

SPECIAL ISSUE

An exploration of cooperative stakeholder engagement and risk-taking behavior in privately held family firms

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Abstract

This study explores the impact of cooperative engagement with nonfamily employees, consumers, and communities on risk-taking behavior of privately held, long-lived family firms. We posit that cooperative relations can build and reinforce connectedness among the family and nonfamily stakeholders which, in turn, can lead to increased risk-taking. More specifically, the increased stability from widespread cooperative nonfamily engagement will positively moderate risk-taking behavior by amplifying the influence of family involvement in privately held family firms. Using a unique survey of long-lived, privately held family firms, we find support for our hypotheses: cooperative engagement interacts with the essence of family involvement to amplify risk-taking. This study contributes to the stakeholder engagement and family firm literatures and offers managerial and policy implications by underscoring the benefits of cooperative engagement as it enhances risk-taking of family firms, a precursor of growth.

KEYWORDS

family firms, family involvement, risk-taking, stakeholder engagement

1 | INTRODUCTION

Privately held family firms are generally considered risk averse due to the concentration of family wealth, managerial discretion, and the desire to minimize threats to survival (Carney et al., 2015; Chrisman & Patel, 2012; Kempers et al., 2019). Further, privately held family firms are especially vulnerable to the influence of family involvement, a distinguishing factor of family firms, where significant ownership may accentuate family influence, for good or ill (Carney et al., 2015). Prior work suggests a contingent nature of risk-taking due to the influence of family involvement. When the influence of family involvement is positive, risk-taking may be evident; yet family involvement can vary widely among family-owned and operated businesses creating heterogeneity (Daspit et al., 2021; Miller & Le Breton-Miller, 2021). This study examines how certain long-lived,

privately held family firms may have leveraged the influence of family involvement (Frank et al., 2017; Zellweger et al., 2013) to cooperatively engage with nonfamily stakeholders and in doing so, increase risk-taking behavior.

We posit that *engaging with* stakeholders (Kujala et al., 2022) might allow a family firm to “pursue goals that would otherwise be difficult to achieve internally” (Desai, 2018, p. 220), such as increased risk-taking behaviors. Cooperative engagement that aligns the aims, interests, and/or outcomes of multiple parties and stakeholders (e.g., family members, nonfamily members, and owners in family firms) may increase trust and decrease monitoring and transaction costs (Jones, 1995). As such, cooperative engagement may create stability to amplify a positive influence of family involvement in certain family firms' risk-taking behavior, a pre-condition for ongoing growth. Our research question examines: *How does family involvement and*

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cooperative stakeholder engagement influence risk-taking in long-lived, privately held family firms?

Overall, we affirm that the essence of family involvement (i.e., sharing of information and intentionally codifying a transgenerational orientation) is significantly related to increased risk-taking in privately held family firms. And importantly, cooperative engagement with nonfamily employees, customers, and community positively amplifies risk-taking behaviors.

This study contributes to both stakeholder engagement and family firm literatures. First, we broaden a stakeholder-by-stakeholder perspective (c.f., Combs et al., 2020) by examining relationships across multiple stakeholders, each having disparate interests (Derry, 2012; Ganson et al., 2022; Kujala et al., 2022; Mitchell et al., 2011; Zellweger & Nason, 2008), to suggest that widespread cooperative engagement, over time, can become pervasive as an organizational-level influence reinforcing connectedness. As an intangible organizational-wide asset, connectedness can help a firm achieve goals over time that cannot be achieved by itself (Desai, 2018; Griffin & Prakash, 2014). Second, the study expands the contingent nature of risk-taking in family firms to focus on a non-pecuniary, intangible firm-level outcome (i.e., risk-taking)—derived from “meaningful” (Combs et al., 2023) or “binding” (Berrone et al., 2012) stakeholder relationships. These firm-level outcomes from stakeholder engagement may be unique to privately held family firms and/or influenced by the essence of the business family. Relatedly, our study explores how familiness can be leveraged in an under-examined population of multigenerational privately held firms (Carney et al., 2015) oft missing in the mainstream literatures (Miller & Le Breton-Miller, 2005).

The findings of the study offer important managerial and policy implications as it underscores the benefits of cooperative engagement with stakeholders in enhancing a family firm's risk-taking, despite the difficulties in developing and sustaining such relationships. Managers and owners of family firms should consider investing in cooperative relationships with nonfamily stakeholders despite the challenges. Further, policymakers, especially at the local level, may be unintended beneficiaries of community stability stemming from long-lived family firms' cooperative engagement with nonfamily stakeholders. Certain family firms' relational considerations might provide a nurturing eco-system for community growth. As such, policymakers may consider various ways to facilitate family firms' relational investments that spillover to the community.

The paper starts by building upon prior literature to affirm a positive (baseline) relationship between family involvement and risk-taking behavior in long-lived, privately held family firms. Then, we theorize that cooperative engagement with nonfamily employees, customers, and communities positively moderates, by amplifying, risk-taking a precursor for growth. The empirical setting, data, variables, and methods for modeling are discussed, followed by reports on the results with multiple robustness tests to explore concerns with small sample size. Finally, limitations and implications for scholars, families, and family firms are discussed.

2 | LITERATURE REVIEW AND HYPOTHESES

2.1 | Family involvement and risk-taking

2.1.1 | Family involvement

In developing a baseline relationship between family involvement in privately held family firms and risk-taking, we first discuss the influence of family involvement, a distinguishing factor of family firms. Family firms, defined as “a business governed and/or managed with the intention to shape and pursue the vision of the business ... controlled by members of the same family ... in a manner that is potentially sustainable across generations of the family or families” (Chua et al., 1999, p. 25), are influenced by family involvement in multiple ways. As a multifaceted construct, family involvement includes the interactions among and on the family, its members, and the firm. Each families' idiosyncratic influence may be exhibited across practical aspects (ownership, management, and control), the essence (behavioral patterns inclusive of transgenerational intentions and sharing of information), and identity as a family firm, as explained in more detail below.

The practical aspects of family influence such as ownership level, professional management, and family control through governance mechanisms (Chrisman et al., 2005; Ensley & Pearson, 2005; Frank et al., 2017) are collectively termed the *Components* of family involvement. The *Components* include minimum requirements to be considered a family firm (Chua et al., 1999; Zellweger et al., 2010) distinguishing a business as a family firm through concentration of ownership and control centered on a family, individual family members or a set of families. Family-owned and -operated firms have a significant level of discretion and oversight, especially when family members participate at senior levels to foster shared objectives (Cirillo et al., 2015). Yet, without appropriate qualifications, concentrated family ownership, management, and control can lead to opportunistic behavior or poor choices in deploying a firm's resources (Cirillo et al., 2015; Miller & Le Breton-Miller, 2005).

Essence, a second dimension of family influence, refers to the behavioral patterns of the controlling family's involvement (Zellweger et al., 2010) and the information sharing which affects the family's ability to advise and sustain influence across generations (Chrisman et al., 2005, 2012; Chua et al., 1999; Zellweger et al., 2010). *Essence* includes deliberate sharing of information among active family members to reduce information asymmetries and build cohesion (Frank et al., 2017) as well as formal intentions for transgenerational family control (Chrisman et al., 2012, 2005), and family-employee bonds (Frank et al., 2017) to ensure a pathway to future success. Reducing information asymmetries among the extended family and the firm is central to decision-making (Bammens et al., 2011) as well as reducing moral hazard problems that may arise from intra- or inter-family divergence of interests (Anderson & Reeb, 2004; Bammens et al., 2011).

Identity, a third dimension of family influence, is multifaceted due to the overlap and interactions of individual family member identities and organizational-level firm identity (Bettinelli et al., 2022). Identity centered on the family reflects “how the family defines and views the firm” (Zellweger et al., 2010) which, in turn, can enhance commitment and loyalty to the firm (Dyer, 2006). Through extension to employees, identity reflects a shared understanding of the firm as a family firm (Vincent Ponroy et al., 2019). Taken altogether, the *Components*, *Essence*, and *Identity* of a family firm reflect various types of influence of family involvement in family firms.

2.1.2 | Risk-taking

Family firms are generally considered risk-averse (Carney et al., 2015; Chrisman & Patel, 2012) since loss aversion to family-centered wealth may decrease risk-taking (Gomez-Mejia et al., 2014; Gómez-Mejia et al., 2007); in particular, privately held family firms can be risk-averse due to the high concentration of family wealth within the firm.

Yet recent work highlights the contingent nature of risk preferences with risk reversals under certain conditions (Fang et al., 2021; Kempers et al., 2019). Risk-taking is likely when the family has a long-term orientation (Alessandri et al., 2018; Fang et al., 2021) with convergence between the family's and the firm's economic and noneconomic goals (Gómez-Mejia et al., 2014). Alessandri et al. (2018), for example, found greater family involvement associated with lower myopic loss aversion; accepting short-term losses to achieve long-term family goals. Strike et al. (2015) also found that family involvement increased risk-willingness in family firms having near-retirement CEOs (short-term risks with potential for long-term benefits), highlighting the influence of family firms' desire for a legacy and transgenerational control when making risky decisions.

Further, privately held family firms, insulated from the volatility of financial markets and with a more balanced temporal horizon than public firms (Carney et al., 2015), may be more risk-taking due to familial discretion and embeddedness (Carney et al., 2015; Visintin et al., 2017). Privately held firms not facing an existential threat of survival may also have longer time horizons, which are shown to be correlated with greater risk-taking (Patel & Chrisman, 2014).

Overall, while family firms, in general, tend to be loss averse, privately held family firms may increase risk-taking due to the influence of family involvement, absent a survival crisis. Taken together, as a baseline hypothesis to affirm extant literature, we posit that the influence of family involvement will be associated with increased risk-taking behaviors in privately held family firms.

Hypothesis 1. There is a positive relationship between family involvement and risk-taking of privately held family firms.

Next, we theorize how cooperative engagement with multiple, nonfamily stakeholders can positively amplify the relationship between family involvement and risk-taking.

2.2 | Cooperative stakeholder engagement and risk-taking

Stakeholder engagement, in general, emphasizes “the aims, activities, and impacts of stakeholder relations in a moral, strategic, and/or pragmatic manner” (Kujala et al., 2022, p. 1160) to create value (Freeman et al., 2010). More specifically, we posit cooperative engagement, based on fair treatment of others, can lead to intangible benefits that may have positive spillover effects due to connectedness. Connectedness refers to a complex web of stakeholder relationships (Crane, 2020) composed of multifaceted interests jointly related to one another (Freeman et al., 2010; Griffin et al., 2021; Harrison & Freeman, 1999). In addition to decreased transaction costs from lower monitoring costs, (Jones, 1995) the *cooperative* aspect of engagement may have important spillover benefits for the firm and its stakeholders. For example, spillover effects of connectedness may manifest when smaller customers observe how larger customers are fairly treated, for example, or when suppliers observe how retailers, employees, and consumers are treated (Crane, 2020). Observing how others are treated (fairly or not; cooperatively or not) may spillover, setting implicit expectations of how a new, smaller, less powerful stakeholder may be treated.

Intangible, organizational-level benefits from widespread cooperative engagement may include resilience or flexibility, especially during turbulent times. Crises, for example, might require mutual adjustments as conditions quickly change and contracts may need to be amended (Mueller & Philippon, 2011). For nonfamily stakeholders, the intangible benefits of cooperative relations with a more powerful family firm may be evidenced in implicit contracts. Implicit contracts can allow for adjustments to increase stability and decrease uncertainty under punctuated periods of upheaval (Mueller & Philippon, 2011).

Alternatively, negative spillover effects of connectedness can occur if the focal firm repeatedly gains greater benefits at the expense of a stakeholder (Crane, 2020). Similarly, if a family firm prioritizes a few, select stakeholders -- e.g., family owners or family employees -- to the exclusion of meaningfully engaging with other stakeholders, an unintended consequence of a family-first focus, may undermine other stakeholders' trust and trustworthiness of the family and the family firm.

Hence, organizational-level benefits of cooperative engagement may be evidenced when firms “(act) in the interests of legitimate stakeholders” (Greenwood, 2007) rather than solely in the firm's own self-interests. The benefits may extend beyond the focal firm (e.g., the owning family in family firms) to include direct payouts or intangible benefits (e.g., flexible work hours or delivery schedules, community/civic engagement, etc.) for nonfamily stakeholders (Lumpkin & Bacq, 2019).

Overall, we posit that widespread cooperative engagement with multiple nonfamily stakeholders may broaden the influence of family involvement beyond internal family-centric benefits to include nonfamily stakeholders. Due to salience (Clark et al., 2017; Mitchell et al., 2011), we focus on three nonfamily stakeholders: employees (Tabor et al., 2018; Zellweger et al., 2013) including unions (Mueller & Philippon, 2011); customers (Binz-Astrachan et al., 2018; Dollinger, 1995; Dyer, 2006; Lyman, 1991); and communities (Cennamo et al., 2009; Zellweger et al., 2013; Zellweger & Nason, 2008). The influence of family involvement through governance, transgenerational orientation, sharing of information, and identity may align the aims, interests and goals among family and nonfamily members (Kujala et al., 2022; Zellweger et al., 2010). In doing so, cooperative relations may become an intangible asset enhancing stability, decreasing uncertainty, and enabling a family firm to grow by taking operationally complex risks. Thus, a family and the family firm may intendedly emphasize cooperation with mutuality of interests across a selective set of stakeholders (Miller & Le Breton-Miller, 2005), reaping intangible benefits it cannot acquire by itself (Daspit et al., 2021).

Overall, we posit cooperative stakeholder engagement with nonfamily employees, customers, and community members will positively moderate (amplify) risk-taking in privately held family firms by extending the (positive) influence of family involvement. Figure 1 depicts our conceptual model.

Hypothesis 2. Cooperative stakeholder engagement will positively moderate the relationship between family involvement and risk-taking of privately held family firms.

3 | EMPIRICAL SETTING, DATA, AND METHODS

We test our hypotheses with a sample population of privately held, multi-generational family firms that are members of a university-affiliated family business center meeting three of the following five criteria: 50 years in business; multiple generations working in, or owning, the business; \$10 million or more in annual sales revenue; 50 or more employees; and the desire to maintain ownership for the

next generation. Between August and December 2018, a confidential survey was conducted to assess member firms' needs, as part of a larger project. After completing the survey, respondents received a second ticket (BOGO-buy one, get one free) to an upcoming conference as well as water bottles for everyone at the family meeting. Four follow-up requests resulted in 34 responses, a 45% response rate.¹ The survey respondents were senior family members that were executives, CEO-level advisors, and/or board members of the company able to answer ownership, governance, and stakeholder relationship questions. One firm was dropped as it was still led by the original owner/founder since entrepreneurial firms operate within a different competitive context (Miller et al., 2011). In sum, our sample of 33 firms are, on average, 82 years old with 85% having more than one generation working in the business (see online Appendix S1, Tables A1.1 and A1.2).

It is important to note that 88% of our sample are fully (100%) family-owned surpassing a minimum threshold of "more than 20% of a firm's shares (voting rights)" as a definition of family ownership to affirm the family as "the largest controlling block in the company" (Achmad et al., 2008, p. 43). In examining these bona fide, privately held, multi-generational US family firms, we ensure the ability to influence through family involvement. At the same time, we expect relatively limited variation in ownership and identity for these family firms, compared with examinations across diverse samples of family firms due to our intendedly unique sample population.²

3.1 | Variables

3.1.1 | Dependent variable: Risk-taking

Two survey questions on internationalization and expansion were used as proxies for risk-taking. One relates to the liability of foreignness (Zaheer, 1995) and the other, operational complexity in managing new combinations of markets and products (Fang et al., 2021). Following Fang et al. (2021), we examine risk preferences as a portfolio of decisions rather than an individualized decision that might be vulnerable to narrow framing of risk preferences. The first question captures a firm's primary operations (local, regional, national, and/or international) where one (1) represents the lowest risk level (local) and four (4) represents the highest risk level (international). The second question captures the number of facilities. Each question was

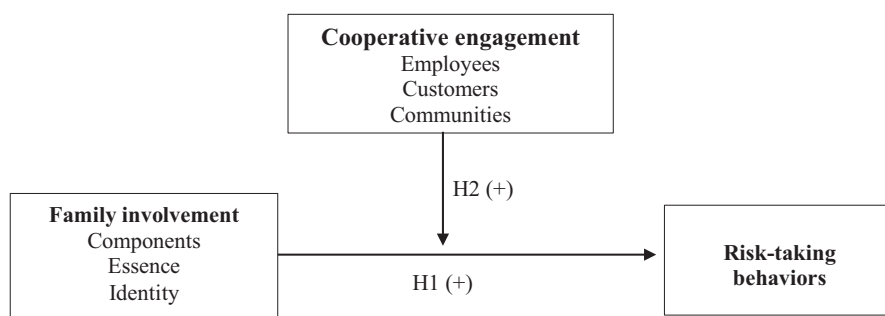


FIGURE 1 Conceptual model.

standardized (zero mean and one standard deviation) to avoid issues such as disproportionate influence caused by scaling ordinal measures (primary operations) and continuous numbers (number of facilities) before combining these two measures into a single mean value.

3.1.2 | Independent variable: Influence of family involvement

We construct variables for a composite measure (*Family Involvement*) across the three dimensions reflecting the (1) components of family involvement (*Components*), (2) sharing information and codifying transgenerational intentions (*Essence*), and (3) firm identity (*Identity*).

Components consist of ownership, management, control, and proficiency level of active family members (Frank et al., 2017; Zellweger et al., 2010). *Ownership* measures the ratio of family shareholders to total shareholders following Chrisman et al.'s (2012) use of the percentage of family ownership. With most of our sample population having 100% family ownership (88% of the sample) we expect relatively limited variation in *Ownership*. *Management* measures family members involved in the business (Chrisman et al., 2012) as the ratio of family members in upper management to total number of family employees in the firm (Campopiano et al., 2014; Cirillo et al., 2015) with the survey questions, "number of family members active in upper management (VP or higher)" (i.e., family managers) and the "total number of family member active in business" (i.e., family total employees). *Control* refers to governance mechanisms to ameliorate family owners from extracting private benefits to the detriment of nonfamily minority shareholders (Villalonga & Amit, 2006). With concentrated ownership in this study, *Control* examines if ownership rights are extended through blood, marriage, or adoption to examine the breadth of embedded family control (i.e., family members serve as controlling owners and key executives) (Chrisman et al., 2005) using the question, "Is ownership restricted to individuals related by blood or adoption?". Finally, we measure the qualification of active family members (*Proficiency*) that guard against cronyism, entitlement, and underperformance such as the Fredo effect (Frank et al., 2017; Kidwell et al., 2013). We dichotomize two survey questions to proxy proficiency—"What do you require of family member who want to work in the family business?" (three or more years of work experience are required of family members, 1=yes, 0=no), and "When new family members enter the business, at what level do they start?" (family members enter the business at levels below management, 1=yes, 0=no). *Proficiency* is constructed as a standardized equally weighted mean of each question. The composite measure, *Components*, is created by combining the standardized *Ownership*, *Management* and *Control* measures which are then equally weighted with the mean of *Proficiency*.

Essence refers to behaviors of the family to ensure a firm's transgenerational orientation (Chrisman et al., 2005, 2012; Chua et al., 1999; Zellweger et al., 2010). *Essence* captures how information is shared among family members to decrease information asymmetries (sharing of information; *SOI*), an intentionality to a family's long-term

vision (transgenerational orientation; *TGO*), and participation of employees (family-employee bond; *FEB*) (Chrisman et al., 2012; Chua et al., 1999; Zellweger et al., 2010) to ensure that the best interests of the firm and the owning-family are served (Bammens et al., 2011).

We capture sharing of information (*SOI*) among family members (Frank et al., 2017) through mechanisms likely to enhance communications and increase social interactions and create a stronger shared vision about the business (Suess, 2014). Family meetings (also, family councils) may be used to discuss family and business role conflict and ambiguity. Advisory boards are informal, expert panels that may provide independent advice (Van Helvert-Beugels et al., 2019) to avert family conflict. We use two questions; "We have/hold (select all that apply): Board of Advisors, Family Office, Family Council, Family Meeting" and "We have/hold (select all that apply): Board of Directors, Shareholder Meeting." The count is summed for each question and *SOI* is constructed as the standardized and equally weighted means from both questions. Transgenerational orientation (*TGO*) refers to a family's intentional practices for putting the business interests ahead of their own (family, family units, individualized) (Chrisman et al., 2012; Zellweger et al., 2010). We capture *TGO* with five dichotomous questions: (1) "Is there an ownership transition/estate plan in place?"; (2) "Is there a buy-sell agreement in place?"; (3) "Is there a formal redemption/liquidity plan in place?"; (4) "Is there a valuation formula in place?"; and, (5) "Is there a dividend policy?". *TGO* is constructed as the standardized and equally weighted means of the five questions. Family-employee bond (*FEB*) refers to effectuating nonfamily relationships in the firm with employees as important resources and capabilities to ensure pathways to the future (Frank et al., 2017). We proxy *FEB* using responses to the question regarding if 'attracting employees' and 'retaining employees' (for both, 1=lowest importance, 5=highest importance) are the biggest operational issues. *FEB* is calculated as the equally weighted mean of both standardized indicators. Ultimately, *Essence* is calculated as the sum of the means of *SOI*, *TGO*, and *FEB*.

Identity (Frank et al., 2017; Neubauer & Lank, 1998) is captured with, "Does your family have a written statement of family values or a family constitution?" Crafting and revisiting such formalized family statements demonstrate a shared point of view among family members in terms of "what the family stands for, its expectations and its fundamental values" (Neubauer & Lank, 1998, p. 89) and may build cohesion and consensus among members influencing family members' sense of belonging and identity with the firm (Botero et al., 2013).

3.1.3 | Moderating variable: Cooperative engagement

Cooperative engagement is assessed across three nonfamily, non-shareholder stakeholders—employees, customers, and community. Cooperative engagement with nonfamily employees is proxied with the presence of a Union (1=yes, 0=no) as it reflects long-term stable employee relationships. Whereas unions might be initially

formed due to hostilities, “family firms are particularly effective at coping with hostile labor relations” (i.e., with unions) (Mueller & Philippon, 2011, p. 219). Further, cooperative behavior in family firms may be amplified with the presence of a union “... due to their longer time horizons, family owners may have a comparative advantage at sustaining implicit labor contracts, which may be reciprocated by workers with cooperative behavior” (Mueller & Philippon, 2011, p. 219). Customer engagement is assessed with the question, “What are your biggest operational issues?” and the item “Responding to changing customer demand (1=lowest importance, 5=highest importance)”; higher number indicates the greater priority given to, and attention upon, cooperative customer relations.

Cooperative community engagement is measured by two questions related to community outreach via the production of corporate social responsibility/sustainability reports (1=yes, 0=no) and the presence of social media (2=yes, 1=no). Voluntarily disclosing community-based activities goes beyond thresholds of legal compliance and organizations' use of social media displays a level of care as they engage with stakeholders with reciprocal interactions (Kietzmann et al., 2011; Saxton & Waters, 2014). Ultimately, to form the composite measure of *Cooperative engagement* across three non-family, non-shareholder stakeholders we standardize the three variables then calculate their mean.

The survey questions detailing the indicators of *Risk-taking*, *Family involvement*, and *Cooperative engagement* with the corresponding summary statistics are included in the online [Appendix 2](#) ([Table A2](#)).

3.1.4 | Control variables

We control for industry-specific effects (Kujala et al., 2022) for the two most frequent industries within our sample pool: *Manufacturing* (31%) and *Food production* (16% of total firms) (online [Appendix 1 Table A1.2](#)). No other industry represented more than 10% of the total observations. In addition, we control for *Firm size* via number of employees (Van Helvert-Beugels et al., 2019) since larger firms have more resources and visibility and may have more stakeholder pressure (Richards et al., 2017). At the same time, more resourced firms may be able to respond to more stakeholders more effectively (Kujala et al., 2022).

3.2 | Method

With a series of regression analyses that sequentially add independent variables, we test Hypothesis 1, a baseline relationship asserting the positive influence of family involvement and risk-taking in privately held family firms. Then, we include the hypothesized moderating effect of *Cooperative engagement* to test Hypothesis 2. Finally, we check our findings through a series of robustness analyses (e.g., Bayesian analysis) as the relatively small sample size of our data may be a validity threat.

4 | RESULTS

We begin by examining the association between the variables measuring *Risk-taking* and the variables measuring *Family involvement* via canonical correlation, followed by Ordinary Least Squares (OLS) models. A canonical correlation analysis is a multivariate technique used to measure the association between two sets of measures by first extracting different canonical variables that are linear composites accounting for the greatest correlation between the two sets. Then, canonical correlation analysis reduces the complexity by identifying linear combinations of sets of measurements and tests their associations. The number of linear composites possible is the minimum number of variables from either set, in this situation two, i.e., there are two dimensions in which *Family involvement* can relate to *Risk-taking*. Testing the overall model, we find evidence of a relationship between *Risk-taking* and *Family involvement* ($\Lambda_{\text{Wilks}} = 0.64$, $F(6, 56) = 2.30$, $p = .047$) with a significant relationship for the first canonical correlation ($\rho_1 = 0.58$, $p = .047$) but not the second correlation ($\rho_2 = 0.17$, $p = .663$). As a result, we have evidence to support a single significant relationship between the set of variables measuring *Family involvement* and the set of variables measuring *Risk-taking*. These results support Hypothesis 1.

With evidence in support of our hypothesized main effect, additional analyses are needed to guard against issues associated with our relatively small sample size. Pearson correlations show a significant and positive association between *Family involvement* and *Risk-taking* ($\rho_{\text{FamilyInvolvement}} = 0.40$, $p = .02$). For a correlation matrix of independent and dependent variables see online [Appendix 3](#) ([Table A3](#)).

Delving deeper into the three dimensions of *Family involvement*, we find evidence that *Essence* is driving the significant relationship ($\rho_{\text{Essence}} = 0.49$, $p < .01$) as *Components* and *Identity*³ are not significantly related to *Risk-taking*. Further examining these bivariate relationships, we relax the constraints imposed by Pearson correlations and use the nonparametric correlation statistic Kendall's tau. The results are consistent as we find significance for *Family involvement* ($\tau_{\text{b-FamilyInvolvement}} = 0.21$, $p = .047$, one-tail test) and *Essence* ($\tau_{\text{b-Essence}} = 0.30$, $p = .014$).

Next, we add control variables. To further examine the relationship between *Family involvement* and *Risk-taking* while controlling for other variables we fit Ordinary Least Squares (OLS) models in [Tables 1](#) and [2](#). Since p -values are typically only used to indicate whether a significant difference exists or does not exist, we also report effect sizes, i.e. how strongly the independent variable is related to the dependent variable, through the partial-omega squared statistic (ω_p^2). Partial-omega squared is less biased than other effect size measures under small sample sizes and represents the proportion of variation in the dependent variable explained by the associated independent variable after accounting for other variables in the model (for a detailed discussion see Kroes & Finley, 2023).

The models begin by predicting *Risk-taking* using a set of control variables (Model 0). Then *Family involvement*, *Cooperative engagement*, and their interaction are added in sequential models,

TABLE 1 Main effects of family involvement (composite).

	Model 0		Model 1a		Model 1b		Model 1c	
	Controls only		+Family involvement		+Engagement		+Interaction	
	Est β (SE)	Effect size ω_p^2	Est β (SE)	Effect size ω_p^2	Est β (SE)	Effect size ω_p^2	Est β (SE)	Effect size ω_p^2
DV: Risk-taking								
Family involvement (composite)			.689** (0.324)	0.097	.754** (0.346)	0.102	.750** (0.356)	0.094
Cooperative engagement					-.149 (0.255)	-0.020	-.154 (0.268)	-0.021
Family involvement \times Cooperative engagement							-.059 (0.651)	-0.031
Manufacturing	.118 (0.314)	-0.027	-.117 (0.316)	-0.027	-.178 (0.336)	-0.022	-.182 (0.346)	-0.022
Food	.278 (0.408)	-0.017	.370 (0.387)	-0.003	.385 (0.393)	-0.011	.379 (0.406)	-0.004
Firm size	.219 (0.143)	0.039 -0.027	.122 (0.143)	-0.008	.119 (0.145)	-0.001	.121 (0.149)	-0.010
Constant	-.078 (0.187)		-.023 (0.178)		-.007 (0.183)		-.002 (0.196)	
R-square	.111		.234		.245		.245	
Δ R-square			.123		.011		.000	
Adjusted R-square	.020		.127		.105		.071	
N	33		33		33		33	

Note: SE is Standard Error, where $H_0: \beta=0$ and all significance levels are unadjusted two-tailed.

*** $p < .01$; ** $p < .05$; * $p < .10$.

while examining the significance of each variable and the change in model fit associated with each variable. We again find support for Hypothesis 1 (Table 1—Model 1a). There is a positive and significant relationship between *Family involvement* and *Risk-taking* ($\beta_{\text{FamilyInvolvement}} = .69, t = 2.13, p = .04, \omega_p^2 = 0.10$). Further, the addition of *Family involvement* increases the overall model fit (Δ adjusted R-square = .107) meaning it has a large contribution to the model's ability to explain *Risk-taking*. To address potential concerns of model appropriateness especially due to small sample sizes, we examine the residuals of this model. We find no evidence to reject the null hypothesis of normality under a Shapiro–Wilk test ($W = 0.98, p = .81$) and a visual examination of a Q-Q plot (Loy et al., 2016) indicates the residuals are approximately normally distributed.

Next, we examine how the three dimensions of *Family involvement* (*Components*, *Essence*, and *Identity*) are related to *Risk-taking* using OLS models (Table 2—Model 2a). There is a positive and significant parameter estimate of *Essence* ($\beta_{\text{Essence}} = .62, t = 2.17, p = .04, \omega_p^2 = 0.10$). Yet, there is no significant association found with either *Components* or *Identity* ($\beta_{\text{Components}} = .11, t = 0.33, p = .74, \omega_p^2 = -0.03$; $\beta_{\text{Identity}} = .14, t = 0.97, p = .43, \omega_p^2 = 0.00$). Overall, adding the individualized dimensions of *Family Involvement* increases the overall model fit compared with Model 0 (Δ adjusted R-square = .11). However, most of this increase is associated with *Essence*, as indicated by

the effect size ($\omega_p^2 = 0.10$). To further interrogate these results, we examine the Variance Inflation Factor (VIF), a common measure of multicollinearity where the value of one indicates complete independence of the variable. All VIF values were less than 1.38 indicating no issues of multicollinearity. Model residuals appear approximately normally distributed after visual examination of a Q-Q plot and Shapiro–Wilk test ($W = 0.97, p = .40$).

In summary, Hypothesis 1 is supported with a positive, statistically significant relationship between *Family involvement* and *Risk-taking*, driven by *Essence*. These results are consistent under parsimonious analyses, e.g., Pearson correlations, and less parsimonious analyses, e.g., regression analyses with multiple control variables.

Hypothesis 2 suggests that *Cooperative engagement* positively moderates (amplifies) the relationship between *Family Involvement* and *Risk-taking*. To test Hypothesis 2, we add *Cooperative engagement* (Table 1—Model 1b) then add its interaction with the composite variable *Family involvement* (*Family involvement* \times *Cooperative engagement*) in Model 1c (Table 1). We do not find a significant effect associated with *Cooperative engagement* (Model 1b, $\beta_{\text{Engagement}} = -0.15, t = -0.58, p = .57, \omega_p^2 = -0.02$) or the interaction, *Family involvement* \times *Cooperative engagement* (Model 1c, $\beta_{\text{FamilyInvolvement_Engagement}} = -.06, t = -0.09, p = .93, \omega_p^2 = -0.03$).

TABLE 2 Main effects of the dimensions of family involvement and interactions terms.

DV: Risk-taking	Model 0		Model 2a		Model 2b		Model 2c	
	Controls only		+Family involvement		+Engagement		+Interactions	
	Est β (SE)	Effect size ω_p^2	Est β (SE)	Effect size ω_p^2	Est β (SE)	Effect size ω_p^2	Est β (SE)	Effect size ω_p^2
Family involvement: Components			.108 (0.323)	-0.028	.235 (0.336)	-0.016	-.263 (0.362)	-0.015
Family involvement: Essence			.621** (0.286)	0.101	.805** (0.321)	0.139	.863*** (0.296)	0.186
Family involvement: Identity			.138 (0.142)	-0.002	.132 (0.141)	-0.004	.222 (0.136)	0.048
Cooperative engagement					-.339 (0.277)	0.015	-.009 (0.302)	-0.0031
Components \times Cooperative engagement							-.271 (0.676)	-0.026
Essence \times Cooperative engagement							1.893** (0.737)	0.145
Identity \times Cooperative engagement							-.383 (0.261)	0.033
Manufacturing	.118 (0.314)	-0.027	-.032 (0.323)	-0.031	-.162 (0.337)	-0.024	-.063 (0.328)	-0.030
Food	.278 (0.408)	-0.017	.318 (0.408)	-0.012	.388 (0.408)	-0.003	.325 (0.413)	-0.012
Firm size	.219 (0.143)	0.039	.046 (0.151)	-0.028	.013 (0.152)	-0.031	.036 (0.144)	-0.029
Constant	-.078 (0.187)		-.045 (0.178)		-.018 (0.178)		-.246 (0.214)	
R-square	.111		.297		.337		.513	
Δ R-square			.186		.040		.176	
Adjusted R-square	.020		.134		.151		.292	
N	33		33		33		33	

Note: SE is Standard Error, where $H_0: \beta=0$ and all significance levels are unadjusted two-tailed.

*** $p < .01$; ** $p < .05$; * $p < .10$.

We do find significance for the interaction term with *Essence*, the dimension of *Family involvement* that was driving the significance of the main effect *Essence* (Table 2-Model 2a, $\beta_{\text{Essence}} = .621$, $t = 2.17$, $p = .04$, $\omega_p^2 = 0.10$). Adding three interaction terms representing each dimension of *Family involvement* (*Components*, *Essence*, and *Identity*) in Table 2, we find a significant association of *Cooperative engagement* (Model 2b, $\beta_{\text{CooperativeEngagement}} = -.339$, $t = -1.22$, $p = .23$, $\omega_p^2 = 0.02$). When added separately, we find a significant interaction with *Essence* (Model 2c, $\beta_{\text{Essence_Engagement}} = 1.89$, $t = 2.57$, $p = .02$, $\omega_p^2 = 0.15$). The addition of interactions increases the overall model fit (Δ adjusted R-square = .14) compared to the models with only main effects. Inclusion of this interaction has a relatively large effect size ($\omega_p^2 = 0.15$) according to Field's (2013) thresholds for interpretation and is in a direction consistent with the underlying logic of Hypothesis 2; that is, higher levels of *Cooperative*

engagement have an amplifying effect of *Essence* on *Risk-taking*. Significance is not found with either of the other interactions: *Components* \times *Cooperative engagement* nor *Identity* \times *Cooperative engagement* ($\beta_{\text{Components_Engagement}} = -.27$, $t = -0.40$, $p = .69$, $\omega_p^2 = -0.03$; $\beta_{\text{Identity_Engagement}} = -.38$, $t = -1.47$, $p = .16$, $\omega_p^2 = 0.03$). In all models, multicollinearity does not appear to be an issue as the largest VIF value is 1.95. Further, model residuals appear approximately normally distributed (Shapiro-Wilk test: $W = 0.98$, $p = .70$).

Regarding concerns with small sample size, the OLS models to test Hypothesis 2 use a relatively large number of independent variables relative to the number of observations, and we simplify our analysis of interactions to assuage concerns around the complexity of the models. That is, we visually examine the relationships by first dichotomizing *Cooperative engagement* with a median split (high levels are top panels, low levels are bottom panels in Figure 2). Then,

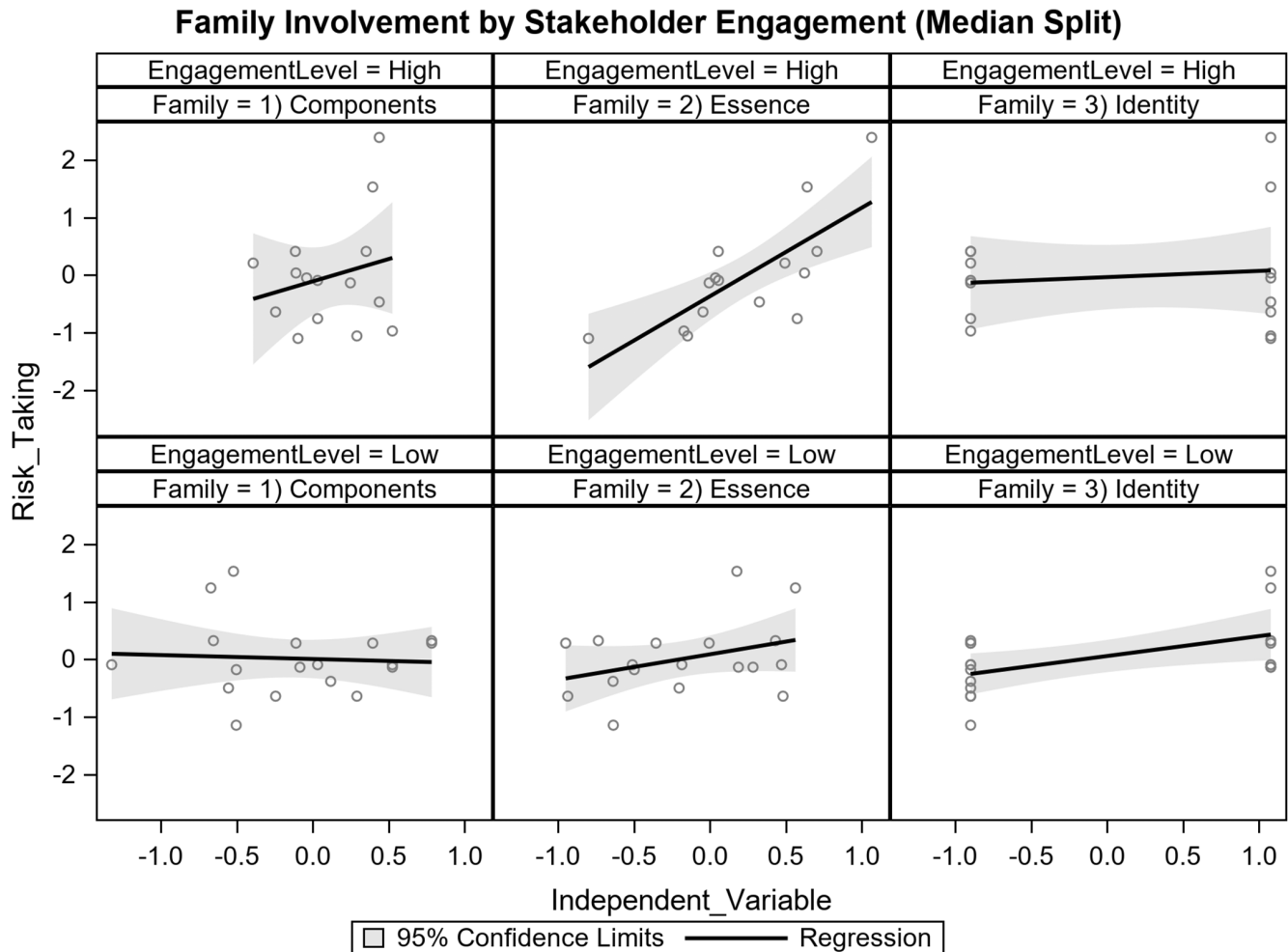


FIGURE 2 Interaction scatter plots.

we plot *Risk-taking* (y-axes) by each of the three dimensions of *Family involvement* (x-axes); with OLS regression lines and confidence intervals to display the trend (Figure 2). These charts are consistent with a positive interaction of *Cooperative engagement* and *Essence* such that high levels of *Cooperative engagement* indicate a positive relationship between *Cooperative engagement* and *Risk-taking*. The slope flattens out at low levels of *Cooperative engagement*. Finally, we fit a parsimonious OLS model predicting *Risk-taking* with *Essence* interacted with the median split of *Cooperative engagement*. This model shows a significant interaction ($\beta_{\text{Essence_Engagement}} = 1.10, t = 2.30, p = .03, \omega_p^2 = 0.12, R^2 = .40$). To further examine the value of the interaction term we compare model fits without and with the interaction term (adjusted $R^2 = .25$ and adjusted $R^2 = .34$, respectively) showing an improved fit by including the interaction term (Δ adjusted $R^2 = .09$). The results from this parsimonious model and visualization (Figure 2) support the hypothesis that *Cooperative engagement* moderates the effect of *Essence* on *Risk-taking*.

In summary, we find support for Hypothesis 2. *Essence*, the intentional behaviors codifying sharing of information and a desire for transgenerational orientation, has a positive, and significant, interaction with *Cooperative engagement* on *Risk-taking* in this exploratory

analysis of a unique sample population. Additional robustness checks for small sample size are explained below.

4.1 | Non-response bias and robustness checks

We examine potential non-response bias with our 45% response rate, i.e. is there evidence that those who did not respond are systematically different from those who responded. To conduct this analysis, we investigated time-to-response data within our sample according to Method 1 and Method 2 proposed by Lindner and colleagues (2001). Method 1 involves a comparison of early responders (received in August or September) to late responders (received after September), with the underlying idea that if there is a systematic difference, late responders will be more similar to non-responders. In our sample, early responders' ($n = 18, M = 0.09, SD = 0.85$) and late responders' ($n = 15, M = -0.11, SD = 0.72$) mean responses are within one standard deviation of each other. As a result, Method 1 does not indicate any non-response bias issues. Method 2 of Lindner and colleagues (2001) for handling nonresponse bias is to include “days to respond” as an independent variable in the regression model. We

included “days to respond” as an independent variable in our main analyses and find no significant effect of “days to respond” in any regression model of our main analysis. Nor do we find a significant effect when “days to responds” is used as a predictor of “risk taking” by itself in a simple linear regression model ($p = .62$). So, neither Method 1 nor Method 2 indicate problematic non-response bias in our sample.

One concern with small sample sizes is falsely rejecting a null hypothesis and thus incorrectly accepting the alternative hypothesis; however, simulations of small sample, i.e., $10 \leq n \leq 80$, indicate Bayesian analyses can mitigate this concern relative to frequentist (non-Bayesian) techniques (Kelter, 2021). As a result, we use Bayesian techniques to help avoid statistical power problems (Hoenig & Heisey, 2001) while making an exact inference that reflects our sample size. When compared to OLS, Bayesian results can be more robust to sparse data because Bayesian estimations do not depend on the asymptotic assumptions that frequentist (e.g. OLS) methods employ and are more reliable under small sample sizes as long as priors are carefully selected (Gelman, 2006; McNeish, 2016).

We construct a model using a Bayesian method predicting *Risk-taking* using the three dimensions of *Family involvement* (*Components*, *Essence*, and *Identity*), *Cooperative engagement*, and control variables. We include an interaction term related to Hypothesis 2. Assuming a normal distribution with the identity link, parameters are estimated by a Markov Chain Monte Carlo technique. We use normal priors with a mean of 0 and a variance of 10 for each coefficient, $N(0,10)$, while a prior of Inverse Gamma with a shape of 2.001 and scale of 1.001 is used for the dispersion parameter. After 2000 burn-in samples, 10,000 posterior samples were generated. Examining the convergence diagnostics, we do not find evidence of lack of mixing. Specifically, we find posterior autocorrelations drop off quickly and trace plots appear to follow a random walk around the high-density region. The effective sample size (ESS) for most parameters was 10,000 while the smallest effective sample size was 6419 for the

dispersion parameter. These results indicate the model converged, and, as a result, we report the posterior summary reported in Table 3.

The results are consistent with our earlier estimation. The mean estimate for *Essence* is positive as is the mean of the interaction between *Essence* and *Cooperative engagement*. The Highest Posterior Density (HPD) Interval ($\alpha = .05$) for both estimates exclude zero. The HPD interval includes zero for *Components* and *Identity*. Using this model, we estimate a 44% probability that *Components* have a positive effect on *Risk-taking* while we estimate a 92.1% probability that *Identity* has a positive effect on *Risk-taking*. In other words, there is little evidence to support *Components* associated with *Risk-taking*, yet 9206 of the 10,000 posterior samples of *Identity* were positive, potentially indicating a relationship for future study.

Figure 3 depicts visually how the relationship between *Essence* and *Risk-taking* varies at different levels of *Cooperative engagement* (low = -0.5, high = 0.5). The posterior samples show separation between the posterior sampling distributions under different scenarios. At relatively high levels of *Cooperative engagement* the estimates of *Essence* on *Risk-taking* correspond with a stronger positive relationship. In this scenario, we estimate a 99.9% probability that *Risk-taking* is positive.

Next, we examine these results under different assumptions. Because the advantages of Bayesian techniques under small sample sizes are sensitive to the specification of priors (McNeish, 2016) we examine our results under a variety of coefficient priors ($N(0, 1)$, $N(0, 100)$, $N(0, 10,000)$, Uniform, and Jefferys) and all estimates showed at least a 99% probability of a positive effect of *Essence* on *Risk-taking* at high levels of *Cooperative engagement*.

In Figure 3, relatively low levels of *Cooperative engagement* shift the effect of *Essence* on *Risk-taking* to the left so that there is no clear effect; an estimated 64.4% probability that *Essence* has a positive effect at low levels of *Cooperative engagement*. In short, we find evidence supporting high levels of cooperative engagement with nonfamily employees, customers, and community with intentional

TABLE 3 Bayesian estimation of family involvement on risk-taking.

DV: Risk-taking	Model 4 Bayesian regression—posterior summary					
	Mean	Standard deviation	HPD interval ($\alpha = .05$)		ESS	Prior distribution
Family involvement: Components	-0.047	0.346	-.722	.642	10,215	Normal(0, 10)
Family involvement: Essence	0.876	0.307	.279	1.487	10,268	Normal(0, 10)
Family involvement: Identity	0.195	0.139	-.081	.462	10,000	Normal(0, 10)
Cooperative engagement	-0.057	0.291	-.613	.520	10,000	Normal(0, 10)
Essence \times Cooperative engagement	1.431	0.667	.136	2.784	10,262	Normal(0, 10)
Manufacturing	-0.053	0.325	-.693	.580	10,000	Normal(0, 10)
Food	0.414	0.394	-.331	1.216	10,000	Normal(0, 10)
Firm size	0.002	0.145	-.285	.286	10,000	Normal(0, 10)
Constant	-0.222	0.194	-.613	.149	10,000	Normal(0, 10)
Dispersion	0.489	0.140	.261	.768	6419	Inverse Gamma (2.001, 1.001)

Note: Estimated in SAS using Proc Genmod assuming a normal distribution using the identity link with a random seed of 45,204. HPD indicates highest posterior density, and ESS indicates Effective Sample Size.

FIGURE 3 Effect of *Essence* on *Risk-taking* at different levels of *Cooperative engagement*. Observations to the right of the vertical line (at 0.0) indicate a positive association with risk-taking and observations to the left indicate a negative association.

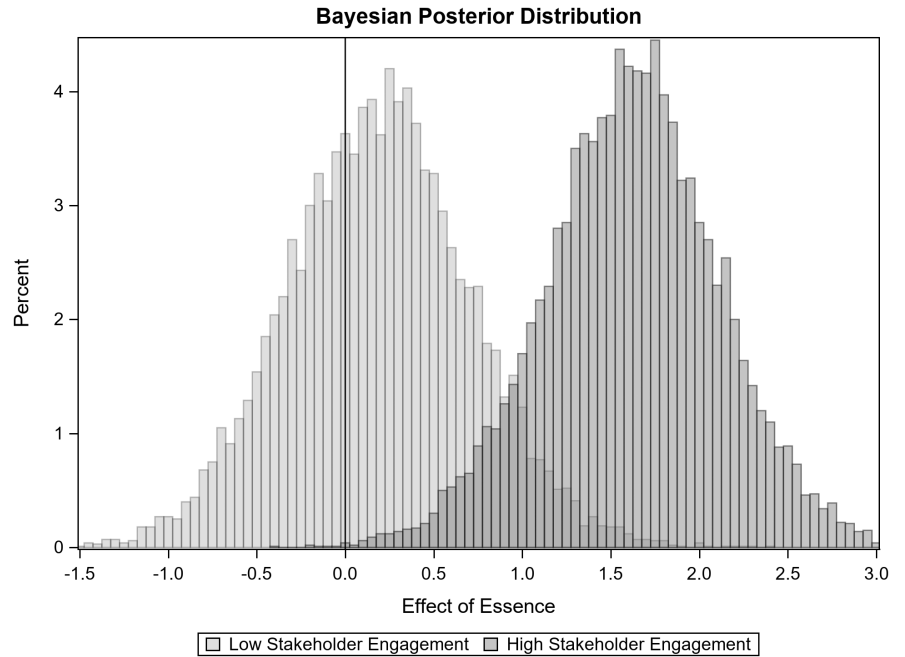


TABLE 4 Summary of hypotheses and results.

Hypothesis	Independent variables	Results
H1: <i>There is a positive relationship between family involvement and risk-taking of privately held family firms.</i>	<i>Family involvement</i> (Composite)	Supported
	<i>Family involvement</i> dimensions: Essence	Supported
	Components; Identity	Not Supported
H2: <i>Cooperative stakeholder engagement will positively moderate the relationship between family involvement and risk-taking of privately held family firms.</i>	<i>Family involvement</i> (Composite) × Cooperative engagement	Not Supported
	<i>Family involvement</i> dimensions & interactions: Essence × Cooperative engagement	Supported
	Components × engagement	Not Supported
	Identity × engagement	Not Supported

Note: Supported indicates consistently positive and significant effects predicting risk-taking across multiple model specifications.

behaviors of sharing information and transgenerational orientation may create the conditions under which family firms are more risk-taking by adopting operationally complex activities.

Another concern of a small sample is the threat of undue influence of a small number of outliers. Under OLS estimation, heavy-tailed distributions can lead to biased estimations with the presence of a single outlier skewing the prediction so that the model is a poor fit for many observations in the sample. To address this potential validity threat, we conduct a series of robust regressions using M-estimation technique, a generalization of maximum-likelihood estimation in SAS using Proc Robustreg with results consistent with prior analyses (for details, see online [Appendix 4, Table A4](#)).

4.2 | Summary of results

Throughout our analyses of our unique sample, a consistent finding is observed: the influence of family involvement through routinely

sharing information and codifying intentions of transgenerational orientation (the *Essence* of family involvement) is associated with increased risk-taking behaviors. When these behaviors are combined with cooperative engagement with nonfamily employees, community, and customers, these privately held family firms are associated with amplified risk-taking. [Table 4](#) summarizes our findings.

The insignificance of ownership, management, and control (*Components*) in all models could be due to relatively limited variation in ownership in our privately held, multigenerational sample population. Similarly, we found insignificant influence of family *Identity*. Our sample population of privately held US family firms operating on average for more than 82 years may render moot the traditional, practical aspects of ownership and the influence of family identity in these established firms. That is, our well-established family firms may have accumulated multiple identities to multiple stakeholders rendering family identity less important and thus, more closely resembling nonfamily firms' identity-based outcomes (Zellweger et al., 2010). Future research might examine if the influence of family

ownership, management, control, or identity may be more influential during early, more volatile, start-up years (Zellweger et al., 2010).

5 | DISCUSSION, LIMITATIONS, AND IMPLICATIONS

Our results consistently show that some privately held family firms with behaviors that ensure a firm's transgenerational orientation, combined with cooperative stakeholder engagement, are likely to display amplified risk-taking behaviors. These families and family firms have seemingly negotiated the tensions between family loss aversion and risk-taking (Gómez-Mejía et al., 2007) through intentional family involvement and widespread cooperative nonfamily stakeholder engagement.

One limitation of our study is the small sample of multigenerational, privately held family firms headquartered in the US that have operated, on average, 82 years. Our sample size, however, surpasses the minimum sample size of 25 suggested for regression analyses (Jenkins & Quintana-Ascencio, 2020). Moreover, sample sizes smaller than our study have been examined in the family firm literature (e.g., De Groot et al., 2022; Reck et al., 2022; Sorenson & Milbrandt, 2023). See online Appendix 5 for a table of studies in family firms with small sample sizes.

Further, statistical analyses do account for smaller samples (e.g., Standard Error = σ/\sqrt{n}); and our results lie in the medium to large effect range based on Field's (2013) rule of thumb where medium effects are $0.06 \leq \omega^2 < 0.14$. In addition, we attempted to address potential pitfalls of small sample size by examining our model assumptions. First, we explicitly discuss regression diagnostics regarding residuals (e.g., Q-Q plots and Shapiro-Wilk tests) and utilizing multiple analyses. Second, our robustness check using Bayesian techniques which have advantages over frequentist techniques especially with small samples was undertaken to specifically address issues of incorrectly identifying an effect that does not exist. Third, our Bayesian analysis reflects the actual sample size of our data and provides an alternative framework to a frequentist analysis without relying on asymptotic assumptions (Kelter, 2021).

Further, as a small sample can lead to a fragile model which only shows significant results under a single specification, we created multiple OLS models and robust regression analyses in addition to the Bayesian estimation approach to see if the results hold. Under these varied analyses, we consistently find a positive association between *Essence*, the influence of family through sharing of information and codifying transgenerational orientation, and *Risk-taking*. This baseline relationship was then consistently amplified by *Cooperative engagement* with nonfamily employees, consumers, and communities to increase privately held family firms' risk-taking.

Finally, we report our statistical analyses using both frequentist (e.g., *p*-values as traditional threshold of statistical significance) and Bayesian methodologies (e.g., HPD intervals). While conventional statistical thresholds may have limitations due to arbitrariness (e.g., choosing *p*-values $< .05$ or $p < .10$), McShane and Gelman (2022,

p. 314) argue for holistic evidence, "eschew(ing) arbitrary thresholds" and "not expect(ing) ironclad proof from a single study." For purposes of convention, we report results using traditional thresholds of significance and we encourage viewing our results from a holistic perspective. This is a single, exploratory study providing plausible evidence regarding consistent behaviors within an understudied subset of firms—risk-taking and cooperative stakeholder engagement found in some long-lived privately held US family firms. Additional research is warranted.

Our results are based on a sample of privately held US family firms that are, for the majority, fully owned with at least one family member active in the firm. Our sample population is likely to be on the higher tail of US based family ownership and control (PwC, 2023) within a heterogenous set of all family firms (Daspit et al., 2021; Miller & Le Breton-Miller, 2021). As such, our results provide initial insights into the behaviors of a rare set of family firms with concentrated ownership. Our results are not generalizable to all family firms. Examining different populations of family firms to ascertain the generalizability, the importance, and implications of codifying transgenerational orientation and sharing of information with more variability in family ownership (e.g., fully or minority-owned family firms; US versus European or Latin American headquartered family firms; privately held vs. publicly traded family firms; centennial or second generational firms) is left to future research.

Another limitation is the self-reported nature of sensitive governance, management, family involvement, and stakeholder-related questions as well as the reliance on a single type of data, making it susceptible to common methods bias. Although it is difficult to obtain data on private family firms (Carney et al., 2015), future work would benefit by triangulating data from different sources and including performative data to examine if the exploratory behaviors reported here (intentional sharing of information) lead to enhanced financial performance for privately held family firms. Case studies or qualitative research should also be considered as there may be a small number of privately held, multigenerational family firms willing to share sensitive data.

Despite limitations we contribute to the stakeholder engagement and family firm literature. This study broadens a stakeholder-by-stakeholder lens by testing if widespread organizational-level cooperative engagement provides non-pecuniary firm-level outcomes (Crane, 2020; Kujala et al., 2022; Myllykangas et al., 2010). The consistency of our exploratory results suggests that codifying transgenerational orientation, sharing of information, and cooperative engagement with nonfamily stakeholders when conducted in isolation may go undetected and remain unremarkable. Yet, over time, and in conjunction with one another, the combination of behaviors facilitates engaging with stakeholders (Kujala et al., 2022) creating a widespread pervasiveness wherein sharing of information, transgenerational orientation, and cooperative engagement may become a taken-for-granted norm as an organizational-level phenomena in certain family firms.

We also extend research on privately held family firms by demonstrating that operationally complex risk-taking is more

likely in long-lived family firms with codified transgenerational intentions that share information while pursuing cooperative nonfamily relations with employees, customers, and communities. While cooperative relations with employees and customers have been shown to be instrumentally important (Henisz et al., 2014), creating a context of cooperative community engagement suggests an untapped latency that may underlie economic development for the firm and the community akin to Lumpkin and Bacq (2019). The novelty of our research is examining these behaviors in a rare set of privately held family firms having levels of concentrated ownership.

Our findings have important practical implications for owners and managers of family firms. The results underscore the intangible benefits of cooperative nonfamily stakeholder engagement. Developing and sustaining cooperative relationships can be difficult (Henisz et al., 2014; Lumpkin & Bacq, 2019) or considered a constraint on profit-making (Friedman, 1970). Yet, we find benefits of cooperative engagement as it enhances risk-taking. Intangible benefits of cooperative engagement through implicit contracts are consistent with findings in existing work, for example, in the mining industry or with union negotiations (Henisz et al., 2014; Mueller & Philippon, 2011). Further, we posit that cooperative engagement may decrease uncertainty and increase stability, which is consistent with reducing transaction costs due to decreased monitoring of contracts (Jones, 1995). Thus, owners and managers of family firms should consider investing more in cooperative stakeholder engagement despite the challenges.

This study also has important policy implications. The results of this study are in line with research that shows within strong institutional environments, on average, family firms' superior growth rate may be influenced by the degree to which family owners and executives embrace a transgenerational orientation in family businesses (Miroshnychenko et al., 2021). As risk-taking is a precursor of growth, the positive relationship between cooperative stakeholder engagement and a family firm's risk-taking that we find in this study will be of interest to policymakers intent on building a strong and stable institutional environment. Policymakers can consider various ways to facilitate family firms' investment in relationships with nonfamily stakeholders, for example, by highlighting the benefits of cooperative relationships within the community. Relatedly, policymakers can consider how the positive halo effects from cooperative nonfamily relationships may enhance goodwill (for the firm and/or the family) with positive effects contributing to civic wealth (Jones, 1995; Lumpkin & Bacq, 2019) or social betterment (Margolis & Walsh, 2003).

Two directions for future research are highlighted. First, an area of research is exploring the resiliency of cooperative relationships after an exogenous shock. With the onset of the COVID-19 crisis, one research question might examine if the intangible benefits of family involvement and widespread cooperative relationships with nonfamily stakeholders were able to provide a level of operational flexibility unique to privately held, multigenerational family firms, that were not prevalent in nonfamily firms during the COVID-19 pandemic.

Second, examining a cohort of firms of similar age over time may shed light on the benefits and limitations of routinely sharing information, a transgenerational orientation, and cooperative engagement. Later generations, for example, may have the ability and willingness to take risks (Chrisman et al., 2015; De Massis et al., 2014) or be stymied in risk-taking due to dispersed family ownership, increased information asymmetries, and power dynamics among sibling sets or cousin consortia exacerbating loss aversion as family control dominates.

6 | CONCLUSION

Our exploratory results suggest the *Essence* of influence of family involvement in long-lived, privately held family firms when combined with cooperative engagement across employees, customers, and communities have a significant and positive amplifying effect on firms' risk-taking. The findings highlight the intangible, compounding, benefits of widespread cooperative engagement with nonfamily stakeholders in conjunction with routinely sharing of information and a transgenerational orientation in family firms. Our results consistently show that cooperative stakeholder engagement with nonfamily stakeholders—in this case, employees, customers, and communities—amplify the risk-taking of privately held, multi-generational family firms. Thus, when considering risk-taking, which is a pre-condition for firm growth, owners and managers of privately held family firms might meaningfully extend a collaborative organization-wide culture of cooperative employee and customer relationships with intentional investments in community outreach. In conclusion, we extend theorizing about cooperative engagement to examine how the influence of family involvement through sharing information and codifying a transgenerational orientation amplifies risk-taking behaviors via organizational-level cooperative engagement in a unique sample of privately held family firms.

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CONFLICT OF INTEREST STATEMENT

The authors have no relevant or material financial interests that relate to the research described in this paper.

DATA AVAILABILITY STATEMENT

Research data are not shared.

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ENDNOTES

- ¹Per the university's Institutional Review Board (IRB) specialist, our study does not require approval since we did not collect nor use individually identifiable data; responses analyzed are at the organizational level.
- ²For comparison purposes, PwC recently published a report about global family firms (PwC, 2023); drawing conclusions from 110 US family firms out of a total of 2043 family firms worldwide. When these US family firms were asked about sensitive governance topics such as dividend policy, shareholders agreements, family constitution, prenuptial agreements, entry and exit strategies, etc. only 83 family firms' responded.
- ³As a sensitivity analysis, we measured *Identity* as a dichotomous indicator when family names are included in the firm name (Micelotta & Raynard, 2011) since connections to the family and firm become more explicit, heightening identity and external stakeholders' perception of the firm as a family firm (Botero et al., 2013; Kashmiri & Mahajan, 2014; Micelotta & Raynard, 2011; Zellweger et al., 2010). Using family name as an indicator for *Identity* did not materially change the significance of *Identity* on *Risk-taking*.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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