



Tourism Family Firm and Generation: Are First-Generation Firms More Conservative?

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Abstract: By applying the matching technique to a sample of Spanish tourism family firms, we analyze the factors that describe the competitive strategy, asset and ownership structure, and managerial practices of first-generation family firms compared to subsequent generations. Moreover, we employ panel data methodology with the matching procedures to control the individual heterogeneity of family firms, in order to explore debt financing decisions and the particular effect of the controlling generation. The results of the study provide evidence that first-generation firms adopt more defensive strategic positioning based on efficiency and cost control, a smaller endowment of intangible assets, and less of an emphasis on professionalization and human resource management practices. The results also confirm that first-generation firms rely less on debt and adopt a more conservative capital structure.

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Empresa Familiar Turística y Generación: ¿Son más Conservadoras las Empresas de Primera Generación?

Resumen: Haciendo uso de la técnica de macheado sobre una muestra de empresas turísticas familiares españoles, analizamos qué factores describen la estrategia competitiva, estructura de activos y propiedad y prácticas directivas de la primera generación comparada con las posteriores. Además, aplicamos metodología de datos de panel de forma adicional a los procesos de macheado para controlar por la heterogeneidad individual de las empresas familiares, con el fin de explorar las decisiones de financiación en deuda en las empresas familiares y en particular el efecto de la generación familiar. Los resultados del estudio proveen evidencia de que la primera generación adopta posicionamientos estratégicos más defensivos basados en la eficiencia y el control de costes, una menor dotación de activos intangibles, mayor concentración de la propiedad, y menor profesionalización de las prácticas de dirección de recursos humanos. El estudio también confirma que la primera generación recurre menos a la deuda y adopta una estructura de capital más conservadora.

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1. Introduction

Family firms (FF hereafter) are an important part of global economies, making a major contribution to employment and gross domestic product (Astrachan & Shanker, 2003), particularly in the tourism industry (Memili et al., 2020). Great progress has been made in FF literature, helping to open up the black box that is the family effect on the sustainability/growth of the business. Among the most extensively analyzed developmental dimensions that explain the heterogeneity among FF, the generation in control and the management of FF particularly stands out (Gersick et al., 1997).

Some general FF studies have shown that first-generation firms, where the founder is emotionally attached and fully involved in the running of the business (Sciascia et al., 2014), face different challenges, have different objectives and behave differently than those businesses run by the second or subsequent generations (Anderson & Reeb, 2003; Blanco-Mazagatos et al., 2018; Gersick et al., 1997; Maseda et al., 2019). Moreover, they achieve different results in terms of performance (García-Ramos et al., 2017; Maseda et al., 2019) in market growth strategies such as acquisitions (López et al., 2024) and diversification (Muñoz-Bullón et al., 2018), human resources practices (Blanco-Mazagatos et al., 2018), entrepreneurial orientation (Cruz and Nordqvist, 2012), or dividend policy (Belda-Ruiz et al., 2022). As subsequent generations come to the fore, they introduce a wealth of unexplored possibilities, fueled by their entrepreneurial education and fundamental family values (Hauck & Prüggl, 2015; Kallmuenzer et al., 2021; Miller et al., 2007).

One generational effect in FF that is attracting increasing attention is the firm's capital structure (Comino-Jurado et al. 2021; Hansen and Block, 2020; Michiels & Molly, 2017; Molly et al., 2019; Muñoz-Bullón et al., 2018; Schmid et al., 2015). However, as pointed out by authors of recent studies such as Comino-Jurado et al. (2021) and Muñoz-Bullón et al. (2018), much more empirical studies are needed as the literature is still inconclusive. Debt financing decisions are crucial in FF as debt is the most important source of external financing for these businesses (Burgstaller & Wagner, 2015; Molly et al., 2019), which are relatively more leveraged than non-family firms (Burgstaller & Wagner, 2015; Gottardo & Moisello, 2014; Vieira, 2014).

Leverage capacity has been identified as an indispensable for enabling FF to seize profitable growth opportunities (Mishra & McConaughy, 1999), particularly in sectors with high levels of capital intensity, such as the tourism sector (Guillet & Mattila, 2010; Singal, 2015). The

prevailing uncertainty in the literature about the relationship between FF generation and indebtedness is noteworthy, given that succession is a critical process linked to high business mortality (Le Breton Miller et al., 2004) and that financial capacity is crucial for ensuring the continuity of the FF, the stability of the entrepreneurial family and the successful search for profitable growth opportunities (Michiels & Molly, 2017).

However, regarding the effect of the generation of ownership on capital structure two opposing explanations have been proposed: the stagnation of the descendant-controlled FF (Miller et al., 2008) and the financial conservatism of the founder-controlled FF (Sciascia et al., 2014). There has not been entirely convincing empirical evidence for either, given that recent studies have shown both higher (e.g., Poletti-Hughes & Martínez García, 2022; Ramalho et al., 2018) and lower (Hansen & Block, 2021; Ntoug et al., 2019) propensity to indebtedness in FF. Comino-Jurado et al. (2021) and Michiels and Molly (2017) call for more research on the issue; it thus constitutes our second research gap.

This study seeks to further this debate and uncover the potential connection between the strategic, structural, and management characteristics of the controlling generation(s) and their FF's capital structure or debt financing, with the latter being the principal determinant of the company's potential investments and performance in terms of economic growth and sustainability. To that end, this study adopts an approach that combines theories of strategy, finance, and socioemotional wealth (SEW).

Numerous scholars, such as Michiels and Molly (2017), Rovelli et al. (2022), and Comino-Jurado et al. (2021), have emphasized the need for multidisciplinary research focusing on the behavior of the controlling generation when confronted with various management challenges. They also highlight the importance of examining the characteristics of this generation and their influence on organizational performance. Despite this, there are very few papers that combine financial and management theories to explain financial, corporate and competitive decision-making in this context, which has perpetuated a significant and persistent strategy-finance gap (Arbogast & Kumar, 2018; Martínez-Romero & Rojo-Ramírez, 2017).

By conducting an integrated analysis of decisions relating to strategy, assets, family, management and financing, this study seeks to contribute to a greater understanding of the influence of generational transition on the FF. The underlying assumption is that strategic decisions in FF are not exclusively driven by the wealth maximization

principle, but also by non-financial considerations linked to the aspirations and values of the family, as postulated by behavioral approaches such as the socioemotional wealth (SEW) perspective (Gómez-Mejía et al., 2007). Accordingly, the economic analysis in this paper is reinforced by a sociological approach to FF.

We tested our hypotheses using the matching technique (Ampenberger et al., 2013)—more specifically, propensity-score and nearest-neighbor matching procedures—and panel data methodology (López-Gracia & Sánchez-Andújar, 2007). To estimate our proposed empirical models, we use as a starting point a database of 1019 firms taken from an initial study of the Spanish tourism industry. Additionally, we use data from Sistema de Análisis de Balances Ibéricos (SABI), a database managed by Bureau Van Dijk and Informa D&B, S.A., to complete the financial information from 2008 to 2016, resulting in a final database of 543 companies.

In the tourism sector, there are many small firms run by members of the same family (Peters & Kallmuenzer, 2018). These businesses are often described as the “economic engines” of tourist destinations (Camilleri & Valeri, 2022). The importance of the tourism sector to the economy and its prospects for global growth (Lee & Brahmasrene, 2013) provide ample justification for an analysis of the keys to the financial structure of tourism businesses (Chen, 2010). Tourism has played a pivotal role in the Spanish economy over the past decades, serving as a crucial sector for economic growth and development (Vayá et al., 2024). According to the *Satellite Accounts of Tourism* from the National Institute of Statistics (INE, 2022), the tourism sector in Spain employs approximately 1.95 million individuals, representing 9.3% of the country's total employment. It also contributed 156 billion euros to the national economy in 2022, accounting for 11.6% of Spain's GDP. Furthermore, in certain regions or autonomous communities that specialize in tourism, these figures can more than double.

There is an acute need for better knowledge of the family generation factors determining the financing decisions of tourism FF because of the size of the challenges they face and the structure of the sector, with a supply side combining international chains (Mariz-Pérez & García-Álvarez, 2009) and a fragmented market dominated by small establishments (Hernández-Maestro et al., 2009). While these companies have a great deal of expertise in their field, their management falls short in terms of professionalization and best practices. However, the understanding of the risk appetite of different FF generations in the tourism sector

is still limited, with Glowka and Zehrer (2019) highlighting the need to explore differences in risk perception across different generations of tourism FF.

Moreover, despite some differences among sub-sectors, the tourism industry overall is more capital intensive than other industries, given the importance of geographical agglomeration and investment in building and equipment (Singal, 2015). The need for capital to invest in fixed assets, coupled with the availability of tangible assets that can be used as collateral for borrowing, leads tourism firms to assume high leverage ratios (Singal, 2015). Specifically, Andrew et al. (2007) show leverage ratios of between 44% and 54% for restaurants and 49% and 65% for hotels. The new competitive context imposed by the COVID-19 pandemic has heightened interest in analyzing the financing capacity of the tourism industry.

The findings of the study highlight that first-generation FF adopt more defensive strategic positioning based on efficiency and cost control, a smaller endowment of intangible assets, and less emphasis on professionalization and human resource management practices. These firms also rely less on debt and adopt a more conservative capital structure.

These insights are invaluable for guiding FF, particularly those transitioning from one generation to the next, as they navigate the financial challenges that emerge with the disruption of the strategies, structures and values of the founding generation (Carney, 2005). By understanding these dynamics, FF can better plan for succession, transforming it into an opportunity to inject 'new blood' and initiate significant strategic shifts that could enhance the firm's long-term viability and success.

Our principal theoretical contribution is to add to the FF literature by combining elements of capital structure theories with the SEW approach and examining how these elements interact to shape the set of strategic, family-related, and financial decisions of Spanish tourism FF, especially when it comes to addressing the financial aspect of the succession problem. We focus on the comparison between founder-controlled and descendant-controlled FF because the transition between the first and second generation is the most turbulent one (Davis & Haverston, 1999) and only one third of FF survive into the second generation (Ward, 1997). We also contribute to the literature by conducting a large-scale study that overcomes the limitation of cross-sectional data.

The remainder of this paper is organized as follows. In Section 2 we present the literature review and hypotheses. Our sample, variable selection and methodology are described in Section 3. Section 4 presents the results and

robustness analyses. Section 6 concludes the paper.

2. Theoretical framework and hypotheses

The adoption of a holistic perspective to assess the different variables that account for FF heterogeneity according to the controlling generation is reflected in the application of multiple analytical approaches. These go beyond the classical approaches of pecking order theory (Blanco-Mazagatos et al., 2007) and agency theory (Jensen & Meckling, 1976), which reduce the analysis of the FF to agency problems, information asymmetries, financial factors or the wealth maximization principle (Sciascia, 2014).

Indeed, the adoption of new approaches such as stewardship theory (Davis et al., 1997) and SEW enables an examination of the heterogeneity of intergenerational FF driven by the change in non-financial considerations linked to the family values, objectives and orientation of the dominant family owner group (Gersick et al., 1997). According to this theoretical perspective, FF financial decisions are guided by the preferences of the owning family throughout the succession process (Miller & Le-Breton Miller, 2005). Research based on the SEW perspective also allows a consideration of the associated financial decisions themselves, because of the psychological characteristics and behavior of the managers and owners.

Therefore, we believe it necessary to adopt this focus to provide a better explanation for previous inconsistent findings in the literature, as it offers a valuable point of reference for analyzing family decisions and behavior (Sciascia et al., 2014; Gómez-Mejía et al., 2010). In the following sections, we define the profile of founder-controlled firms in comparison to descendant-controlled ones, in terms of strategy, asset and ownership structure, governance structure, and management practices, aspects that also have an important effect on capital structure or debt financing.

2.1. Controlling generation and competitive strategy

Miles and Snow (1978) identified four distinct patterns: prospector or explorer, defender, analyzer and reactor. Companies that are defenders (Miles & Snow, 1978) are notable for offering a relatively stable number of goods and services in limited markets, in which their managers are usually prominent experts. Their competitive positioning is usually based on maintaining their position in the market through price competition and providing excellent service

to their customers, whom they treat almost like family.

The defender (Miles & Snow, 1978) is the predominant archetype among first-generation companies, where it appears with significantly higher frequency than in descendant-controlled FF. Furthermore, these companies prioritize closer connections with existing customers and employees (Chen et al., 2016), thus seeking growth in activities they know well, with low levels of commercial and technological uncertainty.

This strategic archetype is often associated with first-generation FF. Family founders are thus expected to limit investment in innovation projects that are by their nature uncertain—for instance with regard to the timing and degree of market success (Durán et al., 2016)—and require diverse industry and technological characteristics (Durán et al., 2016; Muñoz-Bullón et al., 2018).

Prospectors (Miles & Snow, 1978), on the other hand, are organizations focused on dynamic environments involving continuous risk-taking, exploring new commercial and technological opportunities and regularly experimenting with new responses to emerging trends, often seeking to diversify their growth. They thus display a strong commitment to radical or discontinuous product and market innovation, and the flexibility to respond quickly to changing conditions, which can make them less efficient. The analyzer archetype lies between these two extremes, while the reactor corresponds to the organization that makes inconsistent decisions and is therefore not comparable with well-defined prototypes.

Descendant-controlled FF need to push new ways of doing things (Hoy, 2006) and reinvent themselves if they want to move beyond the legacy of the founder's generation, expand the business they have inherited (Muñoz-Bullón et al., 2018), and enhance business growth (Cruz & Nordqvist, 2012; Kellermanns et al., 2008) and financial wealth (Sciascia et al., 2014). Descendant-controlled FF, which have less emotional attachment to socioemotional aspects (Sciascia et al., 2014) and are more externally orientated than first-generation firms (Cruz & Nordqvist, 2012; Kellermanns et al., 2008), may therefore intensify knowledge acquisition and risk-taking behavior, linked to prospective strategies, drawing on their different backgrounds (Chirico et al. 2011) and industry experience (Sciascia et al., 2014).

Specifically, first-generation FF owners in the tourism sector are often characterized by a higher level of risk aversion and the adoption of a more defensive strategy compared to non-family firms (Arcese et al., 2021). Considering the previous arguments, two hypotheses are presented:

Hypothesis 1: Founder-controlled and descendant-controlled family tourism firms have different competitive strategies.

H1a: Founder-controlled family tourism firms will be more strategically defensive than descendant-controlled family tourism firms.

H1b: Descendant-controlled family tourism firms will be more strategically prospective than founder-controlled family tourism firms.

2.2. Controlling generation and asset structure: investment in tangible assets

The adoption of a defensive strategy runs counter to the pursuit of accelerated growth strategies, which require large investments and substantial financing operations. Thus, the defensive strategies of first-generation FF are characterized by a higher concentration of investments in low-risk liquid assets with reliable net asset value, such as tangible assets (Caneghem & Campenhout, 2010; Sánchez-Vidal & Martín-Ugedo, 2006).

Tourism businesses often require significant investment in physical assets such as hotels, resorts, transport vehicles, and recreational facilities. These assets not only serve as collateral, enhancing their ability to secure loans, but also influence their financing strategy (Masset et al., 2019; Singal, 2015).

To date, the contract literature has simply pointed to the preference of credit providers for financing investment in tangible assets that can be used as collateral, which help mitigate agency problems (Stiglitz & Weiss, 1981) and typically provide a greater net asset value in the event of bankruptcy than intangible assets (Caneghem & Campenhout, 2010). The collateral strength of these assets is especially important in the founding generation, where the company does not have a long history of creditworthiness to make up for the shortage of readily liquid assets. Furthermore, as already noted, the business portfolios of first-generation FF are not very diversified; rather, they tend to concentrate on a core business, with the founder strongly resisting change to this core for emotional and pragmatic reasons. Given all of the above, we propose the following hypothesis:

Hypothesis 2: Founder-controlled family tourism firms will invest less in intangible assets than descendant-controlled family tourism firms.

2.3. Controlling generation and governance, professionalization and management practices

In founder-controlled firms, family employees tend to behave in ways that are not explained by economic rationality, as they are intrinsically motivated by family goals and experience (Blanco-Mazagatos et al., 2018; Sciascia et al., 2014). In this start-up stage, an informal or paternalistic

structure prevails, with the founder assuming the role of the central actor in all processes (Muñoz-Bullón et al., 2018).

When multiple family members from different branches of the same family dynasty are in control of a FF, management becomes more complex (Cruz & Nordqvist, 2012). Different behaviors, preferences and goals can emerge, motivated by family and economic concerns (Chua et al., 2009). To overcome the increased social, political and operational complexity, previous literature has pointed out the importance of adopting a professional and more objective management style and formal organizational mechanisms (Duréndez et al., 2019; Blanco-Mazagatos et al., 2018).

The literature also shows that over the passing generations, family employees will be less committed to and less closely identified with the FF. In these cases, professionalization should align family employees' interests with the family's needs and goals and prevent conflict, opportunism and nepotism (Blanco-Mazagatos et al., 2018).

Professional management may involve the individual professionalization of CEOs and the use of advanced management tools that foster communication between the family and all the company's spheres of influence (Dekker et al., 2013) and address possible differences in viewpoints and strategic preferences in a more rational (and less emotional) way (Sánchez-Famoso et al., 2019).

Human resources in tourism FF are often described as having experience, but a low level of professionalization (Forés et al., 2021). They are also weak when it comes to business planning and seldom introduce advanced management systems (Hauck and Prügl, 2015). These issues may be particularly pronounced in the first generation. Therefore, we test the following hypotheses:

Hypothesis 3: CEOs in founder-controlled family tourism firms will have a lesser degree of professionalization than CEOs in descendant-controlled family firms.

H3a: in terms of the CEO's academic qualifications.

H3b: in terms of the implementation of management tools such as a board of directors and family protocols.

2.4. Controlling generation and capital structure/leverage

Founder-controlled firms and descendant-controlled firms have distinct knowledge endowments, goals, strategies and approaches to management (Durán et al., 2016), which may be reflected in their debt capacity (Molly et al., 2010).

In this vein, there is growing academic interest in the effect of the dominant generation on financing structure (Michiels & Molly, 2017). However, despite its importance, there is no consistent evidence on the effect of firm succession on financial structure; the mixed results on the sign of this effect can be partly explained by the cross-sectional nature of existing studies (Molly et al., 2010).

Several studies posit that family succession is negatively related to debt financing, arguing that as FF develop over generations, they will be more reluctant to take risks (Kaye & Hamilton, 2004). At the same time, they show a preference for wealth preservation over further wealth creation (Molly et al., 2010), and for maintaining their private status (Carney et al., 2015).

The idea of stagnation after succession also arises in studies by Röd (2016) and Miller et al. (2007). These authors suggest that descendant-controlled firms tend to have more diversified ownership, which leads to goal misalignment, conflicts, and more personal loss aversion. Pindado et al. (2015) also note that first-generation FF have easier access to debt financing and adjust more quickly toward target leverage. Other studies suggest that FF have less capacity to attract debt financing after succession, considering that descendants may be less qualified (Anderson et al., 2003) and therefore there would be greater information asymmetries between bondholders and shareholders, higher dividend payout ratios, and less attention to reinvesting retained earnings (Schwass, 2005).

However, another substantial theoretical stream posits that it is the founding generations that are more reluctant to adopt a highly leveraged capital structure, due to their desire to pass on their idea of a “healthy company” to younger generations and safeguard the family’s name and the founder’s lifework (Chirico et al., 2012; Molly et al., 2010). Sciascia et al. (2014) argued that family management is positively related to profitability in later generational stages, as family managers, despite having multiple objectives, prioritize financial wealth to preserve SEW. In this vein, the emotional endowment is likely to be greater in younger FF, since the emotional dimensions of family identity, reputation and continuity attenuate as firms grow older and members of different family branches get involved in the firm (Belda-Ruiz et al., 2022; López et al., 2024; Sciascia et al., 2014).

Accordingly, the defensive strategy and resulting financial conservatism often linked with first-generation FF leads to lower debt and greater liquidity (Anderson & Reeb, 2003). Since leveraging increases external scrutiny and disclosure requirements, it could potentially

threaten the dominant position of the owning family and weaken the SEW endowment (Muñoz-Bullón et al., 2018). As the company passes on to subsequent generations, the natural conservatism of the founder is diluted, with the new generations taking on more debt to meet their greater financial needs; at the same time, socioemotional aspects become less important, while ownership becomes more fragmented but more experienced (Clemente-Almendros et al., 2021).

First-generation FF in the tourism sector are often characterized by a heightened level of risk aversion and a tendency to adopt more defensive strategies compared to non-family firms (Arcese et al., 2021). This defensive approach, as proposed in Hypothesis 1, manifests in a preference for lower leverage as a means of mitigating the risks associated with high levels of debt (Forés et al., 2021). Additionally, the lower levels of capital investment in employee qualifications and managerial development typically observed in first-generation FFs (Sciascia et al., 2014), as argued in Hypothesis 2, further reinforce their conservative and risk-averse financial behavior (Sciascia et al., 2014).

First-generation tourism FF might use their significant investment in physical assets (as argued in hypothesis 3) to their advantage by turning to asset-backed lending. This strategy could secure the necessary capital while keeping leverage relatively low overall to control risk.

The tourism industry is highly seasonal, and businesses can experience significant fluctuations in cash flow (Memili & Koç, 2023). This industry is also highly sensitive to economic downturns, regulatory changes, health crises and political instability, which can abruptly affect travel patterns and revenues (Memili & Koç, 2023). This volatility and vulnerability to external events may make first-generation FF owners even more cautious about taking on debt due to the uncertainty of being able to meet regular debt payment obligations during off-peak periods and unpredicted downturns. In this situation, owners may prefer to keep the leverage low to maintain financial flexibility and ensure business resilience. This seasonality, along with all the above mentioned FF characteristics linked to strategy, assets and degree of professionalization, could also explain why reputation and customer relationships are critical in tourism (Glowka & Zehrer, 2019; Memili et al., 2023; Randolph et al., 2022). Instead of pursuing innovativeness, first-generation FF often focus on building strong personal relationships with customers and business partners (Miller & Le-Breton Miller, 2005), which can lead to stable revenues and organic growth, reducing the need for external

financing, thus affecting their leverage positions and higher leverage.

Nevertheless, the picture might change in subsequent generations. When ownership is more dispersed across the family, attitudes against leverage may be relaxed as single family members are investing less wealth in the firm (Burgstaller & Wagner, 2015; Blanco-Mazagatos et al., 2007). Blanco-Mazagatos et al. (2009) also argue that, as control of the firm passes from one generation to the next, the family owners' ability to make sacrifices will decrease and the liquidity requirements for the profitability of their stake in the firm will increase and the firm's internal financing capacity will thus decline, leading to an increase in its indebtedness.

In this context, owners from the second or later generations are likely to bring novel proactive perspectives to the firm, advocating taking risks through the adoption of growth strategies to remain competitive (Castro et al., 2016).

In addition, descendant-controlled firms may have to work to offset the loss of value of specialized intangible assets, such as political clout, informal relationships and reputation, which often dissipate when the founder leaves the firm (Bennedsen et al., 2015). Therefore, as the firm grows in complexity over time, it requires more funds to pursue the development of activities related to innovation and reputational capital (Pan et al., 2018) than can be sourced from within the family and the firm. This means taking on a higher level of debt to obtain additional funds without losing control of the firm (De Massis et al., 2015; Zahra et al., 2007).

The transmission of entrepreneurial spirit across generations plays a crucial role in tourism destination development and local community entrepreneurship (Memili et al., 2023; Forés et al., 2021). The necessary embeddedness of tourism FF in tourist destinations can lead descendant-controlled firms to prefer debt financing so as not to constrain long-term decision-making on environmental and community sustainability.

The life cycle theory (e.g., Castro et al., 2016) also provides some support for this reasoning. As firms grow and develop, they are usually more profitable, use tax shields more effectively, and have more tangible assets that can act as collateral, thus reducing bankruptcy costs (Frielinghaus et al., 2005). For this reason, maturity engenders greater trust from shareholders and the market, improving these firms' access to financing and reducing the associated costs (Castro et al., 2016; Anderson et al., 2003).

Agency theory also identifies two additional factors that drive increased debt in descendant-controlled FF, related to the lack of management and financial resources. In this vein, according

to Molly et al. (2010) and Blanco-Mazagatos et al. (2007) when firms grow over the course of generations, problems of cohesion, trust and opportunism increase, along with irrational salaries and perks. Managing these contentious situations requires the adoption of more formal governance mechanisms and control systems (Sciascia et al., 2014), such as the use of debt financing (Blanco-Mazagatos et al., 2007; Comino-Jurado et al., 2021; Setia-Atmaja et al., 2009). Succession planning is a particularly critical issue in family-owned tourism businesses, as the transition from one generation to the next should not create a negative impact on family, employees, customers or the community (Kallmuenzer et al., 2021). In addition, the tax burden resulting from a transfer in ownership during the succession requires more financial resources (De Massis et al., 2008) to buy company shares, which results in a higher demand for debt financing. Although both positive and negative effects have been identified, the prevailing conclusion is that the founding generation is associated with more conservatism and less debt.

Based on the above reasoning, we hypothesize that:

Hypothesis 4: Founder-controlled family tourism firms are more financially conservative.

3. Material and Method

3.1. Data

Our study is based on a primary study of the Spanish tourism industry. The sample was chosen from the total population of the Spanish tourism companies in 2008, according to the Central Companies Directory (DIRCE) and the Spanish National Institute of Statistics (INE). The work plan consisted of the requesting an ad hoc processing of DIRCE to determine the total reference universe and its territorial distribution by activity, size, autonomous communities and provinces, which returned a total of 8,148 companies. The sample was obtained by a stratified random procedure with proportional allocation by activity and size. Following several filtering and cleansing processes applied to the reference universe of 8,148 companies, 3,979 were identified as potential contacts. Of those contacts, 1,019 firms were successfully recruited to participate in the research, while 1,810 could not be contacted. In addition, managers of 579 organizations contacted refused to participate in the study, either explicitly or by placing obstacles in the way of arranging an appointment; 74 did not meet the minimum requirements due to the incompleteness of the directories used to locate

the companies initially extracted from the DIRCE, with some of the data included such as size, geographical location and tourism activity being erroneous; and 497 had either closed or were not active. The resulting sample thus contained 1,019 companies, with a confidence level of 95% and a margin of error of $\pm 3.1\%$. This sample size provides a sufficiently large number of observations to be able to generalize the results to the Spanish tourism industry as a whole and to each of its segments by main activity and size. Moreover, this sample size is in line with those established in other national (e.g., Bayo Moriones et al., 2003) and international (e.g., Huselid, 1995, Osterman, 1994) studies with similar purposes. As such, the decision was made not to contact any more companies from the reference universe. This final sample represents a response rate of 25.6% and consisted of 748 FF and 271 non-family firms.

The fieldwork, carried out from December 2009 to March 2010, was based on personal interviews with the CEO of the company, as the most important decision-maker (Clemente-Almendros et al., 2024). To correct the potential problems with the survey as a method of data collection, and to increase the response rate and quality of information, a modified version of Dillman's (1978) total design method' was employed. This method is well accepted in this research area (Conant et al., 1990).

We use this data to categorize businesses as family or non-family enterprises and identify the family governance variables. According to the literature, FF typically have stable ownership structure over time (Camisón et al., 2022; Miller et al., 2011). Next, to enable the longitudinal approach of our study and to complement our primary family data with financial data we extract financial information from SABI (Sistema de Análisis de Balances Ibéricos) for the period 2008 to 2016. Since SABI did not provide financial data for all the abovementioned 1,019 companies, our final sample consisted of 543 companies, 378 of which were FF. Five tourism subsectors were covered in the final sample: accommodation, catering, intermediaries, transport and complementary offer (see Appendix - Table A-1).

3.2. Variables

In this section, we provide an overview of the definitions of the variables used to test the characteristics and financial structure of FF in different generational stages. The variables related to FF generations and FF traits are based on the questionnaire and the financial variables were extracted from SABI. In order to mitigate the effect of outliers, all the variables are winsorized at 0.5% in each tail of the distribution.

Firstly, the variable *generation* (GEN) is defined as a dummy variable, taking a value of 1 if it is the first generation (Founder-controlled firm) and 0 otherwise (Descendant-controlled firm).

To test our hypothesis related to *strategic orientation*, we use Miles and Snow's (1978) typology. We define four dummy variables that take a value of 1 if the company adapts a specific strategy: DEFENDER, EXPLORER, ANALYZER and REACTOR. For the endowment of *intangible assets* (INTANGIBLE ASSETS), we count the number of brands the firm has (Vomberg et al., 2015). We measure the degree of *professionalization* of the CEO (CEO's PROFESSIONALIZATION) with a dummy variable that takes the value of 1 if they have a degree or master's in tourism. We capture the *FF professionalization* through the existence of formal organizational mechanisms such as the board of directors (BOARD) and family protocols (PROTOCOL). Thus, we use dummy variables that take the value of 1 if the FF has a board (for the BOARD variable) and 1 if it has a protocol (PROTOCOL), and 0 otherwise. Finally, for our fourth hypothesis, we establish a definition of a company that is *conservative* regarding the use of leverage, and we create a dummy variable, CON, which takes the value 1 if the company is considered conservative for a specific year. To be labeled as conservative in this way, the company must be within the lowest quartile of the companies in terms of indebtedness levels for that year and the previous one (Sánchez-Vidal & Martín-Ugedo, 2006).

For the matching procedures, we used specific covariates commonly employed in the literature when the variable of interest is related to FF governance structures or FF status (Forés et al., 2020; Pindado et al., 2011): RISK, Altman's Z-Score; SIZE as log of Total Assets; GROWTH, as sales growth; CONTROL, as control mechanisms of the FF; and CONCENTRATION, as percentage of equity held by the first shareholder.

In FF studies analyzing the heterogeneity of FF behavior and the level of debt, the leverage ratio (LEV) has commonly been used as a dependent variable (Camisón et al., 2022; Clemente-Almendros et al., 2021). To bring our study in line with this literature, and as an alternative way to examine the financial conservatism of the first generation, we use the leverage ratio (LEV) as the dependent variable, defined as the ratio of long-term plus short-term debt to total assets (Miller et al., 2007; Molly et al., 2010). We use the control variables commonly adopted in the financial literature (Caneghem & Campenhout, 2010; Molly et al., 2010): TANG, endowment of tangible assets (the ratio of tangible assets (net fixed assets) to total assets); PROF, profitability (earnings before interest and taxes (EBIT) divided

by total assets); GROWTH, growth of sales; firm size (natural logarithm of total assets); and AGE (number of years since the creation of the firm). We also include year dummies to control for the temporary effect that could arise from leverage decisions being affected by macroeconomic conditions, which equals 1 for the specific year, and 0 otherwise. The descriptive statistics for the variables in the model are shown in Table 1. Both covariates and control variables were chosen by referring to the literature, to avoid any potential omission bias issues¹.

Finally, we classify a company as family owned if the founder and/or subsequent generations hold the largest ownership share and have responsibility for making the strategic decisions

(Handler, 1989; Shanker & Astrachan, 1996). To clarify the conceptual ambiguity surrounding the term "family firm", Handler (1989) determined that the primary factor underlying most definitions is family participation in ownership. Shanker and Astrachan (1996) developed a typology of FF definitions based on the ownership structure. According to their definition, a "family firm" is one in which the founder or his or her heirs retain majority ownership and decision-making authority. This definition requires that: (a) the capital owned by the family is sufficient to have majority voting rights, and (b) most of the family capital is in the company. Following this approach, we refer to the concept of family capital, rather than just the founder, as it involves controlling the voting process.

Table 1. Descriptive statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
GEN	1,904	0.529	0.499	0	1
DEFENDER	2,888	0.335	0.472	0	1
EXPLORER	2,888	0.096	0.295	0	1
ANALYZER	2,888	0.412	0.492	0	1
REACTOR	2,888	0.155	0.362	0	1
INTANGIBLE ASSETS	3,024	1.423	0.855	1	5
CEO's PROFESSIONALIZATION	2,848	0.176	0.381	0	1
BOARD	1,800	0.408	0.491	0	1
PROTOCOL	3,024	0.380	0.485	0	1
RISK	2,193	1.206	2.412	-15.893	13.048
SIZE	2,193	14.080	2.006	8.7741	20.944
GROWTH	1,887	0.438	3.156	-0.982	27.001
CONTROL	3,024	0.208	0.406	0	1
CONCENTRATION	2,344	82.0716	26.862	0	100
LEV	1,361	0.541	0.612	0.001	7.229
TANG	2,131	0.468	0.322	0.000	0.989
AGE	2,240	27.639	23.263	7	174
PROF	2,187	-0.002	0.198	-1.993	0.557
CON	3,024	0.063	0.243	0	1

1. The definitions of all variables are provided in the Appendix - Table A2.

The distribution of the generations in our sample is quite well balanced, since the average value of GEN variable is 0.529. Regarding the different strategic profiles, the mean values show that our sample is diverse in terms of strategies, ranging from 0.096 for firms classified as EXPLORER to 0.412 for firms categorized as ANALYZER. The firms in our sample do not show a large mean value for brand, with an average of 1.423 brands. Most of the CEOs do not have a master's degree, since the mean value of this variable is 0.176. Regarding the existence of a board of directors and protocols, the sample is balanced, with mean values of 0.408, and 0.380, respectively. The companies in our sample show a moderate risk of bankruptcy, based on a mean value of 1.206 for the RISK variable. Moreover, they show substantial variation in size and growth. With regard control mechanisms, they mostly do not have these instruments, registering a mean value of 0.208. However, the percentage

of capital stock held by the first shareholder is quite large, with an average value of 82.071. These companies show a mean value for leverage of 0.541 and 0.468 for tangible assets, but the dispersion is large. Regarding their age, the mean value is 27.639, but the firms are notable diverse in this regard. Finally, their profitability is quite low, and they are mostly not conservative in terms of indebtedness.

3.3. Empirical models

We use the propensity-score-based matching pair method (Ampenberger et al., 2013) to check the extent to which the first generation differs in strategy, asset structure, ownership structure, governance, managerial practices, and debt conservativeness. As an alternative matching procedure, we apply nearest-neighbor matching (Dehejia & Wahba, 2002). For hypothesis 4, and only for the companies classified as FF in our sample, we apply the following alternative approach:

Equation [1]

$$LEV_{it} = \beta_0 + \beta_1 \cdot GEN_{it} + \beta_2 \cdot TANG_{it} + \beta_3 \cdot SIZE_{it} + \beta_4 \cdot PROF_{it} + \beta_5 \cdot GROWTH_{it} + \beta_6 \cdot AGE_{it} + \varepsilon_{it_i}$$

We use a random effects panel data regression model (Model I). These models are especially suitable considering the constant nature of the generation dummy variable (Miller et al., 2011). They also incorporate Huber-White clustered standard errors to control for unobserved firm fixed effects and adjust for firm-specific autocorrelation (Peterson, 2009). In line with the literature, in Model II we use Heckman two-step treatment effect regressions for the previous indicators to deal with the potential endogeneity between leverage and generation variables, as well as potential selection bias. (Camisón et al., 2022; Miller et al., 2011; Miller et al., 2007). In applying this technique, we first run a probit regression, where the dependent variable is a dummy FF variable equal to 1 if the company is considered an FF, and 0 otherwise. The family dummy variable and the explanatory variables are the same as those used for the panel approach, accompanied by other variables commonly used in the literature to deal with endogeneity in the FF framework; namely, control mechanism of the FF (CONTROL), and the Altman (1968) Z-Score for specific firms' risk (RISK). We then run standard random effects panel data regression.

4. Results

To test hypotheses 1 to 4, Table 2 presents the results obtained for the propensity-score-based

matched pair method and nearest-neighbor matching.

The results obtained for the strategic orientation adopted in the firm show that founder-controlled firms have a more defensive strategic orientation (DEFENDER) (0.083, t-stat 1.72), and a less exploratory (EXPLORER) one (-0.118, t-stat -3.27) than descendant-controlled firms, supporting H1. There is no significant difference for analyzer (ANALYZER) and reactive (REACTOR) strategies. We then repeat nearest-neighbor matching, confirming the results for both the defender strategy (0.129, p<0.000) and the explorer strategy (-0.147, p<0.000).

The results obtained for the INTANGIBLE ASSETS variable show that founder-controlled firms have fewer intangible assets (-0.353, t-stat -3.01), confirming H2. We again conduct nearest-neighbor matching, confirming the previous results (-0.430, p<0.000). The results for our PROFESSIONALIZATION variable both at individual level, captured by the CEOs's education (-0.081, t-stat -1.76), and organizational level, captured through BOARD (-0.092, t-stat -1.97) and PROTOCOL (-0.113, t-stat -2.39) variables, confirm H3a and H3b. The results of the nearest-neighbor matching procedure are in line with those of the propensity-score-based matched pair method for the CEOs's education (-0.080, p< 0.003) but not for the BOARD and PROTOCOL variables.

Finally, the variable CON is higher for the first

generation (0.049, t-stat 2.14), confirming our previous findings in support of H4. Nearest-neighbor matching shows that the difference

between conservative and non-conservative companies is positive and significant (0.048, $p < 0.048$).

Table 2. Propensity-score and nearest-neighbor matching for first generation characteristics related to the strategic orientation

Variables	Propensity Score Matching			Nearest-Neighbor Matching	
	Difference Mean	Std. Dev.	t-stat	Difference Mean	p-value
DEFENDER	0.083	0.048	1.72*	0.129	0.032
EXPLORER	-0.118	0.036	-3.27***	-0.147	0.000
ANALYZER	0.028	0.048	0.58	-0.020	0.750
REACTOR	0.006	0.029	0.22	0.038	0.334
INTANGIBLE ASSETS	-0.353	0.117	-3.01****	-0.430	0.000
CEO's PROFESSIONALIZATION	-0.081	0.045	-1.76*	-0.080	0.003
BOARD	-0.092	0.047	-1.97**	-0.038	0.208
PROTOCOL	-0.113	0.047	-2.39***	-0.000	0.999
CON	0.049	0.023	2.14**	0.046	0.048

Notes: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

Next, for an alternative test of hypothesis 4, we proceed as follows. The results for Equation [1] are shown in Table 3.

Table 3. Estimation results Equation [1]

Explanatory Variables	Model I	Model II
GEN	-0.290* (0.158)	-0.316* (0.175)
TANG	0.635* (0.325)	-0.082 (0.088)
SIZE	-0.321*** (0.081)	-0.077*** (0.019)
PROF	0.260 (0.203)	-0.135 (0.260)
GROWTH	-0.010 (0.012)	0.015* (0.008)
AGE	-0.003 (0.002)	-0.007*** (0.002)
Intercept	5.264*** (1.151)	2.696*** (0.481)
Dummy 2009	-0.214*** (0.048)	-0.110 (0.119)
Dummy 2010	-0.166*** (0.044)	-0.124 (0.117)
Dummy 2011	-0.174*** (0.040)	-0.184 (0.114)
Dummy 2012	-0.152*** (0.040)	-0.150 (0.112)
Dummy 2013	-0.074 (0.052)	-0.012 (0.111)
Dummy 2014	-0.070* (0.042)	0.053 (0.114)
Dummy 2015	-0.001 (0.035)	0.050 (0.113)
Dummy 2016	Omitted collinearity	Omitted collinearity
Observations	523	486
Wald chi (2)	59.60 (0.000)	182.61 (0.000)
Lambda		0.140 (0.108)

Notes: Model I is random effects panel data regression coefficients estimated from Equation [1] with robust standard errors in parentheses. Model II: Treatment effect regression coefficients estimated from Equation [1] with robust standard errors in parentheses. Superscript asterisks indicate statistical significance at 0.01(***), 0.05(**) and 0.10(*) levels.

The problem of multicollinearity in our variables was ruled out using variance inflation factor (VIF) analysis. All the values range between 1.01 and 2.13, which indicates the absence of multicollinearity (Myers, 2000). Since ours is not a maximum likelihood model, chi-square is the only appropriate goodness-of-fit measure (Miller et al., 2011). The model is statistically significant at the 0.000 level. The coefficient for the GEN variable in Model I (-0.290) has the predicted sign, lending support to the negative effect of founder-controlled FF on leverage and supporting H4. Moreover, the coefficient in Model II (-0.316) confirms our main findings when controlling for potential endogeneity of family variables as well as selection bias. The negative and significant coefficient of SIZE indicates that large companies are more likely to choose internal financing (Brealey et al., 2008).

5. Discussion and Conclusions

The transition between the first and the second generation in FF is one of the most turbulent and critical processes they will have to handle, as shown by the high rate of companies that do not survive into the second generation (Ward, 1997). In addition, transitions from the first generation to the second are the most complex as neither the predecessors nor the successors have any ex-ante knowledge or experience of (one-time) successions, involving novel management problems (Werner et al., 2021).

This study not only contributes to academic literature by conducting an integrated assessment of different strategic, structural and managerial factors that shape the profile of FF according to their generational stage, but also to business practice by revealing certain variables that may be key to managing this succession process satisfactorily, considering their associated impact or influence on financial decisions.

This study aims to advance FF literature, given the scarcity of empirical studies and lack of consistency in the findings on the impact of the controlling generation on debt. This controversy is particularly intense in the tourism sector, where, despite the fundamental role of FF and the high debt ratios, there are no specific studies addressing these issues either separately or through the integrated approach proposed in this contribution.

Moreover, the empirical evidence on the characteristics of tourism FF by controlling generation is not particularly revealing. On the one hand, in Spain, there are numerous examples of first-generation family-run tourist businesses that have found a prosperous and opportunity-filled market niche in rural hospitality, investing

their own funds. On the other hand, RIU Hotels & Resorts, founded in 1953 by the Riu family as a small tourism business in Mallorca, exemplifies how subsequent generations can transform a company into one of the largest hotel chains in Spain, with a presence in many countries. The third generation of the Riu family now runs the company, which has used debt to finance its expansion and the renovation of its properties. Leverage has helped RIU grow and remain competitive in the international resort and hotel market.

Meliá Hotels International can also serve as an example of leverage, although the hotel industry has been influenced by the shift to a franchise and management model from one based on property ownership. At the beginning of the century, Meliá's leverage was 80%. It reached a peak of 440% in 2012. In 2016, the founder's son took over as CEO, and in 2023, he succeeded his father as president. With the appointment of the new second-generation CEO, the company's deleveraging trend has reversed. Currently, the leverage ratio stands at 204%, despite the change in the business model.

To contribute to the literature, this study has adopted a multi-theoretical approach, combining traditional financial theories with stewardship theory and the SEW perspective. Our results confirm the growing complexity of the FF— in terms of strategies, asset structure, corporate governance structures, and management practices—as the ownership and the running of the business is passed down through generations. Founder-controlled firms are shown to adopt more defensive strategic positions based on cost efficiencies and invest less in intangible assets in comparison to descendant-controlled firms. Furthermore, founder-controlled FF are less professionalized, as reflected in the qualification of the CEO, and the existence of formal governance mechanisms (board of directors and family protocol). These results are also in line with studies by Mullins and Schoar (2016) and Cruz & Nordqvist (2012).

This study also analyzes the controlling generation of FF with regard to its critical impact on the financial structure (Blanco-Mazagatos et al., 2009; Blanco-Mazagatos et al., 2007; Molly et al., 2010), which is central to innovation, firms' internationalization processes, and even their survival (Michiels & Molly, 2017). Our results contribute to the literature on the effect of the founder-controlled generation —as compared to the descendant-controlled generation— on company financing decisions; a literature that to date has been largely restricted to the study of large public firms or based on cross-sectional data (Molly et al., 2010). This research overcomes

these limitations by analyzing firms of different sizes using panel data (see the distribution of our variable SIZE in Appendix - Figure A-1).

Our results show that the conservative position of founder-controlled FF is also reflected in the financial structure, consistent with the results of [Clemente-Almendros et al. \(2021\)](#). Specifically, founder-controlled FF have lower leverage capacity. This lower leverage capacity is also shown to be associated with a more conservative financial positioning, as the debt-to-cost ratio for such firms was remarkably low over two consecutive years, which could mean having to forego profitable investments, leading to a problem of underinvestment ([Sánchez-Vidal & Martín-Ugedo, 2006](#)). An attitude of regarding the firm as a personal fiefdom would tempt founders to act without involving their staff, which could jeopardize the growth and continuity of the firm or lead to strategic stagnation ([Hatak et al., 2015](#)), obstruct innovation output ([Durán et al., 2016](#)), and may even threaten positive family-influenced resources, that is, familiness ([Chirico et al., 2012](#)). Since higher capital intensity tends to be a feature of the tourist industry, indebtedness decisions are quite a sensitive issue for the competitiveness of these firms ([Singal, 2015](#)). Furthermore, the generations in control of FF differ in terms of strategic approaches ([Clemente-Almendros et al., 2021](#)).

As the firm passes down through subsequent generations, socioemotional issues become less relevant. Later generations make economic considerations increasingly central to their decision-making processes ([Clemente-Almendros et al., 2021](#)). Descendant-controlled firms can bring in complementary ideas and experiences ([Chirico et al., 2011](#); [Kellermanns et al., 2008](#)), a broad network of partners ([Zahra et al., 2007](#)), greater knowledge of the business and its environment ([Durán et al., 2016](#)), and different management styles, strategies and objectives ([Nieto et al., 2015](#)), thus overcoming some of the less advantageous effects of the family ownership structure ([Miller & LeBreton-Miller, 2006](#)).

6. Practical Implications

Our findings underscore the importance of considering both family dynamics and SEW when making funding decisions for family businesses investments. For instance, if venture capital firms factor in these considerations when presenting themselves as an alternative funding source for FF, the founding family is more likely to lose voting control of the company ([Chemmanur et al., 2021](#)).

The conservative financial positioning of founder-controlled firms, characterized by lower leverage

capacity, poses a risk of underinvestment. These firms should consider more balanced financial strategies that enable them to capitalize on growth opportunities without jeopardizing their financial stability. One way would be to encourage investment in tangible assets, since they can improve both the firm's debt capacity and its competitive position ([Camisón et al., 2022](#)). However, since capital intensity is high in the tourism industry, this investment should be accompanied by flexible management practices that allow firms to adapt to changing market dynamics. This might involve revisiting asset management strategies to ensure they are agile enough to respond to market demands without compromising financial health. In this vein, investing in human capital is also essential for fostering a culture of innovation and adaptability, driving the firm's long-term success ([Glowka & Zehrer, 2019](#)).

Therefore, first-generation managers and founders should consider adopting new practices and opening their defensive attitudes to deploying resources. The introduction of external and mixed chains in their various forms ([Singal, 2015](#)) could also mitigate some of the exigencies and risks faced by tourism firms due to high capital intensity.

Overall, FF should see the business transfer over generations as an opportunity for growth strategies and innovation, not a liability or a negative event ([Hauck & Prügl, 2015](#); [Carney, 2005](#)). Managers should take advantage of the opportunities for value creation and transformation that arise during the transition from one generation to the next ([Claver et al., 2009](#)). The practical implications derived from this study provide a roadmap for FF to navigate this complex but potentially rewarding landscape.

7. Limitations and Future Research

This study has several limitations, which point to future lines of research. First, this study offers valuable insights into the strategic positioning and structural characteristics of founder-controlled family firms (FFs) compared to descendant-controlled FFs. While these findings provide a strong foundation, future research could build upon them to explore in greater detail the best practices associated with each generation of ownership or the specific stages in a firm's lifecycle, further enriching our understanding of these dynamics. Second, as the sample was limited to the Spanish tourism sector, and despite the strategic role of this industry in Spain, future studies should consider other regions and industries to help ensure the robustness to the results obtained. Additionally, comparing various

sectors and regions may reveal unique challenges and opportunities that could further refine the understanding of the impacts observed.

Third, further analysis is required on how psychological characteristics, competences and behavior evolve over generations (Molly et al., 2010). In this line, future studies should analyze whether the endowment of these capacities, or the introduction of certain quality-related practices, have a moderating effect on the relationship between the dominant generation and its debt capacity.

Finally, further research could explore how the controlling generation of FFs interacts with ownership structures such as chains, franchising, leasing, contracting, and revenue management, as these strategies offer different approaches for FFs to address the challenges and risks associated with high capital intensity (Singal, 2015).

Author contribution statement

The authors contributed equally to the work.

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Data availability statement

The data that support the findings of this study are available from the corresponding author, S. Camisón-Haba, upon reasonable request.

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Appendix

Table A1. Tourism sub-sectors

	Companies	Family Firms
Accommodation	197	141
Catering	140	106
Intermediaries	95	60
Transport	29	25
Complementary offer	82	46
TOTAL	543	378

Table A2. Variables description

Variable	Question	Calculation	Sign
GEN	If we consider the founder as the first generation, which generation is currently the dominant or most powerful?	Dummy variable, taking a value of 1 if it is the first generation (Founder-controlled firm) and 0 otherwise (Descendant-controlled firm)	
DEFENDER	Which of the following descriptions most closely matches your organization compared to other firms in the industry? Please consider your company as a whole and note that none of the types below are inherently good or bad. This organization tries to do the best job possible. It pursues efficiency and low costs. The organization tends to offer a narrower range of services than its competitors.		+
EXPLORER	Which of the following descriptions most closely matches your organization compared to other firms in the industry? Please consider your company as a whole and note that none of the types below are inherently good or bad. The organization's values are to "be the first" in new products and markets even if it is not certain that these innovations will be profitable	We use Miles and Snow's (1978) typology. We define four dummy variables that take a value of 1 if the company adopts a specific strategy: DEFENDER, EXPLORER, ANALYZER, and REACTOR.	-
ANALYZER	Which of the following descriptions most closely matches your organization compared to other firms in the industry? Please consider your company as a whole and note that none of the types below are inherently good or bad. This type of organization attempts to maintain a stable and limited line of products or services, while at the same time betting on some innovative developments		
REACTOR	Which of the following descriptions most closely matches your organization compared to other firms in the industry? Please consider your company as a whole and note that none of the types below are inherently good or bad. This type of organization does not have a clearly defined competitive strategy.		

Variable	Question	Calculation	Sign
INTANGIBLE ASSETS	Indicate the names of the brands that your company has (THE 5 MOST IMPORTANT):	We count the number of brands the firm has (Vomberg et al., 2015).	-
SHAREHOLDERS_1	Can you tell me how many family shareholders the company currently has?	We employ three different dummy variables that take the value of 1 if the number of shareholders is 1, between 2 and 5, and more than 5	+
SHAREHOLDERS_2		(SHAREHOLDERS_1, SHAREHOLDERS_2, and SHAREHOLDERS_3, respectively).	-
SHAREHOLDERS_3			-
CEO's PROFESSIONALIZATION	Indicate the educational background of the most senior manager in your company	Dummy variable that takes the value of 1 if the top manager has a degree or master's in tourism, and 0 otherwise.	-
BOARD	Is there a board of directors?	Dummy variable that takes the value of 1 if the family firm has a board and 0 otherwise.	-
PROTOCOL	Indicate which of the following instruments are used for the management of the company	Dummy variable that takes the value of 1 if the family firm has a protocol and 0 otherwise.	-
HUMAN	Indicate the extent to which your company has used the following management practices in the last 3 years (scale 1 to 7).	Dummy variable (HUMAN) that takes the value of 1 if the company is above the sample median regarding these practices and 0 otherwise.	-
RISK		Z-Altman - $RISK = (3.3 * EBIT + SALES + 1.4 * (NET INCOME - DIVIDENDS) + 1.2 * (CURRENT ASSETS - CURRENT LIABILITIES)) / TOTAL ASSETS$	
SIZE		$\text{Log}(TOTAL ASSETS)$	
GROWTH		$(SALES - SALES_{2008}) / SALES_{2008}$	
CONTROL	Indicate which of the following instruments are used for the management of the company	Control mechanisms of the family firm	
CONCENTRATION	Can you estimate the % of capital stock held by the first shareholder?	Percentage of equity held by the first shareholder.	
LEV		Ratio of long-term plus short-term debt to total assets (Miller et al., 2007; Molly et al., 2010).	-
TANG		The ratio of tangible assets (net fixed assets) to total assets	
AGE		Number of years since the creation of the firm	
PROF		Earnings before interest and taxes (EBIT) divided by total assets	
CON		Dummy variable which takes the value 1 if the company is considered conservative for a specific year. To be labeled as conservative, the company must be within the lowest quartile of the companies in terms of indebtedness levels for that year and the previous one (Sánchez-Vidal & Martín-Ugedo, 2006).	+

Figure A1. Size variable distribution

