

The Effect of Family Ownership on Risk-taking: Socioemotional Wealth Perspective

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Abstract

This study examines the effect of family ownership on risk-taking activities in a corporation. Family ownership may lead a corporation to adopt a risk-averse attitude and risk nepotism (where inappropriate family members occupy positions of top management), which can lead to business inefficiency. On the other hand, family owners have a socioemotional endowment with a corporation (Gomez-Mejia et al. 2007) that enables them to behave altruistically and pursue sustainability for the sake of their employees and community. In this situation, family owners promote top managements to take risk-taking behaviours to stimulate R&D investment and innovation.

This study supposes the effect of family ownership toward risk-taking is not constant and hypothesizes that the contingency factor could affect the relations between family ownership and risk-taking. In the context of Japan, where family ownership in listed companies exceed 50 percent and is in the exposure to pressure by institutional investor, this study considers institutional investor ownership as the mediator between risk-taking and family ownership.

This study examines the effect of family ownership using panel data in Japanese listed companies. I also adopt the system GMM estimators the system GMM estimator proposed by Arellano and Bover (1995) and Blundell and Bond (1998) for the analysis to solve the endogeneity

issues. This study reveals that the effect of family ownership on risk-taking can be changed due to contingency factors.

Keyword

Family Ownership, Socioemotional Wealth Theory, Agency Theory, Risk-taking,
Institutional Investor

Biographies

Takahiro Nishi is currently an associate professor of school of commerce in Meiji university, Tokyo, Japan. He has obtained Doctor degree of commerce in Meiji University. His main research field is corporate governance and strategic management. He has examined the relationship between the institutional context and corporate governance structure. He is a member of Academy of Management and Academy of International Business, Japan Academy of Business Administration.

Takaaki Kawanaka is currently Lecturer in Institute for Innovation in International Engineering Education, Graduate School of Engineering, the University of Tokyo, Japan. He earned bachelor's degree of Engineering in Faculty of Science and Engineering from Waseda University, Japan, Master Degree of Engineering in Master course Graduate school of Science and Engineering from Waseda University and Doctor Degree of Engineering in Doctor course Graduate school of Engineering from the University of Tokyo, Japan. His research interests are mainly focused on Industrial Engineering, Management Modeling and Information Security Management. He is member of Japan Association for Management Systems, Japan Industrial Management Association, Japan Society of Security Management and Information Processing Society of Japan.