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Enlightening the influence of family TMT involvement on firm growth and degrowth rates

Abstract

Determining whether family management influences firm growth remains a controversial issue in current literature. This study addresses this research gap by analysing the effect of family TMT involvement on firm growth, as a reflection of the mixed gamble trade-off between restricted versus extended socioemotional wealth priorities, taking into account both the duality between growth and degrowth as well as the multidimensional nature of firm growth. We establish that in the context of potential growth-promoting decisions, family-managed firms attach more importance to restricted than to extended SEW priorities. Meanwhile, in the context of potential degrowth-avoiding decisions, they prioritize extended over restricted SEW priorities. We also explore the contingent effect of financial slack in the former relationships, modulating the relevance attached to restricted and extended priorities within the SEW mixed-gamble. Using a longitudinal sample of 4,047 Spanish private family firms, our findings confirm the utility of the SEW mixed gamble approach to explain how the level of family TMT involvement might influence growth rates while undeniably limiting degrowth rates. Moreover, our findings reveal a heterogeneous moderating effect of financial slack on the relationship between family TMT involvement and growth as well as degrowth.

Keywords: family TMT involvement; growth rates; degrowth rates; socioemotional wealth; mixed gamble.

JEL codes: L21, L25, M12

1. Introduction

Within the context of family firms, defined as "firms dominantly controlled by a family with the vision to potentially sustain family control across generations" (Zellweger, 2017, p.22), firm growth can be considered as one of the most important determinants for continuity and transgenerational wealth creation (Kellermanns et al., 2008; Nordqvist et al., 2008). Nevertheless, peculiar features of family firms make their growth behaviour exceptional (Stenholm et al., 2016). Overall, firm growth is contemplated as a strategic goal pursued by the firm's dominant coalition, namely the top management team (hereafter TMT) (Greve, 2008). The TMT, and specifically family involvement within this TMT, has been considered crucial when examining family firm decisions, particularly those related to firm growth (Baù et al., 2019).

The dominant paradigm to explain family firm TMTs' distinctive decision-making is related to the concept of socioemotional wealth (hereafter SEW) (Berrone et al., 2012; Gómez-Mejía et al., 2007). SEW refers to 'the non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of family dynasty' (Gómez-Mejía et al., 2007, p.106). As such, recent family firm growth studies have used the SEW perspective to explain differences in growth behaviour (e.g. Arrondo-García et al., 2016; Bauweraerts et al., 2020). In the context of (growth) decision-making processes of family firm TMTs, tensions might arise due to the risk-return trade-off between economic- and SEW-oriented goals (Ingram et al., 2016). This trade-off may lead to opposing viewpoints on whether family (TMT) involvement favourably or unfavourably influences firm growth (Backman & Palmberg, 2015; O'Boyle et al., 2012). Indeed, recent research reveals that family presence in the TMT can be a benefit (Bauweraerts et al., 2020), a disadvantage (Campopiano et al., 2020) or even not be significant for firm growth (Pittino et al., 2020). Accordingly, the impact of family TMT involvement on growth-related decisions remains unclear (Calabrò et al., 2017; Cirillo et al., 2020a).

To shed light on such inconsistencies, literature has begun to draw on the mixed gamble approach (Bromiley, 2009; Wiklund et al., 2003). Taking strategic decisions can generally be perceived as a mixed gamble, in which the dilemma between potential gains and losses is crucial to explain the behaviour of the decision-makers and the related outcomes (Martin et al., 2013; Hussinger & Issah, 2019). Particularly, with regard to growth decisions, Bauweraerts et al. (2020) were the first to look at the growth debate through the combined use of the SEW perspective and mixed gamble approach by assessing the trade-off between potential economic and noneconomic gains and losses related to firm growth.

However, while this kind of mixed gamble approach assumes that family firm (TMT) members always put high emphasis on SEW, thus creating the trade-off with financial goals, recent studies have argued that the extent of SEW priorities within a family firm can be varying (Berrone et al., 2012; Miller & Le-Breton Miller, 2014). More specifically, variations and thus also trade-offs between restricted SEW priorities, defined as highly family-centric preferences which might be detrimental to the interests of nonfamily stakeholders and the firm itself in the long run, and extended SEW priorities, which although based on family preferences, encompass long-term benefits that go beyond the family, might occur and impact growth-related decisions (Miller & Le-Breton Miller, 2014). As SEW gains and losses are supposed to be the pivotal frame of reference that family firms use to make strategic choices (Berrone et al., 2012; Gómez-Mejía et al., 2007), this study opts for analysing the effect of family TMT involvement on firm growth focusing on *solely* SEW gains and losses, instead of considering the mixed gamble between

financial and nonfinancial priorities. This implies that the impact on firm growth may depend on the type of SEW priorities family members value most: restricted or extended (Laffranchini et al., 2020; Vardaman & Gondo, 2014).

The main purpose of this study is to deepen our understanding into how family TMT involvement, a proxy for especially the family influence aspect within the family control and influence dimension of SEW (Berrone et al., 2012; Gómez-Mejía & Herrero, 2022), affects decisions with regard to both growth rates (i.e. increases in sales, assets or employees) and degrowth rates (i.e. decreases in sales, assets or employees). In this regard, while prior research captures the nature and extent of nonfinancial utilities associated with family control and influence by focusing on family owners (Cambrea et al. 2021), we focus on the presence of family managers in the TMT (Bauweraerts et al., 2020; Vandekerkhof et al. 2018). In the context of potential growth-promoting decisions (i.e. gains domain), family managers act more risk-averse (Bromiley, 2010; Kahneman & Tversky, 1979; Wiseman & Gómez-Mejía, 1998) by adopting family-centred approaches which lead them to focus on restricted SEW priorities, such as family power, rather than on extended SEW priorities, such as firm reputation (Miller & Le Breton-Miller, 2014), thus limiting increasing growth rates. In the context of potential degrowth-avoiding decisions (i.e. losses domain) (e.g. Kahneman & Tversky, 1979), family managers, searching for the preservation of long-term well-being of both the family and the firm, adopt risk-seeking behaviours, focusing on extended instead of restricted SEW priorities, in an attempt to reverse such degrowth rates. Hence, we propose that the SEW mixed gamble implies a negative incidence of family TMT involvement on both growth and degrowth rates. Furthermore, we analyse whether the impact of the mixed gamble between restricted and extended SEW priorities on growth and degrowth may be modified, depending on the level of financial slack. In other words, we believe that the presence of slack, which generates financial support for strategic opportunities (O'Brien, 2003), can be responsible for activating or deactivating the SEW mixed gamble logic, helping to explain why organizational growth and degrowth may change across family firms.

The empirical analyses are conducted using a longitudinal dataset of Spanish family firms, comprising 4,047 time-series cross-sectional observations over the period 2000-2013. Spain is an interesting context to study the effect of family TMT involvement on firm growth for several reasons. First, Spanish family firms generate 60% of Spanish Gross Added Value and 70% of the employment (IEF & Red de Cátedras de Empresa Familiar, 2015, 2018). Second, Spanish family firms' TMTs consist on average of about 70% family members; while even in 51.6% of the family firms, all TMT members belong to the family (IEF & Red de Cátedras de Empresa Familiar, 2018). Moreover, the Spanish economy has alternated quite deep recession years with intervals of sustained upturns over the period 2000-2013 (Arrondo-García et al., 2016; Martínez-Alonso et al., 2018).

The contributions of this study are related to two important domains within the broad field of family firm research. Firstly, we contribute to the domain of SEW by offering unique SEW-related insights with regard to family firms' growth-related decisions, which permit reconciling the controversial empirical results existing so far (Gómez-Mejia, et al., 2011). While previous mixed gamble studies have focused on the trade-offs between financial and SEW priorities (e.g. Bauweraerts et al., 2020), this study is one of the first to empirically support a more fine-grained and unprecedented mixed gamble approach in which we only take SEW priorities into account. More specifically, we emphasize the trade-offs between extended

and restricted SEW priorities, rather than trade-offs between financial versus non-financial priorities like for example, Bauweraerts et al. (2020) did. By assuming that different combinations of extended and restricted SEW priorities within a family firm TMT might impact growth-related decisions, we overall create a more nuanced understanding of family firm decision-making processes (Cambrea et al., 2021). Secondly, we contribute to growth-related literature within family firm research. The most important contribution in this domain is the introduction of the degrowth concept (Laffranchini et al., 2020). Hereby, we not only create a more fine-grained view on how family-specific factors explain different growth-related decisions (Powell & Eddleston, 2017), but also shed light on the broad field of growth studies in general, since growth tends to be treated as asymmetrical by putting much emphasis on the increases but little on the decreases. Additionally, by using the level of family TMT involvement, the importance of family firm heterogeneity as a relevant driver of growth behaviour within family firms is further emphasized (Alessandri et al., 2018; Swab et al., 2020). Furthermore, we enrich the family firm growth debate by considering multiple dimensions (sales, assets, employees) of the multifaceted phenomenon simultaneously in one (family firm) study (Shepherd & Wiklund, 2009). Finally, this article identifies financial slack as a contingent factor that increases the manoeuvring capacity of family managers to deal with growth and degrowth, modulating the importance attached to restricted and extended priorities within the SEW mixed-gamble.

2. Theory and hypotheses development

2.1. Firm growth within a family firm context

Firm growth is usually associated with success and its clarification has been one of the most difficult defiance in literature (e.g. Davidsson et al., 2008). In particular, conclusions about the determining factors of this important firm concept remain inconclusive (Davidsson et al., 2010).

An important explanation for the difficulties in clarifying growth determinants is related to the multifaceted nature of firm growth (Shepherd & Wiklund, 2009). We therefore consider two important aspects within the multifaceted approach of firm growth. Firstly, most scholars have mainly stressed the impact of determinants on increases when investigating the amount of change with regard to firm growth (Delmar, 2006). In order to tackle this asymmetrical treatment, meaning too much emphasis on the increases and neglecting the decreases, we not only discuss increasing growth rates (hereafter growth) but also decreasing growth rates (hereafter degrowth) (Laffranchini et al., 2020). Secondly, previous research has emphasized the differences in findings arising from the use of different growth indicators and has stressed the lack of studies that incorporate the multidimensionality of firm growth (Shepherd & Wiklund, 2009; Winzimmer et al., 1998). To unravel differential effects, we will consider firm growth, not only as changes in sales, but also in assets or employees.

We introduce this two-way multifaceted growth perspective within the context of a peculiar type of firms, namely family firms. Due to the importance of firm growth for the long-term orientation and continuity goals of this type of firms (Cruz & Nordqvist, 2012; Poza et al., 2004) as well as the unique contextual possibilities with regard to growth determinants (due to family control and influence), growth-related research is crucial within the context of family firms (Baù et al., 2019; Bjuggren et al. 2013; Miroshnychenko et al., 2021).

In general terms, studies to date however did not succeed to fully explain the impact of family control and influence on firm growth (e.g. Basco, 2013; Calabrò et al., 2017). Most studies investigating the determining role of family control and influence on firm growth have focused on family control through ownership (e.g. Gallo et al., 2004; Hamelin, 2013; Miller et al., 2009), while a more recent stream of family firm literature emphasizes the important role of family influence in management as a key factor to explain differences in growth-related outcomes (Casillas & Moreno, 2010). However, both research lines have provided inconsistent results. Regarding the latter, Bauweraerts et al. (2020), using a mixed gamble approach based on trade-offs between financial and nonfinancial goals, found that family influence in management can be beneficial for firm growth at low to medium levels of family members in TMTs, while Campopiano et al. (2020), based on the behavioural agency theory, revealed that family managers might hinder growth-related decisions. Authors like Pittino et al. (2020) on the contrary, from an upper echelon perspective, claimed that this form of family influence is not significantly determining for family firm growth. Accordingly, the impact of the extent of family influence in management on growth remains unclear (Calabrò et al., 2017; Cirillo et al., 2020a). Prior studies agree that SEW-related aspects play an important role within family firm TMTs' decision-making processes, such as in the case of growth-related decisions (Berrone et al., 2012 Gomez-Mejia et al., 2007). The fact that family managers motivate their decisions by potential SEW gains and losses is derived from its roots within the behavioural agency model (Wiseman & Gómez-Mejía, 1998). We take into account the crucial role of the heterogeneous character of family firms within the growth debate (Arrondo-Garcia et al., 2016) by incorporating both, varying levels of family TMT membership as a proxy for SEW-related aspects, as well as by considering the aforementioned two-way multifaceted growth perspective.

2.2. The SEW mixed gamble

The duality between SEW gains and losses in family firm decision-making has led to a refinement of this dominant paradigm through the integration of the mixed gamble concept (Bromiley, 2009; Gómez-Mejía et al., 2014a). This concept explains that decisions never lead to win-win or lose-lose outcomes, but implies that it is always a matter of losing something valuable in order to gain something else (Bromiley, 2009). This refinement has created a recent stream of studies that combine the SEW perspective with this mixed gamble approach to explain the differential behaviour and outcomes of family firms (e.g. Alessandri et al., 2018; Bauweraerts et al., 2020).

We also use this mixed gamble perspective to examine the growth-related decisions of family firms. Bauweraerts et al. (2020) consider situations in which family (TMT) members weigh potential financial gains and losses against potential SEW gains and losses. When focusing on the trade-off between financial and nonfinancial gains and losses, such studies assume that all family firms put high emphasis on SEW priorities. We, on the contrary, follow recent debates on differentiating levels of SEW priorities within family firms (Berrone et al., 2012; Miller and Le Breton-Miller, 2014) by solely considering the mixed gamble between SEW gains and losses as the main explanatory force of family firms' growth behaviour (Debicki et al., 2016). In this manner, heterogeneity in SEW priorities is captured. This heterogeneity is especially relevant in the context of the present study, since we take into regard not only the consequences of the mixed gamble between such priorities on potential growth but also on degrowth-avoiding decisions (Alessandri et al., 2018; Bauweraerts et al., 2020). In order to do so, we categorize SEW priorities into two

distinctive groups, namely restricted and extended (Miller and Le Breton-Miller, 2014). The former group is related to family-centric, short-term benefits, while the latter group is more related to the long-term benefits for not only the family, but also the firm and multiple stakeholders (Le Breton-Miller & Miller, 2013).

2.3. The SEW mixed gamble of growth decisions related to growth

As explained above, within strategic decision-making processes, TMT members, and especially family managers, are confronted with a SEW mixed gamble, in which they contrast SEW gains versus SEW losses. In the context of potential growth-promoting decisions, family managers assess the consequences for their SEW endowment. Based on previous literature (e.g. Gómez-Mejía et al. 2014b), this study predicts that (restricted) SEW losses are likely to be greater than (extended) SEW gains such that family managers will opt for policies conducive to lower growth levels in order to prevent restricted SEW losses. This argument is explained in more detail below.

Family managers tend to develop a rather conservative behaviour toward growth (Hamelin, 2013), implying that they prefer to act risk averse by making decisions that involve lower growth rates instead of higher rates (Bromiley, 2010; Kahneman & Tversky, 1979; Wiseman & Gómez-Mejía, 1998). As family TMT involvement increases, family-managed firms may opt for more family-centric strategies, as a consequence of their gamble, wherein they prioritize the preservation of family control (cfr. restricted SEW) over preferences that might be beneficial not only for the family, but also for the firm and other stakeholders (cfr. extended SEW), like the creation of sustainable relationships with different actors (Miller & Le Breton-Miller, 2014). Consequently, higher family TMT involvement might slow down increases in growth rates through the dominance of restricted SEW preferences over extended ones (Gómez-Mejía et al., 2007; Miller & Le Breton-Miller, 2014). This is assumed here to be the case for each of the three integrated firm growth indicators (sales, assets and employees).

Family managers are aware that policies aimed at achieving higher sales growth rates will require much more external resources (e.g. human, financial) that may jeopardize overall family control (e.g. Gómez-Mejía et al. 2014b; Vandekerkhof et al., 2015). Hence, family managers are likely to opt for strategies that generate lower sales growth rates in order to preserve restricted SEW priorities. As such, family firms with a higher family TMT involvement might be more reluctant to boost increases in sales growth rates to adhere to the suboptimal choice of maintaining familial power (Vandekerkhof et al., 2015).

Accepting lower asset growth rates can be explained by the fact that (family) TMT members decide whether or not to make new investments in firm assets (e.g. López-García and Puente, 2006). Increasing asset growth rates necessarily entails an augment in funding, often in terms of external equity or borrowing. Family managers will consider such actions to be translated into SEW losses due to diluted family dominance (Chrisman & Patel, 2012). As such, we expect that, drawing on the SEW mixed gamble approach, higher levels of family TMT involvement will imply the supremacy of restricted SEW priorities with less investments in new assets as a consequence.

Finally, hindering employee growth rates can be explained by the fact that more employees will normally require additional, often nonfamily, managers to monitor them, which in turn will threaten family managers' command (e.g. Colombo & Delmastro, 2008; Vandekerkhof et al., 2015). Furthermore, hiring more employees puts pressure on family harmony and altruistic behaviour (Berrone et al., 2012; Colombo

et al., 2014). Therefore, we expect the restricted SEW preferences to be dominant in this scenario as well, such that higher levels of family TMT involvement will lower the likelihood of these firms to hire new employees.

Taken all together, we assume that higher levels of family TMT involvement imply that these firms behave more risk averse and are more inclined to "harvest rather than build" (Gómez-Mejia et al., 2021). The restricted SEW priorities dominate the mixed gamble in the context of potential growth-promoting decisions. This is in line with prior evidence that shows that family firms often fail to exploit the full potential of specific economic opportunities such as firm growth (Feldman et al., 2016). In this regard, as family management increases, it is more likely that decision making in the firm will be intentionally aimed at further limiting sales, asset and employee growth rates to safeguard not the extended but rather the restricted SEW priorities (Hamelin, 2013). Therefore, we hypothesize:

H1a: There is a negative relationship between the level of family TMT involvement and sales growth.

H1b: There is a negative relationship between the level of family TMT involvement and asset growth.

H1c: There is a negative relationship between the level of family TMT involvement and employee growth.

2.4. The SEW mixed gamble of growth decisions related to degrowth

Drawing on preliminary research (e.g. Laffranchini et al. 2020), this study also argues that family managers generally do not make decisions that may lead to decreasing growth rates, i.e. degrowth, except for the case of downsizing, which is not the subject of our study. On the contrary, family managers are likely to adopt policies that limit potential degrowth rates. Even though family managers can sacrifice gains in extended SEW priorities in order to avoid losses in restricted ones by hindering higher increases in growth rates (e.g. Vandekerkhof et al., 2015), they will consider the threats towards their long-term orientation and firm continuity resulting from decreasing growth rates as being unacceptable (Lumpkin & Brigham, 2011; Lumpkin et al., 2010). Thus, family managers will probably avoid making hazardous decisions, despite these choices may soar growth, because they can also involve considerable degrowth that endangers firm survival (Rojo-Ramírez & Martínez-Romero, 2018).

The former rationale can be explained as being driven by another trade-off within the SEW mixed gamble. Under ordinary circumstances, family managers will opt for making safer, more secure investments and financing decisions, which would imply lower levels of degrowth in case of failure. However, in the context of potential degrowth-avoiding decisions, family managers may become risk-seeking since they are in a domain of losses (e.g. Wiseman & Gómez-Mejía, 1998). Under these circumstances, family-managed firms might take riskier decisions which in turn can result in reversing the degrowth situation. Specifically, in such a situation, family managers may adopt an approach not mainly focused on the family, but on the firm and all its stakeholders. In this case, the gains of the extended SEW priorities will dominate within the decision-making process in comparison to the losses of restricted SEW priorities (Arregle et al., 2007; Laffranchini et al., 2020).

Family managers are even willing to partially lose power due to the development of actions to reverse decreasing sales rates. Sales degrowth might have unfavourable effects on extended SEW priorities, such as on the reputation of both the family and the firm (Block, 2010) and even on the managerial reputation, as poor management could be the reason for such decreasing sales rates (Revilla et al., 2016). In a worst-case scenario, sales degrowth would even endanger the continuity of the family firm (Arregle et

al., 2007; Laffranchini et al., 2020). Consequently, we argue that higher levels of family TMT involvement will lower the likelihood of sales degrowth.

Previous research suggested that family managers are unlikely to assess short-term investments (Berrone et al., 2012). Rather, family managers are usually willing to persevere in their investment decisions (Zellweger, 2007). As family influence in management augments, the objective of the business to continue and be transferred to the next generation can be stressed even more, and thereby, extended SEW priorities related to e.g. long-term perspective, patient capital and persistence in terms of asset investments will be prioritized (Lumpkin & Brigham, 2011). A longer-term approach gives family-managed firms the flexibility to move away from transitional and limited asset degrowth and focus on stable and lasting investments. Consequently, we argue that higher levels of family TMT involvement will imply a lower likelihood of asset degrowth.

Previous literature has also shown the higher capacity of family firms to offer more job security and maintain employment rates (e.g. Bassanini et al., 2013; Bjuggren, 2013). As family influence in management increases, the importance of emotional bonds is emphasized more and all time and resources spent in training employees and identifying them with the norms and values of the family (firm) will be considered as very important (Dyer, 1988). Furthermore, extended SEW priorities related to reputation and nurturing relationships with relevant stakeholders will force family managers to make (riskier) decisions to maintain the status of loyal and caring employer (Mueller & Thomas, 2011). Thus, we assume that higher family TMT involvement will diminish the possibility of reducing the number of employees and, if it is an irremediable decision, contain the intensity of such reduction.

Taken all together, we assume that, in general terms, higher family TMT involvement implies that the TMT will take more risks to preserve their extended SEW priorities and thus accept losses in restricted SEW priorities. In difficult situations, like potential degrowth scenarios, family firm TMTs reverse the negative impact by taking positive collective action (Lingo & Elmes, 2019). Such action can be explained by the higher importance attached to extended, long-term SEW gains, rather than to restricted SEW losses (Arregle et al., 2007; Berrone et al., 2012; Laffranchini et al., 2020). In that case, family managers are willing to make special and personal sacrifices to safeguard firm continuity (Miller et al., 2008) inasmuch as the cost of failure on SEW is even higher when there are more family members involved in the firm management (Revilla et al., 2016)

Taken all these arguments together, we hypothesize:

H2a: There is a negative relationship between family TMT involvement and sales degrowth.

H2b: There is a negative relationship between family TMT involvement and asset degrowth.

H2c: There is a negative relationship between family TMT involvement and employee degrowth.

2.5. The moderating role of financial slack

To better understand the nature of the direct effect of the level of family TMT involvement on growth and degrowth, this study also contextualizes the former relationships by examining to what extent financial slack influences them. Having financial slack may facilitate the TMT to carry out strategic decisions (Iyer & Miller 2008) or to invest in appealing business opportunities (Hambrick & Snow, 1977). Therefore, financial slack often provides larger stability and security to the business (Gómez-Mejía et al., 2018), by

creating an essential buffer to face strategic modifications as well as by protecting the family firm from cash-flow instability (O'Brien, 2003).

We already argued that the pursuit of SEW priorities depends on the level of family TMT involvement and that such involvement directly influences growth and degrowth rates. We now assert that the impact of the mixed gamble between restricted and extended SEW priorities on growth and degrowth may be modified, depending on the level of financial slack. In those situations in which family-managed firms have to consider potential growth-promoting decisions, there will be a dominance of restricted SEW priorities within the mixed gamble, which may decelerate growth rates. As the level of financial slack increases, family managers will have a lower motivation to pursue restricted, family-centric priorities so intensely, because they will perceive that these restricted SEW priorities are less endangered as they do not need as much external resources to finance growth-related decisions.

On the other hand, in those cases in which family-managed firms have to consider potential degrowth-avoiding decisions, there will be a dominance of extended SEW priorities, which may slow down degrowth rates. As the level of financial slack augments, family-managed firms will have a larger buffer to deal with degrowth rates, diminishing the level of firm vulnerability. In the context of potential degrowth-avoiding decisions, the alignment between the interest of the family and the benefits for all stakeholders is likely to be strengthened when having more financial slack, because family managers will have more resources to safeguard firm continuity, and thus it should lead to a higher prevalence of extended SEW priorities. Accordingly, we hypothesize:

H3a. The relationship between the level of family TMT involvement and growth is moderated by the level of financial slack. Specifically, the higher the level of financial slack, the weaker the negative effect of the level of family TMT involvement on sales, asset and employee growth.

H3b. The relationship between the level of family TMT involvement and degrowth is moderated by the level of financial slack. Specifically, the higher the level of financial slack, the stronger the negative effect of the level of family TMT involvement on sales, asset and employee degrowth.

3. Data and Methodology

3.1. Sample Selection

The hypotheses developed in this study are tested on a representative sample of Spanish firms from the database Encuesta sobre Estrategias Empresariales (ESEE hereinafter), published by the Spanish Ministry of Science and Technology. The database was conceived with the goal of ensuring the representativeness of the Spanish manufacturing industry, which is guaranteed by combining exhaustiveness and random sampling criteria. Moreover, there is a high degree of participation (the general response rate varied across years, ranging from 80.8% to 94.8%), which ensures the quality of the information (Dorling & Simpson, 1999). The ESEE relies on multiple respondents (different organizational members of each firm complete distinct sections of the survey based on their direct responsibilities and access to information; on average, each survey was completed through the input of roughly 2.5 firm members per firm), has a survey validation process and collects objective information, consequently it reduces the likelihood of common method bias (Kotlar et al., 2014). Furthermore, the unbalanced peculiarity of the ESEE implies that firms can enter and exit from the survey in the same vein that businesses appear and disappear in the economy (Kotlar et al., 2013, 2014). Accordingly, this database is adequate to observe sufficient degrees of firm performance, and

specifically firm growth. Financial, accounting, TMT involvement, and innovation data were collected for the years 2000 to 2013.

Considering the goals of our study, we selected a sample composed exclusively of family firms. The ESEE adopts a dichotomous variable to distinguish between family and nonfamily firms. According to the ESEE, firms are self-classified as family firms when the firm "belongs to a family group" (i.e. yes if it belongs to a family group, and no if it does not belong to a family group), without specifying the percentage of the family ownership. This self-classification criterion is widely accepted and used in the literature (e.g. Gjergji et al., 2020; Sánchez-Marín et al. 2020; Westhead and Cowling 1998). For all those firms that are family controlled, the ESEE database also reports the number of family members (i.e. owners and their relatives) that occupy top managerial positions (Kotlar et al., 2013).

After removing micro firms with less than 10 employees to focus on firms that are large enough to experience both growth and degrowth situations, and firms with missing data and outliers for the main studied variables, the final sample consists of an unbalanced panel of 4,047 observations of family controlled firms covering the period 2000-2013. To test the potential bias and representativeness of our final sample, we compared the final estimation sample with the initial sample for the year 2013. The distribution by size and industry is analogous in the original and the final sample. Thus, it can be concluded that no bias exists among the initial and final sample.

3.2. Variables

Dependent variables. *Growth and degrowth rates*. We measured growth rates as the percentage change in sales $\frac{(Sales_t - Sales_{t-5})}{Sales_{t-5}}$, assets $\frac{(Assets_t - Assets_{t-5})}{Assets_{t-5}}$, or employees $\frac{(Employees_t - Employees_{t_{t-5}})}{Employees_{t_{t-5}}}$ over the past five years (Beck et al., 2008; Casillas et al., 2010; Shepherd & Wiklund, 2009). If the percentage change in sales, assets or employees, is greater than 0, then growth rate is coded as a continuous variable; otherwise, negative values are replaced by 0. Additionally, we measured degrowth rates by the percentage change in sales, assets or employees over the past five years. If the percentage change is less than 0, then degrowth rate is coded as the absolute value of the continuous variable; otherwise, positive values are replaced by 0. By doing so, we construct continuous censored variables of both growth and degrowth rates.

Independent variable. *Family TMT involvement*. The influence of family managers on decision-making is considered an objective and suitable SEW proxy for especially the family influence aspect within the family control and influence dimension of SEW (e.g. Cruz et al. 2010; Cambrea et al., 2021; Gomez-Mejia & Herrero, 2021; Kotlar et al., 2013). We therefore opt for this proxy and define *family TMT involvement* as the active participation of the controlling family in firm management for those firms that are family-owned (Kotlar et al., 2014; Martínez-Alonso et al., 2020). In view of the above, family TMT involvement is measured as a continuous variable including the number of members of the owner-family involved in the TMT of the firm (Manzaneque et al. 2020; Muñoz-Bullón et al. 2020; Kotlar et al., 2013).

Moderating variable. *Financial slack*. Slack resources represent the buffer of actual resources available for reallocation and transformation in an organization (George, 2005). As a proxy for financial slack, we used the ratio of current assets to current liabilities (Gómez-Mejia et al. 2018).

Control variables. In view of the previous findings in growth literature, we included several control variables to exclude alternative explanations. First, we controlled for firm age and firm size, measured as the natural logarithm of years since a firm's inception and the natural logarithm of total assets book value,

respectively (Arrondo García et al., 2020). We also controlled for firm profitability, by using the return on asset ratio (ROA), measured as earnings before interest and tax to total assets, and for firm leverage, which accounts for total liabilities divided by total assets (Diéguez-Soto et al., 2021). Moreover, we have also considered product innovation as a good proxy for the development of products that have unique value relative to the competition in a market. Thus, we included the dummy variable innovation, which takes the value 1 if the firm obtained one or more product innovations during a particular year and 0 if not (Mazzelli et al., 2018). Besides, we control for overall firm performance by the Altman's Z-score statistic (Altman, 1968). Particularly, we have used the Z-Score model especially intended for private manufacturing firms (Altman et al., 2017), calculated using five synthetic ratios weighted by fixed coefficients. A high Altman Z-score indicates that a firm is not at risk of bankruptcy, meanwhile a low score indicates that a firm is on the verge of bankruptcy (Casillas et al., 2019; Iyer & Miller, 2008). Furthermore, the dummy variable crisis is equal to 1 from 2008 onwards (Sun et al., 2018). Subindustries are controlled by twenty dummy variables for each two-digit Nomenclature statistique des activités économiques (NACE) codes[1]. Finally, Spanish territorial subdivisions are controlled by dummy variables representing seven Spanish territorial subdivisions following the Nomenclature des Unités Territoriales Statistiques, NUTS1 (Regions in the European Union - NUTS 2013/EU-28, 2015) (Eurostat, 2015)[2].

To control for endogeneity and to minimize concerns of reverse causality, we measured the dependent variable at time t and the independent and control variables at t–1 (Vanacker et al., 2016), given that 'the best remedy for endogeneity' is having data on independent and dependent variables from different time periods (Jean et al., 2016, p.497). In such a way, the covariates are treated as predetermined (Manzaneque et al., 2018).

3.3. Method

We follow an increasing number of scholars who have attempted to capture the temporal dimension of firm growth by analysing panel data sets (Davidsson et al., 2010). This is one of the most commonly used methodologies in studies regarding firm performance and corporate governance (e.g. Kotlar et al., 2014), which allows controlling for unexpected heterogeneity and biased results (Sacristan-Navarro et al., 2011).

With regard to the model specification, as our dependent variables, both growth and degrowth rates, were limited and censored -that is, neither of them took negative values and both contained numerous observations with values equal to 0-, a Tobit panel data methodology was the most appropriate to test our hypotheses (Greene, 2003). Specifically, we executed Tobit random effect regression models, because as indicated by Gómez-Mejía et al., (2014a), fixed effect estimates are not consistent in a Tobit framework. Therefore, following previous research (Gómez-Mejía et al., 2014a; Martínez-Alonso et al. 2020), we employed random effect maximum likelihood (M-L)-based Tobit models for panel data.

4. Results

4.1. Main analyses

[1] The manufacturing subindustries are: 1. Meat industry; 2. Foodstuffs and snuff; 3. Drinks; 4. Textiles and clothing; 5. Leather and footwear; 6. Timber industry; 7. Paper Industry; 8. Graphics; 9. Chemical and pharmaceutical products; 10. Rubber and plastic; 11. Non-metallic mineral products; 12. Ferrous and non-ferrous metals; 13. Metal products; 14. Agricultural and industrial machinery; 15. Computer, electronic and optical products; 16. Electrical machinery and material; 17. Motor vehicles; 18. Other transport equipment; 19. Furniture industry; and, 20. Other manufacturing

[2] The territorial subdivisions are: 1. Northwest 2. Northeastern 3. Madrid 4. Center 5. East 6. South 7. Canarias.

The descriptive statistics and correlations for the complete panel are summarized in Tables 1 & 2.

(Insert Tables 1 & 2 here)

The results show no indications of multicollinearity as its magnitudes are modest with the highest being 0.399 (Tabachnick & Fidell, 1996). The variance inflation factors (VIF) and the condition index are also calculated (results not reported). In all cases VIFs did not exceed 2.06, which is far below the 10 threshold, and condition indexes are always below the warning level of 20 (all<2.72) (Johnston, 1984). Thus, multicollinearity did not appear to be a concern (Mansfield & Helmsb, 1982). Finally, the size of the sample is large, which further contributes to the reduction in the standard errors.

(Insert Table 3 here)

Table 3 reports the results of the panel Tobit models used to test our proposed hypotheses. Both the spatial and the temporal heterogeneities of the data are contemplated. First, with respect to Hypothesis 1a, the results of Model A1 suggest that family TMT involvement does not exert a significant influence on sales growth. Thus, Hypothesis 1a is not supported. Hypotheses 1b and 1c are neither supported. In this regard, the findings reveal that higher levels of family TMT involvement positively and significantly influence asset ($\beta = 0.051$, $p < 0.1$) and employee growth rates ($\beta = 0.032$, $p < 0.05$), as shown in Models A2 and A3, respectively, demonstrating just the opposite effect to that hypothesized. Table 3 also reports the results of the models used to test Hypotheses 2a, 2b and 2c, which predicted a negative impact of family TMT involvement on sales, asset and employee degrowth. All the proposed hypotheses are supported, as we found that higher levels of family managers negatively and significantly influence sales ($\beta = -0.021$, $p < 0.05$), assets ($\beta = -0.033$, $p < 0.01$) and employee ($\beta = -0.022$, $p < 0.01$) degrowth rates, as shown in Models B1, B2 and B3, respectively.

Table 4 reveals the findings obtained when analysing the moderating effect of financial slack. We only checked such moderating effects, when the principal relationship is shown significant in the results of our main hypotheses. In this regard, the findings reveal a non-significant moderating effect of financial slack for the family TMT involvement-asset growth relationship (Model C1), and a positive and significant moderating effect of slack on the family TMT involvement-employee growth relationship ($\beta = 0.012$, $p < 0.1$) (Model D1.1). Thus, H3a is not supported. When analysing degrowth as the dependent variable, financial slack reinforces the negative relationship between family TMT involvement and sales degrowth ($\beta = -0.007$, $p < 0.01$), as shown in Model E1.1. On the contrary, financial slack weakens the link between family TMT involvement and asset degrowth ($\beta = 0.006$, $p < 0.1$), as shown in Model F1.1. Finally, for the case of employee degrowth, financial slack does not moderate the family management-degrowth relationship. Therefore, H3b is partially supported. A graphical interpretation of the moderating effect is shown in Figures 1 and 2.

(Insert Figures 1 & 2 here)

4.2. Robustness checks

Table 5 reports the robustness checks examining the influence of family TMT involvement on sales, assets and employee growth rates over the past 3 years. The findings are similar to those obtained in the main analyses: Hypotheses 1a and 1b are not supported, as the family incidence on both sales and asset growth is not significant (Models A1.1 and A2.1). On the other hand, Model A3.1 reveals that, contrary to our expectations, the effect of family TMT involvement on employee growth continues to be positive and

significant ($\beta = 0.025$, $p < 0.05$), strongly supporting the positive incidence exposed in the main analysis. Additionally, Table 5 reveals the robustness tests considering degrowth over the past 3 years as dependent variable. The results remain the same as for degrowth rates over the past 5 years. That is, as family TMT involvement rises, sales ($\beta = -0.014$, $p < 0.05$), assets ($\beta = -0.016$, $p < 0.05$) and employee ($\beta = -0.011$, $p < 0.05$) degrowth rates are lower. Therefore, Hypotheses 2a, 2b and 2c are strongly supported.

To further ensure the robustness of our findings, additional analyses were performed by including alternative measures of sales, assets and employee growth and degrowth rates, over the past two and four years. Results remain similar to those exposed in Table 3 and are available upon authors' request.

In short, our results seem to confirm that the effect of family TMT involvement on growth rates might be contingent upon the analysed growth dimension. In this regard, the findings do not support a significant impact of family TMT involvement on sales growth. Moreover, the findings reveal a significant effect of family management on asset growth in the main analysis, although this influence is not corroborated in the robustness checks. And finally, the results show convincingly, both in the main and robustness analyses, that family TMT involvement has a favourable and significant influence on employee growth. On the contrary, with regards to the effect of family TMT involvement on degrowth rates, there is complete unanimity. All the proposed models evaluating the relationship between family involvement in management and degrowth reveal a significant diminishing effect, regardless of the analysed dimension (sales, assets or employees), and despite the analysed period. Regarding the moderating effect of financial slack, in general terms, it reinforces the effect of family TMT involvement on employee growth as well as on sales degrowth, while it weakens the effect of family TMT involvement on asset degrowth.

5. Discussion

Currently, there exists an ongoing debate on the influence of family TMT involvement on firm growth (Cirillo et al., 2020a; Miroshnychenko et al., 2021). Firm growth is an intricate phenomenon to conceptualize and quantify (Davidsson et al., 2008), which requires it to be investigated as a multifaceted issue (Shepherd & Wiklund, 2009). Consequently, our study adopts a more nuanced view on firm growth, to achieve a more comprehensive understanding of it. First, by analysing the effect of family TMT involvement on growth through a SEW mixed gamble approach. Second, by investigating the impact of this SEW mixed gamble, weighing restricted vs. extended SEW priorities, on both growth and degrowth rates. Third, by considering a multidimensional growth approach, analysing different measures of firm growth (sales, assets, and employees). Finally, by including financial slack as a contextual factor that might indirectly affect the various relationships between family TMT involvement and growth and degrowth rates.

In general, our results are twofold by highlighting that family TMT involvement might enhance growth rates in family firms while undeniably limiting degrowth rates. First, our findings demonstrate that the level of family TMT members differently influences increasing growth rates, depending on the way in which firm growth is measured. More specifically, we were not able to find a significant impact of higher levels of family TMT involvement on sales growth. However, our results show that the level of family TMT involvement has a favourable effect on asset growth and that it is always beneficial for employee growth. We can explain these findings by the fact that the decisions of investing in assets and contracting new employees can be easier schemed and depend more on TMT members' criteria, while sales growth is rather difficult to control through TMT decision-making (Pittino et al., 2020). In this regard, family

managers do not seem to be concerned about the consequences of short-term investments in terms of restricted SEW (e.g. diluted family power). Instead, they seem agitated by the long-term continuity of the family firm through investing for the long run, as some studies suggest (e.g. James, 2006). Such attitude inspires family managers to actively engage in asset growth strategies, with the aim of ensuring the firm's transmission to subsequent generations as well as the prolonged existence and prosperity of the family firm (Saridakis et al., 2018). In short, family managers appear to perceive asset investments as long-term strategic options that augment family firms' competitiveness and likelihood of survival (López-García and Puente, 2006), leading to an alignment of interests between the family, the business and all stakeholders, and thus to the dominance of extended SEW priorities. Moreover, our results reflect that employee growth rates decisions are better understood framed on the extended version of SEW. Family managers consider the consequences of employment growth choices for the family emotional well-being as well as for the family firm stakeholders and community (Miller & Breton-Miller, 2014). Potential benefits linked to employee growth, such as labour supply for family members or the preservation of the family image or reputation, are larger than the expected losses (i.e. disagreements regarding task priorities or incompatibilities provoked by acquiring human resources). Family managers have longer horizons (Kappes and Schmid, 2013) and are especially worried about the family's reputation and social identity (Chen et al., 2014). Hence, family managers opt for increasing employee growth rates as this preference reinforces their reputation in the market and may increase the long-term robustness of the family firm (Eddleston and Kellermanns, 2007). Employee growth implies a concern for the reputation of the family firm, and it is also a measure of the family firm's social responsibility toward the community (Chen et al., 2014). In short, contracting new employees implies displaying emotional attachment, closeness and personal duty towards employees and the society (Lähdesmäki, 2019; Nahapiet & Ghoshal, 1998). Thus, it can also be reflected in more pronounced extended SEW benefits.

Second, our results always show a significant, negative effect of the level of family TMT involvement on degrowth regardless of the measure used. These results reveal how important extended SEW priorities are in augmenting resilience and shaping strategies to combat adverse situations (Patel & Chrisman, 2014). Therefore, it can be argued that, family managers will avoid making hazardous decisions to limit potential degrowth rates, as such decisions might endanger firm survival (Casillas & Moreno, 2010; Chrisman et al., 2012; Lumpkin & Brigham, 2011). Moreover, in the case that family managers have to deal with potential degrowth situations, they seem to put less emphasis on restricted SEW losses (i.e. declined family control/power) in comparison to extended SEW gains derived from reducing such decreasing growth rates (i.e. maintaining continuity or protecting the welfare of employees and other stakeholders). Therefore, extended SEW priorities prevail over restricted SEW priorities, and goals such as the creation of long-lasting relationships with partners to increase the chances of firm survival, or the improvement of the family reputation to enhance the firms' affective value (Laffranchini et al., 2020), will be pursued, generating stronger resilience in the face of unfavourable events. Specific attention is required for the comparison of our results on employee degrowth with previous studies analysing downsizing -a probable overlapping concept- in a family business context, knowing that downsizing is usually defined as job cuts above 5%, compared to the previous period (e.g. Block, 2010). Overall, in coherence with some previous literature (Cirillo et al., 2020b), our results indicate that in the context of employee degrowth,

family firms not only value the family's emotional wellbeing, but also the connection of the family with its stakeholders and the community. However, contrary to Cirillo and colleagues, our study focuses on family firm heterogeneity *in management* instead of comparing family and non-family firms. Furthermore, complementing prior studies which did not find support for a direct influence of family management on downsizing (Block, 2010), our results seem to confirm that it makes sense to use middle term measures of employee degrowth (over the last five and three years) instead of short-term measures as prior research has done (e.g. Cirillo et al., 2020b). By using these middle term measures, the negative impact of family management on employee degrowth is highlighted, as extended SEW priorities become then more relevant.

Third, by and large, this study documents that financial slack shapes the way in which the level of family TMT involvement affects growth and degrowth rates. The level of financial slack strengthens the positive effect of family management on employee growth, leading to higher growth rates, and the negative incidence of family management on sales degrowth, implying less unfavourable situations. Family managers consider financial slack as a buffer for facilitating strategic choices (O'Brien, 2003), which enables family firms to have more options to face growth and degrowth related decisions, enhancing extended SEW priorities. Finally, the level of financial slack appears to weaken the negative impact of family management on asset degrowth rates. In this regard, having more financial slack implies underutilized resources (Sisodiya et al. 2013), which might be deployed in long-term investments that are fundamental for mitigating asset degrowth situations.

This article contributes to family firm and growth research in several ways. First, our findings contribute to the domain of SEW and family firms, by proving the SEW mixed gamble's appropriateness to disentangle the complex connection between the level of family TMT involvement and growth-related behaviour, with especially interesting findings with regard to degrowth. While prior mixed gamble studies have relied on trade-offs between financial and SEW priorities for undertaking growth related decisions (e.g. Bauweraerts et al., 2020), this paper emphasizes the relevance of the level of family TMT involvement to weigh only SEW gains and losses. Therefore, our study uses an unprecedented SEW-focused mixed gamble approach, in which only SEW priorities are considered, as SEW is the primary driver of family firm's strategic behaviour (Chrisman & Patel, 2012). Linking it with the notions of restricted and extended SEW, as such SEW priorities can be varying within a family firm (e.g. Berrone et al., 2012), this paper provides a more nuanced understanding of the influence of family TMT involvement on family firms' growth decisions. Our findings reveal that the importance attached to restricted/extended SEW priorities (Miller & Le Breton-Miller, 2014) may be utilized to frame and understand the differing influence of family TMT involvement on growth and degrowth rates.

Second, this paper contributes to the growth literature within the family firm research field, by shedding light into how family TMT involvement affects decisions with regard to both growth and degrowth rates. In this vein, the introduction of the degrowth concept (Laffranchini et al. 2020) is of utmost importance, as it allows us to address the asymmetrical treatment that growth has received in previous literature, which has emphasized the increases to the detriment of the decreases. Moreover, from a methodological point of view, we avoided falling into the error of capturing several growth measures under the same umbrella by using three distinctive growth measures (i.e. sales, assets, and employees) in the same study. Therefore, by capturing this two-way multifaceted growth perspective, we enrich the family firm

growth debate (Shepherd & Wiklund, 2009). Moreover, by considering the level of family TMT involvement within a sample of family firms, the relevance of family heterogeneity as a determining driver of growth behaviour is emphasized (Alessandri et al., 2018; Diéguez-Soto et al. 2021). Overall, we answer the call for more research on the family management-growth relationship (Cirillo et al., 2020a).

Finally, our study also adds to the field of family firm growth, by revealing how different levels of family management exert differential effects on growth and degrowth rates depending on the level of financial slack (e.g. Gómez-Mejía et al., 2018), which modulates the importance attached to restricted and extended priorities within the SEW mixed-gamble

Practical Implications. Our study also has practical implications, related to the uniqueness of growth behaviour within a family firm context. On the one hand, our findings indicate that the balancing between different noneconomic priorities is a crucial determinant of family firms' strategic behaviour. Being aware that higher levels of family TMT involvement imply larger trade-offs between restricted and extended SEW priorities, which in turn will impact the firms' growth behaviour, may help family firms to consider and determine the structure of their TMT. These structural considerations are related to the number of family members in the TMT. Family firms that want to grow, either in terms of assets or employees, or that aim to limit degrowth, might consider increasing the number of family managers. On the other hand, our findings reveal that policy makers and public authorities can also contribute to the improvement of employee growth and to the diminishing of sales degrowth, through the promotion of policies and specific initiatives that provide firms with better access to slack resources.

Limitations and future research. Despite the promising obtained results, our study has some limitations, which also offer interesting opportunities for future research. First, some caution must be exercised on the generalizability of our findings. The validity of our results might be conditioned by the use of a specific sample of Spanish manufacturing firms, inasmuch as the analysed relationships might vary across countries based on cultural contingencies (Hayton et al., 2002). Although globalization reduces the impact of cultural differences, future researchers might test whether our results continue corroborating in other industrial sectors and outside of Spain. Second, limitations with our database have prevented us from measuring certain issues. First, no direct measure of SEW was available within our data. Instead, we used family involvement in management as it is a confirmed proxy for SEW within family firm research (Gomez-Mejia et al, 2011). A recent study of Gomez-Mejia & Herrero (2021) further confirms the suitability of using this proxy, but future studies could however benefit from integrating direct SEW measures. Next, we were not able to control for two important aspects. First, we did not have any data on the level of family ownership, while it might have an impact on growth scenarios (e.g. Hamelin, 2013). Second, we also did not control for the entrepreneurs' motivation to grow while it is considered to be determining for growth contexts as well (Delmar & Wiklund, 2008). Future studies should control for these variables. Additionally, the absence of the total number of TMT members per firm in the database did not allow us to use the ratio of family managers with regard to total team size as a robustness check. However, other studies have shown that using the direct measurement of family TMT involvement is equally suitable (Martínez-Alonso et al. 2020; Manzaneque et al. 2020; Muñoz-Bullón et al. 2020). Finally, we have to mention that family firms are defined based on self-assessment criteria. In any case, this approach is frequently used in family firm

literature to classify a firm as being a family firms (e.g. Astrachan et al., 2002; Carr et al., 2011; Sánchez-Marín et al. 2020).

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Table 1: Descriptive Statistics

Descriptive Statistics				
Variables	Mean	SD	Min	Max
Sales growth	0.201	0.835	0	1.689
Asset growth	0.295	0.789	0	3.020
Employee growth	0.091	0.241	0	1.067
Sales degrowth	0.107	0.166	0	0.660
Assets degrowth	0.077	0.139	0	0.614
Employees degrowth	0.096	0.132	0	0.560
Family TMT involvement	1.195	0.999	0	4
Financial slack	2.171	5.698	0.007	13.23
Firm age	3.174	0.693	0	5.153
Firm size	15.403	1.682	10.961	20.748
ROA	0.114	0.182	-1.510	1.349
Firm leverage	0.522	0.231	0	0.996
Innovation	0.218	0.413	0	1
Z-Score	3.076	5.802	-1.831	31.83
Crisis	0.449	0.497	0	1

Table 2. Correlations

Panel A. Correlations (Growth)												
	1	2	3	4	5	6	7	8	9	10	11	12
1. Sales Growth	1											
2. Asset Growth	0.138***	1										
3. Employee Growth	0.211***	0.238***	1									
4. Family TMT involvement	-0.038**	0.005	0.008									
5. Financial Slack	-0.031*	-0.069***	-0.042**	1								
6. Firm age	0.013	-0.091***	-0.065***	-0.046***	0.027*	1						
7. Firm size	0.075***	0.044**	0.064***	-0.152***	-0.031**	0.429***	1					
8. ROA	0.088***	0.028	0.039**	0.036**	0.024	-0.098***	-0.043***	1				
9. Firm leverage	0.054***	0.175***	0.043**	0.079***	-0.275***	-0.199***	-0.061***	-0.047***	1			
10. Innovation	0.053***	-0.011	0.010	-0.064***	0.019	0.136***	0.251***	0.010	-0.035**	1		
11. Z-Score	0.033*	-0.097***	0.006	-0.029*	0.92***	-0.021***	-0.079***	0.204***	-0.177***	0.011	1	
12. Crisis	-0.053***	-0.139***	-0.098***	-0.056***	0.013	0.257***	0.133***	-0.136***	-0.066***	-0.048***	-0.032**	1

Panel B. Correlations (Degrowth)												
	1	2	3	4	5	6	7	8	9	10	11	12
1. Sales Degrowth	1											
2. Asset Degrowth	0.381***	1										
3. Employee Degrowth	0.559***	0.297***	1									
4. Family TMT involvement	-0.058***	-0.077***	-0.097***	1								
5. Financial Slack	0.134***	-0.006	0.069***	-0.05***	1							
6. Firm age	0.051***	0.021***	0.040**	-0.046**	0.027*	1						
7. Firm size	-0.095***	-0.139***	-0.057***	-0.152***	-0.031**	0.429***	1					
8. ROA	-0.297***	-0.007	-0.165***	0.036**	0.024	-0.098***	-0.043***	1				
9. Firm leverage	-0.091***	-0.017	0.004	0.079***	-0.275***	-0.199***	-0.061***	-0.047***	1			
10. Innovation	-0.037**	-0.027	-0.043**	-0.064***	0.019	0.136***	0.251***	0.010	-0.035**	1		
11. Z-Score	-0.089***	0.137***	-0.059***	-0.029*	0.92***	-0.021***	-0.079***	0.204***	0.177***	0.011	1	
12. Crisis	0.280***	0.173***	0.208***	-0.056***	0.013	0.257***	0.133***	-0.136***	-0.066***	-0.048***	-0.032**	1

Note. *** Significant at 1%; ** 5% * 10%.

Table 3. Panel Tobit Random-Effect Regression Models to analyse the impact of Family TMT involvement on Growth and Degrowth												
	GROWTH RATES						**DEGROWTH RATES**					
	Dependent variable: Sales Growth over the past 5 years (H1a)		**Dependent variable: Asset Growth over the past 5 years (H1b)**		**Dependent variable: Employee Growth over the past 5 years (H1c)**		**Dependent variable: Sales Degrowth over the past 5 years (H2a)**		**Dependent variable: Asset Degrowth over the past 5 years (H2b)**		**Dependent variable: Employee Degrowth over the past 5 years (H2c)**	
	Baseline Model I	Model A1	Baseline Model II	Model A2	Baseline Model III	Model A3	Baseline Model IV	Model B1	Baseline Model V	Model B2	Baseline Model VI	Model B3
Independent variables												
Family TMT involvement		0.007 (0.038)		**0.051* (0.031)**		**0.032** (0.014)**		**-0.021** (0.008)**		**-0.033*** (0.009)**		**-0.022*** (0.006)**
Control variables												
Firm age (β_2)	-0.121 (0.083)	-0.121 (0.083)	**-0.213** (0.087)**	**-0.214** (0.087)**	**-0.151*** (0.039)**	**-0.153*** (0.04)**	**0.094*** (0.022)**	**0.094*** (0.022)**	0.035 (0.022)	0.034 (0.022)	**0.052*** (0.016)**	**0.052*** (0.016)**
Firm Size (β_3)	**0.187*** (0.031)**	**0.188*** (0.032)**	0.06 (0.044)	0.068 (0.044)	**0.081*** (0.015)**	**0.086*** (0.015)**	**-0.054*** (0.008)**	**-0.056*** (0.008)**	**-0.019* (0.011)**	**-0.025** (0.011)**	**-0.022*** (0.006)**	**-0.024*** (0.006)**
ROA (β_4)	**1.35*** (0.257)**	**1.35*** (0.257)**	**0.748*** (0.192)**	**0.741*** (0.192)**	**0.204** (0.093)**	**0.199** (0.092)**	**-0.408*** (0.048)**	**-0.405*** (0.048)**	**-0.172*** (0.051)**	**-0.168*** (0.05)**	**-0.142*** (0.033)**	**-0.138*** (0.033)**
Leverage (β_5)	**1.069*** (0.209)**	**1.068*** (0.21)**	**0.807*** (0.187)**	**0.793*** (0.187)**	0.121 (0.087)	0.113 (0.087)	**-0.246*** (0.043)**	**-0.241*** (0.043)**	-0.037 (0.048)	-0.027 (0.048)	-0.019 (0.032)	-0.014 (0.032)
Innovation (β_8)	0.087 (0.074)	0.087 (0.074)	**0.189*** (0.054)**	**0.189*** (0.054)**	**0.055** (0.026)**	**0.054** (0.026)**	**-0.075*** (0.014)**	**-0.075*** (0.014)**	**-0.086*** (0.016)**	**-0.086*** (0.016)**	**-0.037*** (0.01)**	**-0.037*** (0.01)**
Z-Score (β_9)	0.012 (0.028)	0.013 (0.028)	**-0.063*** (0.022)**	**-0.062*** (0.022)**	**-0.007 (0.011)**	**-0.006 (0.011)**	**-0.009** (0.004)**	**-0.01** (0.004)**	**0.014*** (0.005)**	**0.014*** (0.005)**	-0.001 (0.003)	**-0.002 (0.003)**
Crisis (β_{10})	**-0.718*** (0.067)**	**-0.717*** (0.067)**	**-0.483*** (0.048)**	**-0.481*** (0.048)**	**-0.246*** (0.023)**	**-0.245*** (0.023)**	**0.208*** (0.013)**	**0.207*** (0.013)**	**0.159*** (0.016)**	**0.157*** (0.016)**	**0.131*** (0.009)**	**0.13*** (0.009)**
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Nuts	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Intercept (β_0)	**-2.856*** (0.562)**	**-2.881*** (0.578)**	0.674 (0.423)	0.576 (0.428)	**-0.73*** (0.265)**	**-0.83*** (0.268)**	**0.449*** (0.136)**	**0.514*** (0.138)**	-0.315*** (0.11)	**-0.244** (0.11)**	0.057 (0.105)	0.121 (0.105)
Wald chi-square	327.56***	327.37***	291.09***	293.18***	241.13***	244.91***	659.49***	665.27***	234.07***	245.04***	386.30***	400.37***
Log likelihood	-2,940.13	-2,940.11	-2,967.67	-2,966.3	-1,261.77	-1259.21	-756.64	-753.40	-898.68	-892.07	-386.56	-379.72
Observations	2,620	2,620	2,580	2,580	2,620	2,620	2,620	2,620	2,580	2,580	2,620	2,620

Note. Standard errors in parenthesis; *** significant at 1%; ** 5% * 10%. In bold, significant coefficients. In the models in which the dependent variable is Asset Growth or Asset Degrowth, the control variable firm size is measured as the natural log of the number of employees.

Table 4. Panel Tobit Random-Effect Regression Models to analyse the moderating effect of financial slack on the Family TMT involvement-Growth/Degrowth relationship					
	GROWTH RATES		**DEGROWTH RATES**		
	Dependent Variable: Asset Growth over the past 5 years (H3a)	**Dependent Variable: Employee Growth over the past 5 years (H3a)**	**Dependent Variable: Sales Degrowth over the past 5 years (H3b)**	**Dependent Variable: Asset Degrowth over the past 5 years (H3b)**	**Dependent Variable: Employee Degrowth over the past 5 years (H3b)**
	Model C1	Model D1.1	Model E1.1	Model F1.1	Model G1.1
Independent variables					
Family TMT involvement (β_1)	**0.085**** **(0.043)**	0.005 (0.019)	-0.008 (0.01)	**-0.049***** **(0.012)**	**-0.019**** **(0.007)**
Slack	0.01 (0.016)	-0.013 (0.009)	**0.009**** **(0.004)**	-0.007 (0.005)	0.002 (0.003)
Family TMT involvement*Slack	-0.015 (0.014)	**0.012*** **(0.006)**	**-0.007***** **(0.003)**	**0.006*** **(0.004)**	-0.002 (0.002)
Control variables					
Firm age (β_2)	**-0.194**** **(0.089)**	**-0.143***** **(0.041)**	**0.072***** **(0.022)**	**0.024** **(0.022)**	**0.048***** **(0.016)**
Firm Size (β_3)	**0.059** **(0.046)**	**0.087***** **(0.016)**	**-0.053***** **(0.008)**	**-0.022*** **(0.011)**	**-0.025***** **(0.006)**
ROA (β_4)	**0.764***** **(0.208)**	**0.232**** **(0.104)**	**-0.427***** **(0.053)**	**-0.223***** **(0.057)**	**-0.144***** **(0.037)**
Leverage (β_5)	**0.816***** **(0.201)**	**0.125** **(0.096)**	**-0.261***** **(0.047)**	-0.027 (0.052)	**-0.04** **(0.034)**
Innovation (β_8)	**0.192***** **(0.06)**	**0.058**** **(0.028)**	**-0.076***** **(0.015)**	**-0.091***** **(0.018)**	**-0.033***** **(0.011)**
Z-Score (β_9)	**-0.058**** **(0.024)**	**-0.005** **(0.013)**	**-0.013**** **(0.006)**	**0.017***** **(0.006)**	**-0.004** **(0.004)**
Crisis (β_{10})	**-0.502***** **(0.052)**	**-0.255***** **(0.024)**	**0.213***** **(0.014)**	**0.156***** **(0.016)**	**0.131***** **(0.01)**
Industry	Yes	Yes	Yes	Yes	Yes
Nuts	Yes	Yes	Yes	Yes	Yes
Intercept (β_0)	0.457 (0.442)	**-0.212***** **(0.07)**	**0.563***** **(0.142)**	**-0.203*** **(0.112)**	0.178 (0.108)
Wald chi-square	264.16***	224.04***	617.02***	224.11***	371.94***
Log likelihood	-2,705.68	-1149.91	-663.13	-797.34	-349.44

Note. Standard errors in parenthesis; *** significant at 1%; ** 5% * 10%. In bold, significant coefficients. In the models in which the dependent variable is Asset Growth or Asset Degrowth, the control variable firm size is measured as the natural log of the number of employees.

Table 5. Robustness Models to analyse the impact of Family TMT involvement on Growth and Degrowth												
	Dependent variable: Sales Growth over the past 3 years		**Dependent variable: Asset Growth over the past 3 years**		**Dependent variable: Employee Growth over the past 3 years**		**Dependent variable: Sales Degrowth over the past 3 years**		**Dependent variable: Asset Degrowth over the past 3 years**		**Dependent variable: Employee Degrowth over the past 3 years**	
	Baseline Model VII	Model A1.1	Baseline Model VIII	Model A2.1	Baseline Model IX	Model A3.1	Baseline Model X	Model B1.1	Baseline Model XI	Model B2.1	Baseline Model XII	Model B3.1
Independent variables												
Family TMT involvement		-0.007 (0.027)		0.164 (0.024)		**0.025** (0.011)**		**-0.014** (0.006)**		**-0.016** (0.006)**		**-0.011** (0.005)**
Control variables												
Firm age (β_2)	0.001 (0.052)	0.001 (0.052)	-0.069 (0.051)	-0.069 (0.051)	**-0.066*** (0.024)**	**-0.067*** (0.025)**	0.004 (0.014)	0.004 (0.014)	0.004 (0.013)	0.003 (0.013)	0.013 (0.01)	0.013 (0.01)
Firm Size (β_3)	**0.083*** (0.021)**	**0.082*** (0.022)**	0.006 (0.029)	0.008 (0.029)	**0.026*** (0.01)**	**0.03*** (0.01)**	**-0.024*** (0.006)**	**-0.026*** (0.006)**	-0.01 (0.007)	**-0.012* (0.007)**	-0.002 (0.004)	-0.003 (0.004)
ROA (β_4)	**0.946*** (0.194)**	**0.949*** (0.195)**	**0.536*** (0.169)**	**0.531*** (0.169)**	**0.131** (0.067)**	**0.123* (0.066)**	**-0.287*** (0.04)**	**-0.284*** (0.04)**	**-0.162*** (0.04)**	**-0.158*** (0.04)**	**-0.152*** (0.029)**	**-0.149*** (0.029)**
Leverage (β_5)	**0.65*** (0.149)**	**0.65*** (0.149)**	**0.501*** (0.139)**	**0.498*** (0.139)**	0.089 (0.061)	0.085 (0.061)	**-0.17*** (0.034)**	**-0.167*** (0.034)**	0.024 (0.034)	0.028 (0.034)	0.02 (0.024)	0.021 (0.024)
Innovation (β_8)	**0.13** (0.045)**	**0.131** (0.056)**	**0.174*** (0.047)**	**0.173*** (0.047)**	**0.052*** (0.02)**	**0.052** (0.02)**	**-0.035*** (0.012)**	**-0.035*** (0.012)**	**-0.058*** (0.013)**	**-0.057*** (0.013)**	**-0.04*** (0.008)**	**-0.04*** (0.008)**
Z-Score (β_9)	-0.016 (0.022)	-0.016 (0.022)	**-0.054*** (0.02)**	**-0.053*** (0.02)**	**0.007 (0.007)**	**0.008 (0.007)**	-0.001 (0.004)	-0.001 (0.004)	**0.015*** (0.004)**	**0.014*** (0.004)**	0.002 (0.003)	0.001 (0.003)
Crisis (β_{10})	**-0.505*** (0.051)**	**-0.505*** (0.051)**	**-0.439*** (0.042)**	**-0.438*** (0.042)**	**-0.161*** (0.018)**	**-0.16*** (0.018)**	**0.188*** (0.011)**	**0.188*** (0.011)**	**0.144*** (0.011)**	**0.142*** (0.011)**	**0.095*** (0.008)**	**0.094*** (0.008)**
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Nuts	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Intercept (β_0)	**-1.679*** (0.392)**	**-1.654*** (0.403)**	0.339 (0.274)	0.304 (0.278)	-0.242 (0.177)	**-0.322* (0.18)**	**0.276*** (0.099)**	**0.324*** (0.101)**	**-0.212*** (0.07)**	**-0.176** (0.071)**	-0.11 (0.072)	-0.073 (0.072)
Wald chi-square	269.45***	269.80***	255.64***	255.82***	189.82***	194.52***	589.47***	594.37***	270.40***	276.09***	331.54***	339.08***
Log likelihood	-3,477.09	-3477.06	-3,424.34	-3,424.11	-1,509.13	-1,506.2	-947.96	-945.50	-1007.29	-1004.18	-486.69	-483.61
Observations	3,175	3,175	3,129	3,129	3,175	3,175	3,175	3,175	3,129	3,129	3,175	3,175

Note. Standard errors in parenthesis; *** significant at 1%; ** 5% * 10%. In bold, significant coefficients. In the models in which the dependent variable is Asset Growth or Asset Degrowth, the control variable firm size is measured as the natural log of the number of employees.

Figure 1. Moderating effect of financial slack on the family TMT involvement-employee growth relationship.

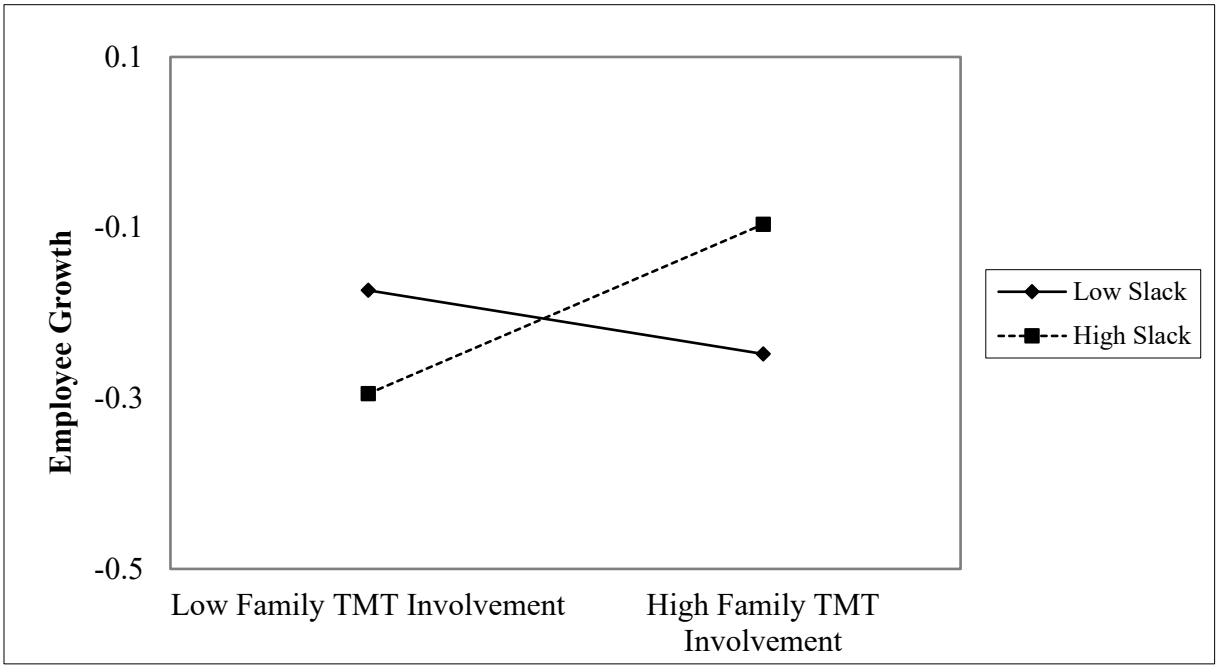
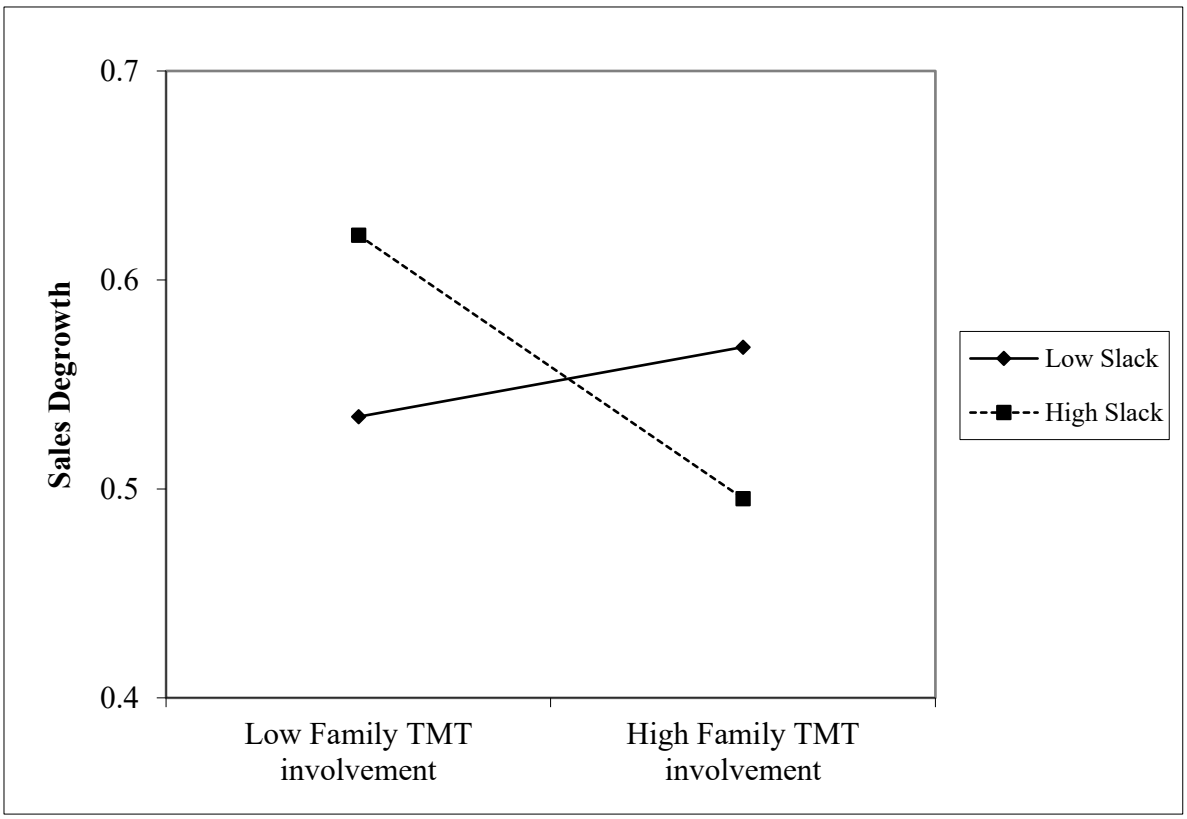
Figure 2. Moderating effect of financial slack on the family TMT involvement-sales degrowth relationship.