FIRM PHILANTHROPY IN SMALL AND MEDIUM-SIZED FAMILY FIRMS: THE EFFECTS OF FAMILY INVOLVEMENT IN OWNERSHIP AND MANAGEMENT

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Abstract

Drawing on stewardship theory and arguments in relation to social and reputational capital, this study investigates how family involvement affects engagement in firm philanthropy in small and medium-sized family firms. Specifically, we argue that family involvement in ownership positively influences firm philanthropy while its interaction with family involvement in management produces a negative effect. Based on a sample of 130 Italian family firms, our findings offer important implications for theory and practice and pave the way for future research in the field of philanthropy in the family firm context.

Keywords: Philanthropy; Social issues; Family involvement; Family firms; Ownership dispersion.

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The body of family business literature has greatly increased in the last decades and has gained its own *raison d'être* independently of management and entrepreneurship research (Chrisman, Steier, & Chua, 2008). The ubiquity of family firms and the acknowledgement that these entities contribute to an economy's growth have led scholars to focus their studies extensively on this form of business organization (De Massis, Sharma, Chua, & Chrisman, 2012). Yet, some important issues and topics have only been marginally studied in family firms. For instance, after reviewing recent work on philanthropy and family firms, Litz & Stewart (2000) conclude that "a lacuna currently exists between the two" (p.132).

Firm philanthropy includes altruistic activities intended to serve others or the act of donating money, goods and services to support a socially beneficial or humanitarian cause. In general, firm philanthropy is defined as a discretionary wealth transfer of net income to stakeholders (Windsor, 2006). Studies focusing on corporate philanthropy in current management literature are scarce (Maas & Liket, 2011) and offer miscellaneous contributions to the field (Brammer & Millington, 2003). In particular, scholars have investigated the factors affecting firm expenditures for philanthropic purposes (e.g., Hess et al., 2002; Seifert et al., 2003; Seifert et al., 2004), the strategies pursued by investing in philanthropy (e.g., Brammer & Millington, 2006; Maas & Liket, 2011; Saiia et al., 2003) and the effect of philanthropic giving on financial performance (e.g., Godfrey, 2005; Orlitzky et al., 2003; Porter & Kramer, 2002; Wang, Choi, & Li, 2008; Wang & Qian, 2011; Wood & Jones, 1996). However, limited research has focused on the ownership and governance structure of a firm as a potential predictor of its charitable behaviour (e.g., Bartkus et al., 2002; Williams, 2003; Wang & Coffey, 1992) and very few studies have investigated the role of the family in firm philanthropy (e.g., Litz & Stewart, 2000).

This study draws on stewardship theory, considering the family as a source of competitive advantage whose uniqueness derives from integrating the family and business systems (Miller, Le

Breton-Miller, & Scholnick, 2008). This theoretical perspective is based on three main aspects that characterize family stewardship: significant investment in the business and in its future, the unconditional funding of this investment, and a strong willingness to pursue long-term goals even at the expense of short-term gains (Le Breton-Miller et al., 2011). This perspective is integrated with arguments related to social and reputational capital; indeed, social networks and reputation are key resources that family firms leverage to maintain a competitive advantage (Carney, 2005). As such, this study aims to investigate whether and how family involvement fosters or hinders engagement in firm philanthropy. Specifically, we argue that family involvement in ownership (the degree of family ownership and intra-family ownership dispersion) positively influences firm philanthropy while its interaction with family involvement in management (ratio between the number of family members serving as managers and the number of family members working in the firm) produces a negative effect.

Our research offers important contributions with supportive empirical findings based on a sample of 130 small and medium-sized family firms in Northern Italy. First, this study fills the existing gap in the literature in relation to philanthropic activities in family firms and shows that family ownership and management structures play crucial roles in the propensity to engage in firm philanthropy. This behaviour is consistent with the stewardship perspective of the firm: the family aims for the longevity and continuity of the business, considering philanthropy a better way to behave as stewards in their community. For example, past research suggests that different ownership and management conditions imply that the family agenda rather than business goals affect business conduct to different degrees (Le Breton-Miller et al., 2011). Our work suggests that a family firm’s engagement in philanthropic activities depends on the involvement of the family in the ownership and management of the business. Second, family firms in this study are characterized as heterogeneous (De Massis, Kotlar, Chua, & Chrisman, 2014), showing that family involvement in different forms is a significant differentiator across these types of organizations. Indeed, heterogeneity in firm engagement in philanthropy can derive from several sources and is contingent on governance structure and external aspects such as regulatory norms and culture (Genest, 2005; Godfrey, 2005). Third, while previous research on firm philanthropy has been mainly focused on larger and more established firms (see, e.g., Atkinson & Galaskiewicz, 1988; Zhang et al., 2010), our study considers small and medium-sized family firms, which represent the majority of companies worldwide, where family involvement in ownership and management is likely to be more pronounced and important in influencing behaviours (Chrisman et al., 2012).

THEORETICAL FRAMEWORK

Firm philanthropy is broadly defined as a discretionary wealth transfer of net income to stakeholders (Windsor, 2006). More specifically, this includes donations and monetary contributions to social and charitable causes related to, for example, healthcare, education and culture (Godfrey, 2005; Wang & Qian, 2011). Philanthropy is often intended as a means of contributing to society by solving an existing problem or seeking to address the needs of individuals or groups. Firms engage in philanthropy through occasional and irregular donations or by developing systematic, structured and sustainable philanthropic initiatives (Murillo & Lozano, 2006). Moreover, philanthropic initiatives are increasingly considered as strategic social investments made to achieve measurable outcomes in terms of competitive advantage, financial returns and enhancing reputation (Hess et al., 2002). The particular importance of firm image for family businesses is evidenced in Dibrell et al.'s (2014) and Craig & Dibrell's (2006) studies.

Three main streams of research can be identified in firm philanthropy literature. A first stream focuses on the determinants of philanthropic investments whereby the firm's available cash resources positively affect engagement in philanthropic initiatives (Hess et al., 2002; Seifert et al., 2003; Seifert et al., 2004). A second stream relates to the strategies pursued by investing in philanthropy whereby the key strategic priorities are the propensity to gain organizational visibility (e.g., Brammer & Millington, 2006; Saiia et al., 2003) and measure the impact of philanthropic initiatives (e.g., Maas & Liket, 2011). A third stream focuses on the outcomes of engaging in philanthropic initiatives. More specifically, these studies focus on the effect of philanthropic giving on organizational outcomes (e.g., Godfrey, 2005; Orlitzky et al., 2003; Porter & Kramer, 2002; Wang, Choi, & Li, 2008; Wang & Qian, 2011; Wood & Jones, 1996). The studies in this stream are undertaken in the context of private firms and find that engagement in firm philanthropy is positively associated with organizational outcomes such as legitimacy and higher reputation (Brammer & Millington, 2005) as well as superior performance and competitive advantage (Porter & Kramer, 2002).

However, limited research has focused on the ownership and governance structure of the firm as a potential predictor of charitable behaviour. Bartkus et al. (2002), for example, provide evidence of the negative relationship between philanthropic initiatives and number of large blockholders. Other studies analyse governance structures and mechanisms in relation to firm philanthropy: the ratio of insider over outsider directors is found to be positively linked to charitable behaviour (Wang & Coffey, 1992) as is the percentage of women on boards of directors (Williams, 2003). To the best of our knowledge, among studies that focus on the impact of firm ownership structure and composition on philanthropic engagement, only one investigates the role of the family as a possible antecedent and finds a positive effect on philanthropic involvement (Litz & Stewart, 2000). Atkinson and Galaskiewicz (1988) instead find no significant relationships in analysing the role of family ownership.

The scarce research on family firm philanthropy is surprising given that many factors specific to family firms - such as the family having a significant ownership stake and multiple family members being involved in operations (Arregle, Hitt, Sirmon, & Very, 2007; Sirmon, Arregle, Hitt, & Webb, 2008) - render firm philanthropy particularly relevant in a context where social and emotional issues are important (Campopiano & De Massis, 2014). In the stewardship theory perspective, the family is considered a source of competitive advantage whose uniqueness derives from the integration of family and business. In family firms, owners and managers perceive themselves as stewards of the family firm. Their goals are aligned with the interests of the organization, which must be nurtured to support future generations (Corbetta & Salvato, 2004) and contribute to the community in which the firm operates (Miller & Le Breton-Miller, 2005). Family members are thus altruistically dedicated to the business and tend to put the business's objectives and the surrounding community ahead of their own goals.

Accordingly, stewardship theory provides insights to explain how family firms behave (Davis, Schoorman, & Donaldson, 1997; Donaldson, 1990; Donaldson & Davis, 1991; Le Breton-Miller et al., 2011), suggesting that family owners and managers consider their firm as a means of accomplishing goals related to the well-being of the firm and to build and maintain connections with outside stakeholders (Fox & Hamilton, 1994; Le Breton-Miller & Miller, 2006; Miller & Le Breton-Miller, 2005). Stewardship theory thus seems an appropriate theoretical lens through which to study the engagement of family firm owners and managers in philanthropy (Gómez-Mejía et al., 2007; Miller et al., 2008). We here advance the theory and suggest that stewardship predictions are contingent on the extent of the family's involvement in firm ownership and management, and on social and reputational capital as available resources.

HYPOTHESES DEVELOPMENT

Family involvement in ownership and engagement in firm philanthropy

Degree of family ownership and engagement in firm philanthropy

Family firms are expected to be very proactive in the surrounding community with family owners tending to support and subsidize the institutions in the area and committed to the common good (Bird & Wennberg, 2013). Many family firms, for example, create associations or foundations that focus on obtaining funding, offer services and concentrate their efforts on developing partnerships with these institutions (Gallo, 2004). This is coherent with the firm's willingness to develop connections with stakeholders and act as good steward of the community in which it operates (Miller & Le Breton-Miller, 2005). A long-term orientation is key for family firms seeking sustainability (Lumpkin et al., 2010); long-term monetary investments of family owners are beneficial not only in a financial but also in a non-economic perspective (Lumpkin and Brigham, 2011). Longevity in family firms is conducive, for example, to fostering and developing a skilled and talented workforce, consistent with stewardship behaviour towards internal stakeholders (Eddleston, Kellermanns, & Zellweger, 2012). In this regard, Bammens, Notelaers, & Van Gils (2014) provide evidence on the caring nature of family firms in relation to employee welfare and fostering a working environment that rewards support and collaboration.

When the degree of family ownership is high, the desire to pass the business on to younger generations and ensure the quality of products associated with the family name implies greater commitment to assuring the viability of the business in the long run (Bingham et al, 2011; Miller and Le Breton-Miller, 2005). Engaging in philanthropic activities is consistent with these goals and characteristics. In particular, family and business rationales are closely intertwined and philanthropy is often seen as a way of achieving the family business goals and support the firm and its stakeholders (James, 2006). Conversely, when family ownership is low, family control is not as intense and family firm owners are less incentivized to be concerned about firm philanthropy, to nurture personal relationships with external stakeholders and, generally, to behave as stewards. Indeed, other interests tend to determine the business agenda rather than family image and wealth.

In sum, as family ownership increases, owners who are proud of their business and are willing to enhance its reputation by contributing to the community consider firm philanthropy to a greater extent (Litz & Stewart, 2000; Miller and Le Breton-Miller, 2005). Therefore, we propose:

> Hypothesis 1: *The degree of family ownership positively affects the family business propensity to engage in firm philanthropy*.

Intra-family ownership dispersion and engagement in firm philanthropy

In relation to the equity owned by the family, literature shows that it matters whether these shares are in the hands of only one member or dispersed among multiple members of the family (De Massis, Kotlar, Campopiano, & Cassia, 2013; Eddleston, Otondo, & Kellermanns, 2008; Goel, He,

& Karri, 2011; Schulze et al., 2003a). We therefore study the direct effect of ownership dispersion among family members on family firm propensity to engage in philanthropy.

Family owners have different roles and interests as intra-family ownership dispersion increases. Some may be inactive owners while others may also be active managers or employees in the business (Gersick et al., 1997; Le Breton-Miller et al., 2011). Their interests and orientations are generally driven by different motivations and this in turn determines different preferences on how to run the business (Pratt and Foreman, 2000). Family influence tends to decline as ownership is distributed among a greater number of family members (Schulze et al., 2003b). However, family business decisions in relation to philanthropic activities tend to be motivated by the family's degree of interest in the business reputation (Tagiuri & Davis, 1996). Indeed, when a small number of family members own and control the business (e.g., the founders), their concern is largely the sustainability of the business and remaining economically viable over time (Schulze et al., 2003b). In this case, investment in philanthropic initiatives may be limited and pursued only by those members driven by the intrinsic motivation to engender goodwill (Godfrey, 2005), and is therefore not a priority. Rather, in line with a stewardship perspective, as the number of family shareholders increases, their propensity to engage in firm philanthropy is also expected to increase (Miller & Le Breton-Miller, 2005). First, the diversity and different viewpoints of family owners determine the awareness of the importance of the surrounding community and the related beneficial reputation for the family and the business. Second, as the number of family owners involved in the business increases, their social network is also likely to expand while creating greater incentives to enhance their business reputation in the community through philanthropic activities. Thus, a larger number of family firm owners is likely to lead family firms to strengthen their relationships with stakeholders and the community (Hoopes & Miller, 2006; Long & Mathews, 2011). In formal terms, we propose:

> Hypothesis 2: *Intra-family ownership dispersion positively affects the family business propensity to engage in firm philanthropy*.

Interaction of family involvement in management and family involvement in ownership

In this study, we also theorize that family involvement in management interacts with family involvement in ownership to negatively affect the family firm’s propensity to engage in philanthropic activities. In particular, we consider the number of family members appointed as managers in relation to all family members working in the firm. The involvement of family members in the firm’s activities is generally acknowledged as crucial, fostering the accumulation of socioemotional wealth and sustaining enduring and stable family control (e.g., Eddleston, Otondo, & Kellermanns, 2008; Goel et al., 2011; Le Breton-Miller & Miller, 2013). Coherently with this view, the participation of family members in the firm’s activities may foster shared goals and positive feelings in relation to collaboration and commitment to the business (e.g., Chirico, Sirmon, Sciascia, & Mazzola, 2011; Eddleston & Kellermanns, 2007; Lubatkin, Schulze, Ling, & Dino, 2005).

However, we contend that family involvement in management (i.e., the ratio between the number of family members serving as managers and the number of family members working in the firm) may be a “liability or burden that can be costly to family owners” (DeTienne and Chirico, 2013, p. 1313) who are committed to engaging in firm philanthropy. In fact, the appointment of family members in key managerial positions may be due to birthright and altruism that can be detrimental to the sustainability of the business (Schulze, Lubatkin, & Dino, 2003b). This can result in opportunistic behaviours that exacerbate the perception of a shortage of resources as family managers determine their use (Gersick et al., 1997; Miller et al., 2008). As such, the “dark side” of family involvement may emerge with an increase in the ratio between family managers and family members working in the firm (e.g., relationship conflicts, divergent goals; multiple, competing needs and claims; see Chirico & Baù, 2014; De Massis, Kotlar, Campopiano & Cassia, 2014; Kotlar & De Massis, 2013). Family owners’ stewardship behaviour may become less evident (Le Breton-

Miller et al., 2011), and an inwardly looking logic may prevail (Dunn, 1996), inhibiting the willingness of family owners to dedicate efforts and energy to philanthropic activities. Formally:

Hypothesis 3a: *Family involvement in management interacts with family ownership to negatively affect the family business propensity to engage in firm philanthropy.*

Hypothesis 3b: *Family involvement in management interacts with intra-family ownership dispersion to negatively affect the family business propensity to engage in firm philanthropy.*

We summarize our hypotheses in Figure 1 to illustrate the relationships that emerge from our theoretical arguments.

Insert Figure 1 about here

METHODS

Sample and survey measures

We conducted an online survey in 2012 consisting of a self-administered questionnaire sent to 1,500 small and medium-sized enterprises[1] located in the Lombardy region in Northern Italy. To obtain a homogeneous sample, we selected firms in a limited geographical area since previous studies show significant differences among Italian firms in different geographical areas (Caselli & Di Giuli, 2010). Our sample is constituted of small and medium-sized enterprises that - in accordance with the European Commission (2003) recommendation - have a turnover between 2 and 50 million euro and between 10 and 250 employees.

[1] Derived from the Bureau van Dijk Amadeus database.

After three rounds of emailing, a total of 148 responses were obtained equal to a 9.9% response rate, which is considered satisfactory given the nature of the questionnaire and administration method. This response rate, albeit low, is in line with some recent studies (e.g., Lam et al., 2004; Motwani et al., 2006). We collected both primary and secondary information to assess whether the sampled firms were family-owned and managed and subsequently excluded 18 non-family firms. We collected information on the degree of family ownership, family ownership dispersion and family involvement in management. Through a secondary source (Amadeus) and in line with previous studies (e.g., Arosa, Iturralde, & Maseda, 2010; Gómez-Mejía, Nunez-Nickel, & Gutierrez, 2001; Mazzi, 2011; Rutherford, Kuratko, & Holt, 2008), we identified family relations based on member surnames and re-contacted the 130 respondent firms to confirm their ownership and management structure.

The survey design is based on prior research studies on family business and engagement in firm philanthropy. We explicitly requested that the questionnaire be compiled by the "incumbent", defined in the letter and questionnaire as the family member who holds a top management position in the firm which must be relinquished before another family member can take over (De Massis, Chua, & Chrisman, 2008). The questionnaire was first tested in a pilot study on a sample of 19 small and medium-sized family firms.

Variables

The dependent variable is a firm's *engagement in philanthropy*: in the survey questionnaire, each respondent was asked whether their firm had undertaken a philanthropic initiative in the last year. We specified that philanthropy implies devolving part of the firm's wealth to stakeholders in a discretionary way (Windsor, 2006) such as donating money for education, health and the environment, or supporting non-profit organizations. Accordingly, we generated a dummy variable of engagement in firm philanthropy. We validated our scale with two other measures of engagement in firm philanthropy. First, we asked to what extent philanthropic activities are directed towards *business organizations* (by supporting Chambers of Commerce for example); *charitable organizations* (e.g., cultural events or exhibitions); *service organizations* (e.g., rotary or Lions clubs); *youth* (e.g., supporting local sports teams); or *religious groups* (Litz and Stewart, 2000). Second, respondents were asked to what extent they agree on their firm's involvement in solving social problems related to the *environment*, *education* and *health* (see Gallo, 2004). The positive correlation between these two measures (0.50 $p<0.01$) and our original measure of firm philanthropy (0.24 $p<0.05$; 0.36 $p<0.01$, respectively) provides evidence of measurement validity. We also used these measures as a robustness check of our results (as explained later on).

Degree of family ownership was operationalized as a continuous variable, equal to the total percentage of shares owned by the family. For a firm to be categorized as a family firm we considered whether: (i) at least one family member serves in the top management team; and (ii) at least 25 per cent of shares are owned by the family. In family business literature, these are the two criteria that are most adopted to identify family firms (De Massis et al., 2012). All firms that did not satisfy these ownership and control criteria were excluded from the initial sample. We used the number of family owners in the firm to measure *intra-family ownership dispersion*, which is a common proxy of the dispersion of ownership shares among family members (see Bertrand et al., 2008). To operationalize *family involvement in management*, we adopted the ratio between the number of family members serving as managers and the number of family members working in the firm (see Maury, 2006). This measure is a proxy[2] of family involvement in the firm's managerial activities and is particularly suitable under stewardship theory. In the literature, the appointment of family members in managerial roles is considered to be related to the concept of altruism, with its positive and negative consequences (e.g., Schulze et al., 2001); we instead suggest that the family

[2] This proxy of family involvement in management is fundamentally different from the Top Management Team (TMT) ratio adopted in other studies, especially those intended to study the effect of family involvement on firm performance (e.g., Chirico & Baù, 2014; Minichilli, Corbetta, & MacMillan, 2010). Our dataset consists of small and medium-sized family firms that are typically characterized by TMTs without non-family members. The adoption of the stewardship perspective led us to consider the ratio between the number of family managers and the number of family members working in the family firm as the most suitable measure for the purposes of our study.

takes care of its members by securing them jobs. In particular, this ratio captures reciprocal caring among family members, considering their role in the business. The closer this ratio is to zero (i.e., the lower the number of family managers in relation to the total number of family members employed in the business), the more steward-like the behaviour of the family business since it is less likely that the firm has appointed managers due to blood ties instead of required competences.

We also included a number of control variables[3]. We used the lagged variation of Return on Assets (ROA) to control for firm performance: net operating income before extraordinary items divided by total assets (e.g., Zhang et al., 2010). We considered the numbers of years from foundation to control for *firm age* while the natural log of turnover was used to control for *firm size* (e.g., Litz & Stewart, 2000). We also collected information on the number of employees and total assets to perform sensitivity analyses with alternative measures of firm size.

RESULTS

The descriptive statistics and correlations for the variables used in this study are shown in Table 1. The average age of the sampled firms is 32 years; they have on average 47 employees and revenues of €15.35 million.

Insert Table 1 about here

We regressed our data with a logit model, controlling for possible correlation heteroskedasticity using the Huber-White sandwich estimator. We performed the Pearson goodness-of-fit test to assess whether the model is suitable, and in all cases rejected the null hypothesis that the model is

[3] We also developed measures for munificence and dynamism through our secondary data (Bradley et al., 2011) and included them in the regression. However, the coefficients were not significant in all the models. Thus, for sake of parsimony, we decided not to include them in the final model. We also controlled for generation in control and generational involvement. However, the inclusion of these variables did not change our results. Yet, as expected, they were highly correlated with firm age and were therefore not included in the analyses.

inadequate. The variance inflation factors range from 1.1 for Model I to 1.13 for Model IV, suggesting that multicollinearity is not a concern. Table 2 presents the results using firm philanthropy as the dependent variable.

Insert Table 2 about here

Model I only includes the control variables, which together explain 8 percent of variance. Interestingly, in contrast with many other studies (e.g., Seifert et al., 2003), firm performance negatively affects firm philanthropy. In Model II, degree of family ownership is included to test Hypothesis 1, with a non-significant effect, and thus our first hypothesis is rejected. A positive and significant ($p<0.01$) relationship is instead found between intra-family ownership dispersion and engagement in philanthropy, thus supporting Hypothesis 2. Hypotheses 3a and 3b argue that family involvement in management interacts with the degree of family ownership and intra-family ownership dispersion, respectively, to negatively affect engagement in firm philanthropy. As shown in Model III and IV the interaction terms (degree of family ownership * family involvement in management; intra-family ownership dispersion * family involvement in management) are both negative and statistically significant, thus supporting both Hypotheses 3a and 3b[4]. To better interpret these effects, we plotted the interactions in Figures 2 and 3. As expected, the effects of the degree of family ownership and intra-family ownership dispersion on engagement in philanthropy are lower when family involvement in management is higher.

Insert Figures 2 and 3 about here

[4] It is worth noting that although the direct effect of degree of family ownership on firm philanthropy is non-significant, in line with other studies (e.g., Chrisman, Chua, & Kellermanns, 2009; Ling & Kellermanns, 2010), the interaction effect is positive and significant so as to support our Hypothesis 3a.

As a robustness check, we collected additional data for our dependent variable - firm philanthropy. Specifically, we asked respondents the following: to what extent are your philanthropic activities directed at *business organizations* (by supporting Chambers of Commerce for example); *charitable organizations* (e.g., cultural events or exhibitions); *service organizations* (e.g., rotary or Lions club); *youth* (e.g., supporting local sports teams); *religious groups*. These items were constructed based on the questionnaire proposed by Litz and Stewart (2000). Respondents had to select the degree of commitment for each item on a 5-point Likert scale. Using a second 5-point Likert scale, respondents were asked to what extent they agreed with their involvement in solving social problems related to the *environment*, *education* and *health* (see Gallo, 2004). These variables were collected 1 year after the first data collection. We received 99 usable responses. The results we obtained through the negative binomial analyses – required by the count variables of the dependent variable - confirmed Hypotheses 1, 2, and 3b, but not Hypothesis 3a for both the alternative measures of engagement in firm philanthropy. Moreover, the direct effect of family involvement in management was not significant in both cases. Although these count variables present 31 missing values and Hypothesis 3a is not confirmed (although interestingly Hypothesis 1 is confirmed), this test enabled us to mitigate issues related to the robustness of our main self-reported dependent variable, establish the direction of causality, and suggest that our main results are robust to different measures of firm philanthropy.

DISCUSSION AND CONCLUSION

The main implication of our study is that the ownership and management structure of the firm plays a crucial role in the propensity to engage in firm philanthropy. First, our mixed findings partially support that engagement in firm philanthropy increases with family involvement in ownership (Hypotheses 1 and 2). Specifically, in terms of degree of family ownership, like

Atkinson and Galaskiewicz's (1988) findings, our main analysis shows no significant direct effect on the propensity to engage in firm philanthropy, but our robustness checks indicate significant support for Hypothesis 1. This suggests that further studies and better measures of firm philanthropy are needed to explore and understand this relationship more thoroughly. Consistent with Litz and Stewart's (2000) view that family owners encourage social involvement and provide services that are specific to philanthropic engagement, we find support for the direct relationship between intra-family ownership dispersion and engagement in firm philanthropy. According to the stewardship perspective, the family aims for the longevity and continuity of the business. Indeed, family owners invest money and efforts in their business, seeking to build a good reputation and regard firm philanthropy as a means of being better stewards in their community.

Second, family involvement in management interacts with family involvement in ownership to negatively affect engagement in firm philanthropy (Hypotheses 3a and 3b). As shown in Figure 2, when family involvement in management is low, a high degree of family ownership corresponds to a high propensity to engage in philanthropy. Conversely, when family involvement in management is high, a high degree of family ownership corresponds to a low propensity to engage in firm philanthropy. This result may be due to family altruism. When firms are characterized by a high degree of family ownership, with little scrutiny from external shareholders, employing several family members as managers can result in conflict (Lubatkin et al., 2005) since their appointment may depend more on birthright than competencies (Schulze et la., 2001; Schulze, Lubatkin, & Ling, 2007). Their different priorities, divergent strategic goals, leadership styles and resource demands (Gersick et al., 1997) may result in the loss of stewardship behaviour in family firms. As such, this interaction effect between family involvement in ownership and management offers a more fine-grained analysis of family firm behaviour.

Likewise, with high intra-family ownership dispersion, high family involvement in management leads to a lower propensity to engage in philanthropy (see Figure 3). Multiple family members in key managerial roles may engender conflict and goal diversity especially with a high dispersion of family ownership due to the challenge of aligning the interests of numerous owners and managers, making it more difficult to behave as stewards and prioritize philanthropy.

Third, although the robustness tests do not confirm this result, our main analysis (see Table 2, Model II) surprisingly indicates that family involvement in management has a direct positive effect on engagement in firm philanthropy (while controlling for the degree of family ownership and intra-family ownership dispersion). This result can be explained by considering that when a small number of family managers are in charge, they may feel a strong sense of obligation and responsibility towards the larger group of family members working in the firm. Philanthropy demands resources that are not attributed to the family, and a small decision-making group may feel less confident in undertaking philanthropic initiatives (e.g., Chirico et al., 2011; Eddleston & Kellermanns, 2007; Lubatkin et al., 2005). Conversely, when a larger group of family managers is involved in strategic decision-making, philanthropy becomes a more important component of the strategic agenda. Indeed, several family managers may deal with a number of functional domains and may therefore have better coordination opportunities in relation to the firm's strategic aspects, thus making engagement in philanthropy a relevant component of their strategic agenda. This, in addition, contributes to the family's stable control over the business, allowing family managers to benefit both as individuals and as family members from engaging in philanthropic initiatives that foster and enhance the business reputation.

Finally, our results also show a negative and significant relationship between firm performance and engagement in firm philanthropy (see Table 2). This is an interesting finding since it points to the fact that small and medium-sized family firms engage in philanthropic initiatives when their economic performance is worse. Firm philanthropy may therefore be considered as an investment with expected returns that could enable the firm to achieve economic and non-economic rewards in the future (Wood, 1991; 2010).

This study offers important contributions to the family business literature. To the best of our knowledge, with few exceptions (Atkinson & Galaskiewicz, 1988; Litz & Stewart, 2000), family business scholars have thus far largely neglected issues relating to firm philanthropy. Our work adds to Atkinson and Galaskiewicz's (1988) findings that show that family ownership has no direct effect on engaging in firm philanthropy. The family's influence (in both ownership and management) on the organization is a unique trait of family firms (Chua et al., 1999). Our study, which is at the crossroads of two different disciplines, shows that various dimensions of family involvement play a crucial role. As such, our study contributes to the debate on the social behaviour of family firms, which is a significant challenge for enterprising families that have sustainability as one of their main goals.

The findings of our study could also be useful in discussing in greater depth issues relating to the heterogeneity of family firms, especially considering the particular approach adopted in this study, namely, stewardship theory. More specifically, we can state that when there are many family owners, each does not have a high monetary investment in the family business, and therefore if (s)he decides to remain among the shareholders, this is due to the emotional attachment to the business and her/his willingness to contribute as a steward to the sustainability of the family firm. Scholars who use this theoretical perspective to predict the behaviour of family firms (e.g., Miller & Le Breton-Miller, 2005) may benefit from the results of this study and integrate their current research interests and reasoning by considering these new insights.

Finally, unlike previous studies (e.g. Litz & Stewart, 2000; Atkinson & Galaskiewicz, 1988; Galaskiewicz, 1985; Zhang et al., 2010), our research is focused on small and medium-sized family firms while most prior research on firm philanthropy examines larger and more established firms. Perhaps our unique results can be attributed to small and medium-sized enterprises whereas larger and more established firms may act differently. We need to understand small and medium-sized enterprises better; their behaviours are important because these firms are more pervasive and thus have a greater impact on national and regional economies than larger firms (Beck et al., 2005). Furthermore, in small and medium-sized firms, family ownership and management is likely to be more pronounced and important in influencing firm behaviour (Chrisman et al., 2012).

This study represents an important milestone for managers working in family firms who are encouraged to consider the dynamics that actually exist in their firms, their firm's engagement in firm philanthropy and identify the best philanthropic practices consistent with the distinctive traits of their ownership and management structure. They should carefully consider how family involvement affects the effectiveness of these practices and how they should be revised to suit their distinctive characteristics.

Finally, this study can constitute a background policy document for policymakers. Philanthropic initiatives are being paid increasing attention in the public domain and mass media; family firms, due to their ubiquity (Astrachan & Shanker, 2003; Anderson & Reeb, 2003) play a crucial role in the development of economies across the world (Villalonga & Amit, 2006; La Porta, Lopez-de-Silanes, & Shleifer, 1999). Our research can provide better understanding of how to build a system of supporting initiatives in line with the idiosyncratic characteristics of family firms and support policymakers in their decisions on how to advance socially responsible behaviour in family firms.

As with all research, our study has some limitations and provides opportunities for future research. First, the sample used in the empirical analyses is modest in size, geographically limited and difficult to generalize for all small and medium-sized family firms, notwithstanding the advantage of a homogenous group to identify the hypothesized relationships of this study. There is therefore room for additional studies to confirm and generalize our results in a broader sample. For example, the information gathered does not include data that would allow cross-cultural analyses of philanthropic behaviour. Maignan (2001), in a study of French, German and U.S. consumers, observes a significant cross-cultural difference in support of firm engagement in philanthropic activities. Second, a further research opportunity is understanding how family firms react to institutional rules and cultural norms that may affect their propensity to behave proactively as stewards towards their community (e.g., Campopiano & De Massis, 2014). Third, it would be useful to analyse these relationships in a longitudinal study to provide additional insights into the ways the evolution of family influence affects engagement in philanthropy in small and medium-sized family firms. Fourth, this study relies on stewardship theory and behaviour, but our data do not allow us to directly measure specific dimensions of this concept (Miller and Le Breton-Miller, 2005). We note that in family businesses, stewardship behaviour can manifest in different spheres (e.g., towards employees or in terms of their commitment to society); future studies could therefore measure and test the effect of the degree of stewardship behaviour on philanthropic engagement. Fifth, the replication of this empirical analysis on a sample of both family and non-family firms would add value and enable scholars as well as owners and managers to gain further insights on family involvement and firm philanthropy.

In light of our results and the abovementioned limitations, understanding the ways in which family involvement affects the propensity to engage in firm philanthropy in small-to-medium sized family firms deserves further attention in future research. Moreover, rather than considering past performance as an antecedent of firm propensity to engage in firm philanthropy, a related and interesting topic is social performance and, in general, the return on social investments. Specifically, it would be interesting to study whether the accomplishment of socially responsible initiatives affects both social and economic performance. Relatedly, future research may also investigate whether and how family firms measure the impact of their philanthropic activities.

In closing, we hope that this study encourages further work at the crossroads of firm philanthropy and family business and fosters new research ideas in multidisciplinary and complementary arenas.

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Figure 1

The Influence of Family Involvement in Ownership and Management on Firm Philanthropy in Family Firms.

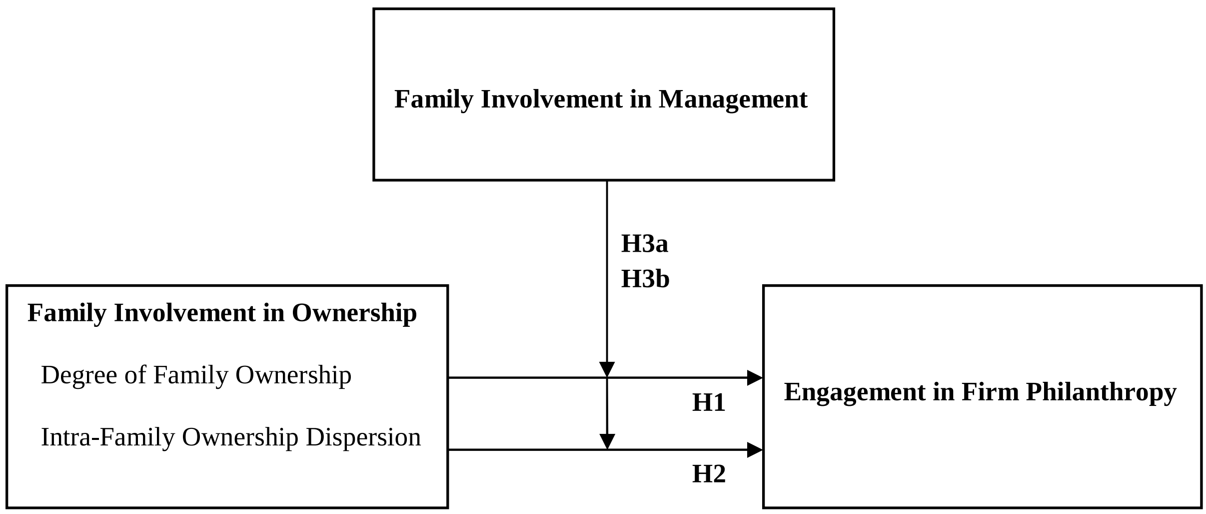

Figure 2

Effect of Family Involvement in Management on the Relationship between Degree of Family Ownership and Engagement in Firm Philanthropy.

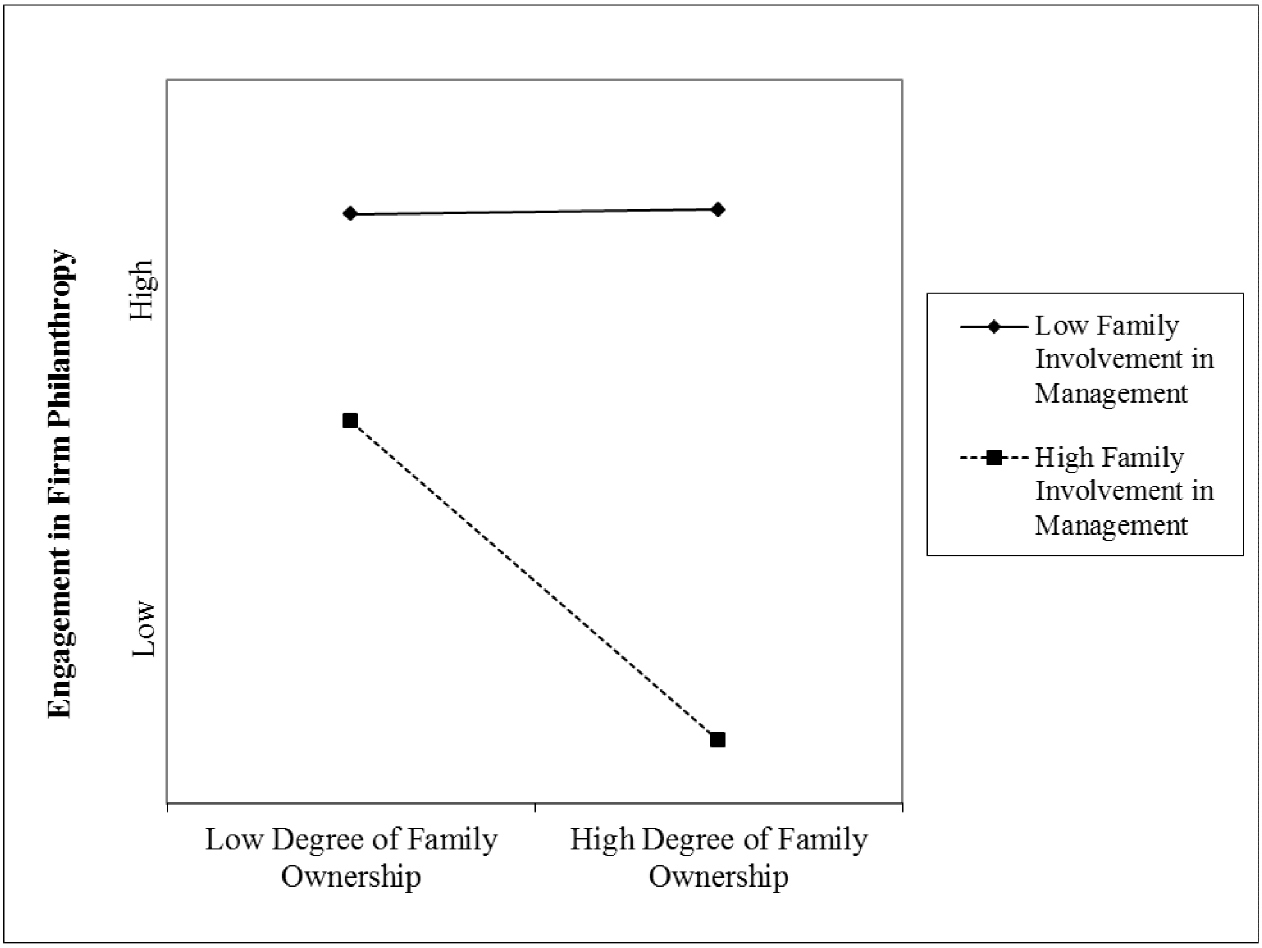

Figure 3

Effect of Family Involvement in Management on the Relationship between Intra-Family Ownership Dispersion and Engagement in Firm Philanthropy

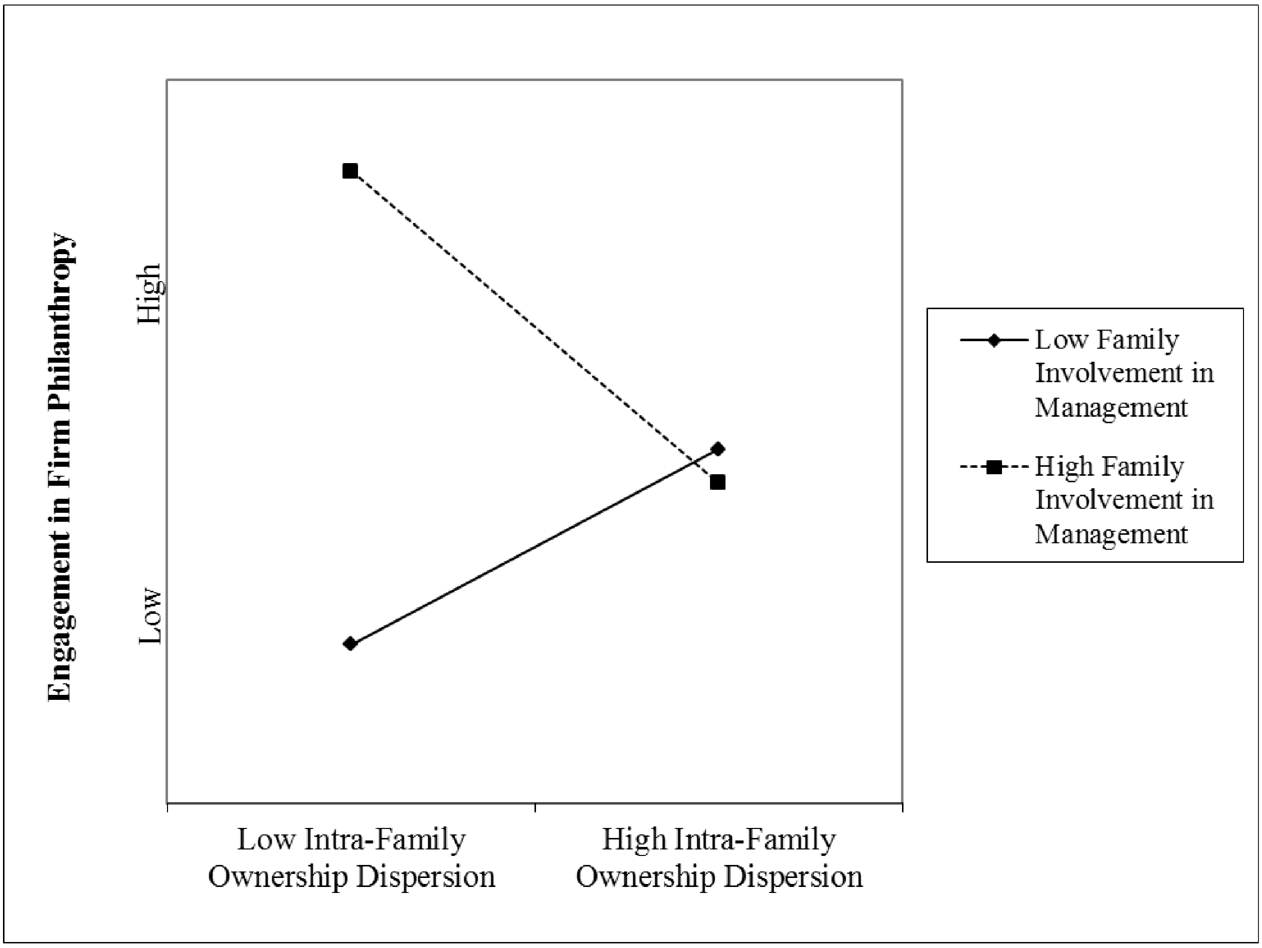

Table 1
Mean, Standard Deviations and Correlations

Variable	Mean	SD	1	2	3	4	5	6
1. Performance	1.15	9.32						
2. Degree of Family Ownership	0.93	0.17	-.03					
3. Intra-Family Ownership Dispersion	3.32	2.11	.02	.02				
4. Family Involvement in Management	0.73	0.27	-.10	.09	-.19*			
5. Age (log)	3.34	0.57	.07	-.03	.02	.23**		
6. Firm Size (log)	9.03	1.10	.26**	-.01	.13	.17	.27**	
7. Engagement in Firm Philanthropy	0.73	0.45	-.02	.12	.21*	.11	.04	.29**

** p<0.01, * p<0.05

Table 2
Logit Regression for Engagement in Firm Philanthropy in Family Firms

	Engagement in Firm Philanthropy			
Variable	I	II	III	IV
Age	-0.163 (0.137)	-0.207 (0.181)	-0.201 (0.263)	-0.194 (0.301)
Firm Size	0.758*** (0.0773)	0.761*** (0.0767)	0.658*** (0.0495)	0.680*** (0.0325)
Performance	-0.0303*** (0.0046)	-0.027*** (0.0012)	-0.0167*** (0.0066)	-0.0226*** (0.0018)
Degree of Family Ownership (DFO)		1.514 (1.096)	2.436** (0.803)	2.173 (1.5950)
Intra-Family Ownership Dispersion (IFOD)		0.328** (0.101)	0.592** (0.177)	0.508*** (1.302)
Family Involvement in Management (FIM)		1.975** (0.681)	1.972*** (0.427)	1.958** (0.6563)
DFO X FIM			-11.834** (4.037)	
IFOD X FIM				-0.822* (0.1749)
Constant	-5.143*** (0.362)	-6.751** (0.658)	-8.392** (1.429)	-8.250** (2.564)
Wald Chi^2	13.50	15.53	25.03	20.64
Prob Chi^2	0.019	0.008	0.001	0.004
Pseudo R^2	0.08	0.13	0.17	0.14
Observations	130	130	130	130

Robust standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05