)	(0.134)	(0.048)	(0.055)
Intangible	0.003	0.002	0.007	0.008	0.021	0.017
	(0.002)	(0.002)	(0.006)	(0.007)	(0.018)	(0.014)
Firm size (Ln)	0.102	0.114	0.123	0.143	0.217	0.234
	(0.092)	(0.099)	(0.094)	(0.110)	(0.188)	(0.206)
Foreign income	0.047	0.052	0.076	0.085	0.102	0.116
	(0.034)	(0.048)	(0.066)	(0.078)	(0.101)	(0.109)
CEO ownership	-0.124**	-0.115**	-0.098***	-0.085***	-0.236**	-0.241**
	(0.031)	(0.028)	(0.023)	(0.018)	(0.094)	(0.106)
CEO tenure	0.042*	0.054*	0.062*	0.059*	0.102*	0.124*
	(0.021)	(0.020)	(0.021)	(0.023)	(0.048)	(0.051)
CEO duality	-0.104	-0.124	-0.141	-0.155	-0.105	-0.112
	(0.098)	(0.108)	(0.132)	(0.149)	(0.089)	(0.096)
Board size	0.054	0.058	0.064	0.068	0.124	0.147
	(0.052)	(0.055)	(0.048)	(0.052)	(0.107)	(0.126)
FIB	-0.056	-0.063	-0.054	-0.041	-0.124	-0.147
	(0.044)	(0.055)	(0.052)	(0.038)	(0.102)	(0.126)
Family ownership	-0.102**	-0.114**	-0.121**	-0.132**	-0.217***	-0.233***
	(0.026)	(0.028)	(0.034)	(0.041)	(0.032)	(0.034)
Generational stage	0.063**	0.047**	0.058**	0.054**	0.102*	0.126*
	(0.019)	(0.012)	(0.018)	(0.017)	(0.048)	(0.051)
Family CEO	-0.062**	-0.069**	-0.056**	-0.059**	-0.105**	-0.114**
	(0.017)	(0.018)	(0.014)	(0.015)	(0.022)	(0.024)
Female CEO	-0.047*	-0.038*	-0.034*	-0.029*	-0.076*	-0.088*
	(0.020)	(0.012)	(0.010)	(0.009)	(0.024)	(0.027)
Survival risk	0.054	0.061	0.074	0.077	0.127	0.124
	(0.047)	(0.051)	(0.066)	(0.069)	(0.087)	(0.081)
Family CEO*Female CEO		-0.023***		-0.025***		-0.054**
		(0.003)		(0.004)		(0.014)
Family CEO*Survival risk		0.032*		0.035*		0.067*
		(0.013)		(0.015)		(0.024)
Year effect	Yes	Yes	Yes	Yes	Yes	Yes
R^2 within	0.12	0.18	0.13	0.19	0.11	0.16
N	1,953	1,953	1,953	1,953	1,953	1,953

† p < 0.10; * p < 0 .05; **p < 0.01; ***p < 0.001.

To better illustrate the findings, the moderating effects of female CEO and survival risk are graphed in Figure 1 and 2. Figure 1 clearly shows that the female gender of the CEO negatively moderates the family CEO–tax aggressiveness relationship since the negative slope of the line is steeper for family firms led by a female family CEO. In contrast, Figure 2 confirms that the negative relationship between the presence of a family CEO and tax aggressiveness is weakened when firm survival is threatened since the negative slope of the line is flatter for private family firms experiencing high survival risk.

Figure 1. The moderating effect of female CEO on the relationship between family CEO and tax aggressiveness.

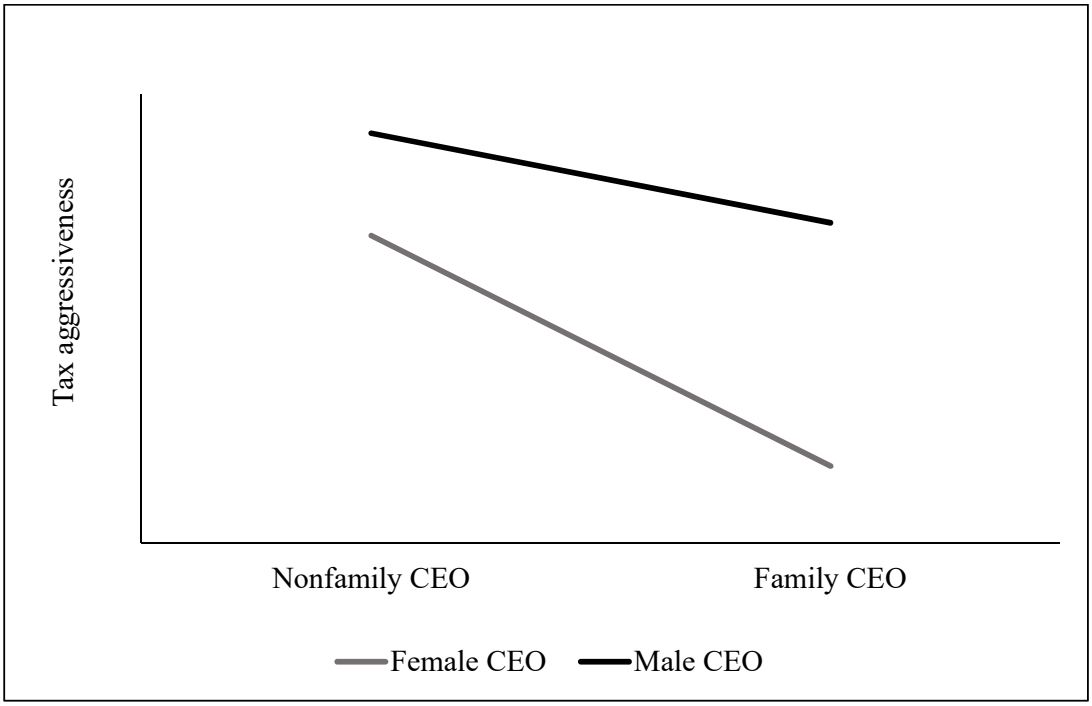
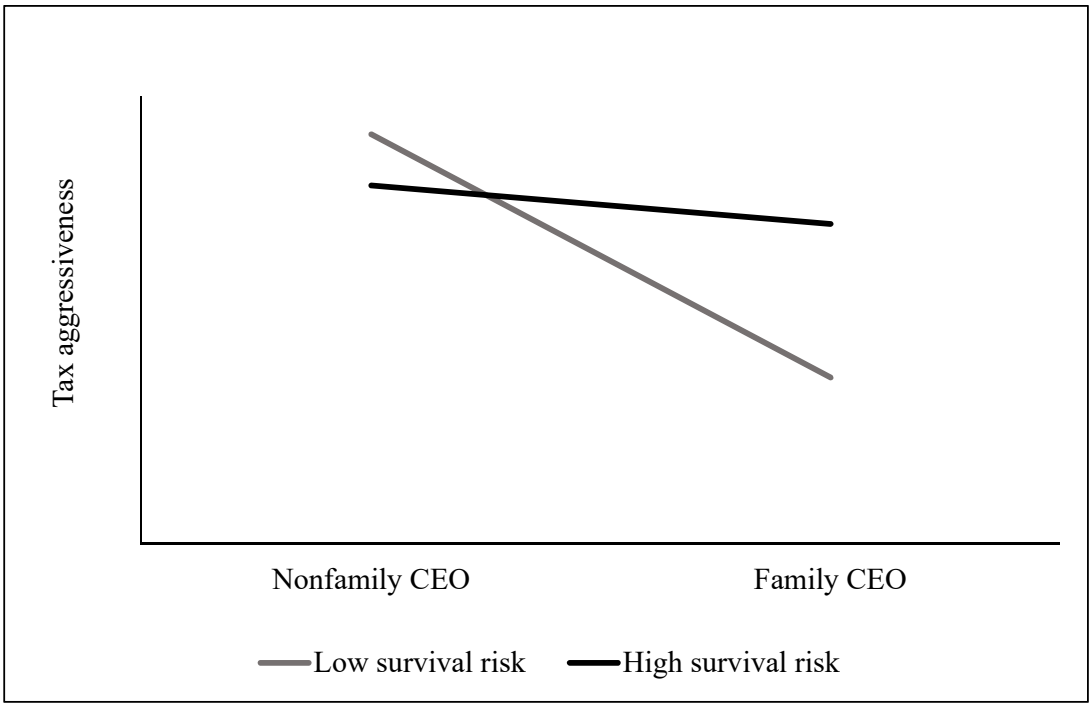


Figure 2. The moderating effect of survival risk on the relationship between family CEO and tax aggressiveness.



5 Discussion and Conclusion

Findings from a 7-year longitudinal sample of 279 private family firms reveal that having a family member at helm of a company has a negative influence on tax aggressiveness. These results suggest that family CEOs are more likely to avoid tax aggressive strategies, which we argue is due to its anticipated effect upon the family's stock of SEW (Gómez-Mejia *et al.* 2011). Specifically, appointing a family CEO would imply that SEW objectives such as maintaining a positive image and reputation become more prominent in decision-making. This reduces the proclivity of private family firms to adopt tax aggressive behaviors despite the potential economic benefits of such practices. Furthermore, the results show that the negative impact of family CEOs on tax aggressiveness is accentuated when the family CEO is a woman. This finding can be justified by SEW preoccupations outweighing financial considerations under the leadership of female family CEOs because their degree of identification and emotional attachment with the organization is generally higher compared to male family CEOs. Accordingly, SEW prerogatives become more salient as a frame of reference than financial aspirations when the family CEO is a woman, resulting in a greater reluctance to tax aggressive strategies. In contrast, the results reveal that the effect of a family CEO on tax aggressiveness is less negative in private family firms facing higher survival risk. This finding is in line with prior research arguing that the risk of failure increases the propensity of family executives to prioritize financial over SEW goals (Gómez-Mejia *et al.* 2018). This is reflected in the greater inclination of family CEOs to engage in tax aggressive strategies when firm survival is threatened. As such, family CEOs accept to sacrifice part of their current SEW endowment by adopting decisions that may threaten the family's image and reputation to take advantage of tax aggressive strategies that could ensure the family's future financial wealth and SEW (Gómez-Mejia *et al.* 2014).

This study contributes to the literature in several ways. Firstly, it answers a recent call for more research on accounting practices in the context of private family firms, especially with regard to tax aggressiveness (Steijvers and Niskanen 2014). Secondly, this article provides additional evidence that private family firms must be considered as heterogeneous entities to develop a more fine-grained understanding of their strategic choices. Specifically, it sheds new light on how SEW preoccupations fluctuate depending on the type of CEO and the interaction between individual- and firm-level characteristics to define tax choices within private family firms. Thirdly, by using the SEW concept to explore tax behaviors within private family firms, this study adds to the growing stream of research corroborating the predictive value of SEW in explaining differences within family businesses on strategic decisions. Fourthly, by empirically demonstrating that SEW arguments are particularly convincing to support tax aggressiveness in private family firms, this article complements prior literature that tries to explain accounting practices under the lens of the SEW perspective (Martin *et al.* 2016).

This study suffers from several limitations which must be acknowledged. First, this article uses the effective tax rate as a measure for tax aggressiveness. However, tax aggressiveness can be legal or illegal or lie in between (Frank *et al.* 2009), and it would therefore be interesting to employ additional measures that make the distinction between legal and illegal tax aggressive behaviors. Indeed, because of the predominance of SEW preservation, it could be that family firms are more inclined to engage in legal tax aggressiveness while being less involved in illegal tax aggressive strategies. Another limitation is that this study did not use a direct measure to capture SEW. Although the presence of a family CEO is a good proxy to assess the degree of SEW (Naldi *et al.* 2013), future research could follow recent advancements in the field and go one step further by directly measuring the non-financial endowment of family principals.

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