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RESEARCH ARTICLE

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CEO as board chair in listed family firms: A test of the performance effects during an economic crisis

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Abstract

Family firms often opt for a combined CEO and board chair positions, yet the implications of such leadership structure on firm performance remain a subject of scholarly debate. We introduce the socioemotional wealth (SEW) perspective as a unifying framework that bridges the divergent views of stewardship and agency theories. We argue that the effects of CEO duality on performance are contingent upon the balance between extended and restricted SEW priorities. Drawing on a sample of listed companies on the Milan Stock Exchange between 2003 and 2015, our empirical analysis reveals that listed family firms derive greater benefits from CEO duality compared to their non-family counterparts. Moreover, our findings demonstrate that such leadership structure renders the highest performance benefits in listed family firms when the CEO–chair is not a family member, particularly during periods of economic crisis.

KEYWORDS
CEO duality, family firms, firm performance, socioemotional wealth (SEW)

INTRODUCTION

Understanding the effects of CEO duality, which denotes appointing a single individual to the board chair and CEO positions, has long been a central issue in corporate governance research (Dalton et al., 2007; Finkelstein et al., 2009; Yu, 2022). Two main theoretical perspectives emerged—agency and stewardship theories—each offering a contrasting view. Although the agency theory perspective focuses on the costs of CEO duality stemming from managerial entrenchment, the stewardship theory emphasizes the benefits of the unity of command (Lewellyn & Fainshmidt, 2017; van Essen et al., 2013). Voluminous research has not provided consistent empirical support to any of the two perspectives, showing positive, negative, and no performance effects associated with CEO duality (Dalton et al., 1998; Dey et al., 2011; Krause et al., 2014). Despite the mixed evidence, policymakers, investors, and corporate governance activists have increasingly converged towards an agency view advocating separation between the board chair and CEO positions as a best practice (Goergen et al., 2020). As a result of the growing global movement pressuring firms to follow this practice (Banerjee et al., 2020; Yu, 2022), an increasing number of listed firms are separating board chair and CEO positions (Stuart, 2021).

Contrary to this global trend toward the separation of CEO and board chair offices, listed family firms exhibit a notable inclination toward CEO duality (Braun & Sharma, 2007; Lin et al., 2023). Few studies examining CEO duality in a such context provide contrasting views on the performance implications of such leadership structure. On the one hand, the unity of command achieved through combining CEO and board chair offices can accelerate benefits derived from family owners' stewardship toward the firm, ultimately reflecting in performance advantages (Cirillo et al., 2015; Goh et al., 2014; Poutziouris et al., 2015). On the other hand, such a structure may also weaken the monitoring function of the board, leaving family owners' opportunism unchecked (Braun & Sharma, 2007). To date, the two perspectives,

each informed by stewardship and agency theories, respectively, have largely developed in silos, usually presented as competing views examining one motive at the expense of the other with little dialog between the two. Given that both stewardship and agency motives spurred by family influence are theoretically related to the performance effects of CEO duality, such artificial separation and myopia within the two streams of research provide a relatively incomplete understanding of the issue. Hence, the integration of the two perspectives is essential (Chrisman, 2019; Madison et al., 2016), prompting the following research question: *How does family ownership shape the agency and stewardship motives driving the performance effects of CEO duality in listed firms?*

To bridge the two perspectives on family influence and its implications for the performance effects of CEO duality, we build on socioemotional wealth (SEW) perspective (Berrone et al., 2012; Gómez-Mejía et al., 2007; Swab et al., 2020)—an increasingly influential paradigm in family business research (Jiang et al., 2018). We theorize that SEW concerns, denoting family's affective endowments in the firm (Chua et al., 2015), present a common root for stewardship and agency motives shaping distinct performance effects of CEO duality in family firms. Recent developments in SEW perspective have made the concept more nuanced, distinguishing between extended and restricted SEW (Cambrea, Ponomareva, et al., 2022; Li & Daspit, 2016; Miller & Le Breton-Miller, 2014; Tsao et al., 2021). Aligned with this emerging literature, we maintain that the pursuit of SEW may help to attenuate the agency conflict between owners and managers and to promote stewardship behaviors toward the firm, generating benefits for both family and non-family shareholders, that is, *extended* SEW (Berrone et al., 2010). In contrast, when family-centric short-term benefits are reflected in behaviors including nepotism, family entrenchment, and strategic conservatism, SEW is *restricted to family owners*, increasing the agency costs for the firm and non-family shareholders (Lin et al., 2023; Schulze et al., 2001). Accordingly, the performance effects of CEO duality are shaped by the balance between family owners' extended and restricted SEW priorities.

However, not all family firms may pursue extended and restricted SEW to the same extent; instead, the salience of different SEW priorities and, consequently, the performance effects of CEO duality may vary depending on the nature of family involvement in the firm (Braun & Sharma, 2007; García-Ramos & García-Olalla, 2011). To gain a deeper understanding of how family involvement in the firm shapes the performance effects of CEO duality, we direct our focus toward the CEO–board chair family affiliation, that is, whether the CEO–chair is a family member or not. Surprisingly, this aspect has received limited scholarly attention until now (Lin et al., 2023; Salvato et al., 2019). Addressing this issue is crucial because it defines the domain of family influence in the firm, encompassing decision control and/or decision management (Fama & Jensen, 1983)—which, in turn, bares critical implications for family owners' ability to pursue extended and restricted SEW. Namely, when a family firm is led by a CEO–chair who is a member of the owning family, the family owners have the capability to engage in both decision management and decision control, enabling the pursuit of extended and restricted SEW. In contrast, when a family firm is led by a non-family CEO–board chair, the influence of the family owners is limited to the decision control domain. In such context, the ability of family owners to pursue restricted SEW is constrained, whereas the pursuit of extended SEW remains possible (Tsao et al., 2021). Based on these considerations, we propose that performance benefits derived from CEO duality are greater when a CEO–chair position is held by a non-family member.

We further specify the boundary conditions of our model by accounting for the nature of the firm's external environment (Braun & Sharma, 2007; Daspit et al., 2018). Previously, most of the extant research on family firms' governance has concentrated on leadership structure per se, paying little attention to its fit with the firm's external environment (Kang & Zardkoohi, 2005; Yu, 2022). As systemic crises confronted by firms are becoming increasingly severe and frequent and this trend is predicted to accelerate (Phan, 2021; Zattoni & Pugliese, 2021), it becomes paramount to challenge the validity of theories developed for stable economic conditions. Drawing on the recent literature on family firm governance during an economic crisis (Minichilli et al., 2016), we theorize that family owners' SEW priorities may change in the presence of a threat to the firm survival. Especially when external macroeconomic conditions threaten family firm survival, the extended SEW benefits may increase, whereas restricted SEW will become less of a concern. Based on this reasoning, we theorize that the positive effect of CEO duality on family firm performance will become more pronounced in times of economic crisis and strongest in firms with non-family CEO–board chairs.

We test our predictions on a sample of Italian industrial firms listed on the Milan Stock Exchange between 2003 and 2015. Italy presents an interesting context for exploring the relationship between CEO duality and firm performance in family firms because of its strong tradition of family ownership. Most listed corporations are owned by a family (Cascino et al., 2010). Moreover, although the Italian corporate governance code does not explicitly forbid combining CEO and board chair positions in listed firms, it strongly encourages their separation (Article 2, Recommendation 4, Corporate Governance Code 2020). This allows considerable variation in corporate governance practices among listed firms. Finally, the effects of the global economic crisis starting in 2008 had a particularly strong impact on the Italian economy resulting in severe negative consequences for Italian-listed firms (Cambrea, Calabrò, et al., 2022), allowing us to contrast the performance effects of CEO duality in crisis and steady-state periods.

The main contributions of our study are twofold. First, we enhance our understanding of the performance

effects of CEO duality in a distinct context of family firms by introducing SEW perspective as a linchpin between agency and stewardship theories. We argue and provide empirical evidence supporting the notion that combining CEO and board chair positions can generate both stewardship benefits and agency costs in family firms, depending on the balance between family owners' extended and restricted SEW priorities. Theorizing that different combinations of extended and restricted SEW priorities may lead to varied agency costs and stewardship benefits associated with CEO duality enables us to move beyond the agency-stewardship dichotomy and, in doing so, bridge the theoretical divide between the two perspectives (Chrisman, 2019; Lin et al., 2023; Madison et al., 2016). Second, we contribute to the ongoing debate about the heterogeneity of governance practices in family firms (Daspit et al., 2021; Du et al., 2022; Wang et al., 2023) by examining the impact of CEO–chair family affiliation on the performance outcomes of CEO duality, both in stable business conditions and during economic crisis. By doing so, we take a step forward in reconciling seemingly contradictory findings regarding the influence of CEO duality on performance in family firms, ultimately providing a more nuanced view of the complex dynamics of family firms governance and its implications for firm performance.

THEORY AND HYPOTHESES

Research on the performance effects of CEO duality generally falls into two main theoretical perspectives—agency and stewardship theories (Krause et al., 2014). The agency theory highlights the costs associated with CEO duality, maintaining that combining the two leadership roles may lead to agency costs stemming from managerial entrenchment (Fama & Jensen, 1983). The stewardship theory (Davis et al., 1997; Donaldson & Davis, 1991) emphasizes the benefits of combining the two offices, including the unity of command and a clear line of control paramount to effective strategic adaptation (Dalton et al., 2007). Overall, CEO duality can be conceptualized as a double-edged sword embodying the inherent trade-offs between the benefits derived from the unity of command and agency costs of managerial entrenchment (Lewellyn & Fainshmidt, 2017; Van Essen et al., 2013).

Intrigued by the conflicting empirical evidence supporting both perspectives, Dalton et al.'s (1998) meta-analysis could not find support for the existence of any significant link between the independence status of the chairperson and firm performance. To explain the lack of consistent results, scholars have begun to focus on *when* and *how* the two roles should be separated (Krause & Semadeni, 2013), tapping into contextual factors at the environmental, firm, board, and individual levels that shape the balance between costs and benefits of CEO duality (Banerjee et al., 2020). Studies have shown that CEO duality can negatively impact firm performance but only when agency conflict occurs. In contrast, when the agency conflict is not evident, separating the CEO and board chair offices can be detrimental because doing so eliminates the benefits associated with the unity of command (Finkelstein & D'Aveni, 1994; Krause et al., 2014). Although multiple contingencies at the individual, board, and environmental levels have received substantial scholarly attention, owner identity and its implications for trade-offs of CEO duality between entrenchment avoidance and unity of command have not been sufficiently addressed in the current debate (Krause et al., 2014).

Family owners differ from other categories of owners owing to a unique overlap between the family and the firm (Basco & Rodríguez, 2011; Sciascia et al., 2015). This overlap is evident in the composition of the dominant coalition, both family and non-family members (Arregle et al., 2007), and forms a distinct set of priorities and objectives (Berrone et al., 2012; Federo et al., 2020). Because of these unique characteristics, CEO duality may function differently in the family firms' context. Research rooted in stewardship theory maintains that stewardship motives will play a crucial role in the family firm context because its leaders "are either family members or emotionally linked to the family" (Miller & Le Breton-Miller, 2006: 74). According to this view, having a CEO-chair is beneficial for a family firm as it represents a strong leader for both family and non-family managers, provides an unambiguous leadership structure, reduces uncertainty, and simplifies decision-making (Cirillo et al., 2015; Poutziouris et al., 2015). In contrast, agency theorists consider nonduality as an important monitoring instrument aimed at safeguarding the interests of non-family shareholders from potential family opportunism (Braun & Sharma, 2007). They argue that combining CEO and board chair positions weakens board monitoring and may lead to agency costs arising from family opportunism (Bammens et al., 2011).

Scholars have criticized such a dichotomous view, arguing that agency and stewardship behaviors may coexist in family firms and thus should be considered jointly (Chrisman, 2019; James et al., 2017; Le Breton-Miller et al., 2011; Madison et al., 2016). The SEW perspective overcomes this limitation by introducing SEW as the common root for stewardship and agency relationships within a family firm (Lin et al., 2023), determining the performance effects of CEO duality. SEW being the "(…) single and most important feature of a family firm's essence that separates it from other organizational forms" (Berrone et al., 2012: 260) revolves around a need to preserve family identity, reputation, the ability to exercise influence and the perpetuation of the family dynasty. Therefore, it is the most important reference point when undertaking strategic business decisions (Cennamo et al., 2012; Gómez-Mejía et al., 2007).

SEW represents a multidimensional concept incorporating differentiated and potentially contradictory

priorities for a family firm (Madison et al., 2016; Kellermanns et al., 2012; Tsao et al., 2021). Studies have distinguished between extended and restricted SEW (Miller & Le Breton-Miller, 2014) to explain the divergent consequences of the SEW pursuit for family firms. The concept of extended SEW, rooted in stewardship theory, denotes priorities "… that are of more enduring benefit to a broader range of stakeholders …" (Miller & Le Breton-Miller, 2014: 716). These priorities manifest in pro-organizational behaviors, such as family stewardship toward the firm, nourishing it with valuable resources, and continuous reinvestment in the business and its renewal, ultimately contributing to firm growth and longevity. In contrast, restricted SEW, grounded in agency theory, pertains to family-centric priorities such as family entrenchment, nepotism, and strategic conservatism. It tends to be of narrow- and short-term benefit and is likely to be against the interests of non-family stakeholders. Against this backdrop, the notion of SEW presents a common theoretical root for both stewardship and agency motives, making it relevant for bridging the agency and stewardship views and, hence, comprehensively explaining the performance effects of CEO duality in the family firm context (Lin et al., 2023).

CEO duality in family versus non-family listed firms

Owing to SEW concerns in family firms, we expect CEO duality to function differently in family firms than in their non-family counterparts. We argue that because of the salience of extended SEW and contained restricted SEW motives, CEO duality in listed family firms is associated with low costs and more performance advantages than in non-family listed firms. First, because of the importance attributed to their SEW endowment, family owners have the capacity and motivation to monitor the management (Gómez-Mejía et al., 2007) and in doing so alleviate the agency conflict between management and the shareholders. In the absence of acute agency conflict, the need for board governance is reduced (Federo et al., 2020), making the separation of CEO and board chair positions redundant in the context of listed family firms (Braun & Sharma, 2007).

Although the weakened board monitoring in the presence of CEO duality may leave the family pursuit of restricted SEW unchecked, their ability to do so in the context of listed firms is considerably reduced (García-Ramos & García-Olalla, 2011; Le Breton-Miller & Miller, 2022; Poutziouris et al., 2015). Large publicly listed family firms are more sensitive to legitimacy concerns and devote more efforts to achieving legitimacy from external stakeholders than non-family firms (Berrone et al., 2010; Miller et al., 2013). To gain confidence from public investors that non-family shareholders' interests are accounted for, listed family firms must pay close attention to regulation and transparency requirements (Ansari et al., 2018; Berrone et al., 2012; Naldi et al., 2013); otherwise, their nonconformance may be interpreted as family opportunism and penalized by the market, reducing access to financial resources, thus threatening their SEW endowment (Miller et al., 2018). Furthermore, operating in a highly competitive environment, where only efficient organizations survive in the long term (Hambrick & Finkelstein, 1987), may reduce the family's motivation to derive private benefits of control because it endangers the firm's survival, consequently presenting a risk for SEW. Taken together, because of the extended SEW benefits generated by reducing managerial opportunism and contained restricted SEW, the costs associated with CEO duality may be reduced in listed family firms.

Combining CEO and board chair roles can also generate greater performance advantages by serving as a channel to facilitate stewardship behaviors toward the firm. Stewardship has been argued to be a distinct characteristic of family firms (Craig & Dibrell, 2006; Zahra et al., 2008). Because family owners' SEW is closely linked to the fortune of their firm, there is a strong incentive for them to act in the interest of the business and its stakeholders (Le Breton-Miller et al., 2011). Such stewardship exercised by the family toward the business tends to be reciprocated by non-family employees and executives (Davis et al., 2010) and becomes deeply ingrained in the firm, promoting an atmosphere of trust, collaboration, and loyalty (Le Breton-Miller & Miller, 2009). This unique resource, termed "familiness," has been characterized as the "secret sauce" that drives the competitive advantage of family firms (Madison et al., 2018; Zellweger et al., 2010). In such a context, CEO duality can be advantageous as it simplifies and facilitates decision-making allowing the family firm to better capitalize on its unique social capital (Arregle et al., 2007). Based on these arguments and aligned with previous empirical evidence (Braun & Sharma, 2007; García-Ramos & García-Olalla, 2011), we maintain that the salience of extended and contained restricted SEW concerns in listed family firms will reflect greater stewardship benefits while reducing agency costs of CEO duality.

In contrast, combining CEO and board chair positions may not bring the same stewardship benefits in listed non-family firms, whereas the agency costs of such a leadership structure may increase. Because of the higher diversification of investment portfolios and the absence of the intention to pass on the firm to the next generation (Stewart & Hitt, 2012), non-family shareholders are less likely to create a socio-emotional endowment in their firms than family owners (Gómez-Mejía et al., 2014). In the absence of significant emotional endowment in the firm, non-family shareholders will be less motivated to invest in obtaining firm-specific information and engage in monitoring the management as the costs of these efforts may exceed the benefits (Zeckhauser & Pound, 1990). In such contexts, board monitoring will be

essential to contain the costs of managerial opportunism. Separating CEO and board chair roles will thus strengthen the board's position vis-a-vis the management, ultimately reducing the costs of managerial opportunism (García-Ramos & García-Olalla, 2011). Furthermore, because of their shorter-term focus on revenues and costs, non-family firms tend to practice a more transactional approach to management and are less likely to cultivate stewardship behaviors (Chrisman et al., 2009). In such contexts, CEO duality may not be able to generate stewardship advantages to the same extent as the family firms, ultimately reducing the benefits of such a structure. Therefore, listed family firms are expected to generate more performance advantages of CEO duality and incur lower costs of this leadership structure than non-family firms. We thus formulate the following hypothesis:

> **Hypothesis 1.** *Family control positively moderates the relationship between CEO duality and the performance of listed firms; that is, family firms with CEO duality have higher performance than non-family firms with CEO duality*.

The role of CEO–chair family affiliation in shaping the performance effects of CEO duality

Considering the countervailing influence of restricted and extended SEW, the net performance effects of CEO duality in listed family firms may not reveal the entire picture. One way to disentangle the two motives is to examine the differences among family firms. Previous research has shown that family owners' SEW preferences are not homogeneous but differ depending on the nature of family involvement in the firm (e.g., Alessandri et al., 2018; Cambrea, Ponomareva, et al., 2022; Schierstedt et al., 2020; Sciascia et al., 2014). Studies accounting for family firm heterogeneity have shown the performance effect of CEO duality to be contingent on a generation of family owners (García-Ramos & García-Olalla, 2011) and the family ownership stake (Braun & Sharma, 2007). The role of family affiliations of CEO–chairs in family firms has not yet received sufficient scholarly attention (Lin et al., 2023; Salvato et al., 2019).

Considering CEO family affiliation in the context of public family firms is particularly important because it determines the domain of control exercised by the family. Having a family CEO–chair represents a powerful channel for family owners to exercise both decision management and decision control, whereas a non-family CEO–chair limits the influence of the family to the decision control domain (Fama & Jensen, 1983). While all family firms, irrespective of the family affiliation of the CEO–chair, will value extended and restricted SEW priorities, their ability to pursue these priorities may differ between family firms with family CEO–chair and those with non-family CEO–chair, ultimately altering the balance between extended and restricted SEW. In this section, we explain in detail how the family affiliation of the CEO-chair may alter the balance between extended and restricted SEW, thereby affecting the performance effects of family-affiliated and non-family CEO–chairs in family firms.

Firms with non-family CEO–board chairs may benefit more from extended SEW than firms with family CEO–chair, having more opportunities to pursue restricted SEW (Lin et al., 2023; Tsao et al., 2021). When a non-family member holds the CEO–chair position, family involvement in the firm is limited to exercising their voting rights in broad strategic decisions and does not pertain to operational issues (Alessandri et al., 2018). Family owners' distancing from the firm's daily operations makes them less susceptible to emotional attachment to the firm and more focused on strategic priorities, such as continuous reinvestment, ensuring its long-term growth and longevity (Miller & Le Breton-Miller, 2014; Tsao et al., 2021). It also makes it arduous to induce non-family CEO to pursue restricted SEW (Fang et al., 2022; Sacristán-Navarro et al., 2011) sending a valuable signal of meritocratic priorities to non-family shareholders (Alessandri et al., 2018). Although family members in family-owned firms have some limitations to impact the firm's decisions daily, they are still expected to exercise control over non-family executives through voting rights to review and approve major strategic decisions (Daily & Dollinger, 1992; Poutziouris et al., 2015). Thus, when a non-family executive occupies the CEO–board chair position, the presence of family owners can benefit non-family shareholders by reducing managerial opportunism and a strong emphasis on long-term business orientation reflected in extended SEW.

In contrast, a family-affiliated CEO–chair enables family influence in decision management and control domains. A family-affiliated CEO–chair enables family owners to have direct control over the firm's operations and resource allocation, assuming the family's active role in daily business decisions. Family involvement in management makes it easier to pursue family-centric goals, such as engaging in strategic conservatism, nepotism, and entrenchment (Miller & Le Breton-Miller, 2014; Tsao et al., 2021). It may also lead to bifurcation bias in the supervision of family and non-family employees (Verbeke & Kano, 2012), the prevalence of nepotistic motives over meritocracy in hiring decisions (Lubatkin et al., 2005), and engaging in altruistic behaviors toward other family members (Madison et al., 2018). In addition to decision rights, the affiliation with family shareholders incorporates the control rights of the CEO–chair, which can serve to reduce their employment risk (Zona & Zamarian, 2021). The lack of governance constraints to manage family opportunism may send a negative signal to non-family shareholders indicating potential costs of family opportunism. As a result, the firm's access to external capital may be adversely affected (Miller et al., 2018). Consequently, a family CEO–chair in a

listed firm may reflect greater self-control and moral hazard problems, which could diminish the otherwise positive net effect of CEO duality.

Recent empirical studies that provide indirect support to the notion consolidation of decision control and decision management in the hands of family owners facilitate the pursuit of restricted SEW. For instance, Schierstedt et al. (2020) have shown decreased positive effects on diversified acquisitions associated with family ownership as the participation of family members in the management increased. Similarly, Lin et al. (2023) found a negative effect of family CEO duality in the domain of R&D investment, attributing it to the dominance of restricted SEW motives. Additionally, Fang et al. (2022) found positive effects associated with involvement of non-family executives in a family firm, further suggesting that participation of family in ownership and control may facilitate the pursuit of restricted SEW.

Based on the discussion above, CEO-chair family affiliation will alter the balance between extended and restricted SEW, reflecting in lower restricted SEW in firms with non-family CEO–chair compared with firms with family-affiliated CEO–chairs. Combining these arguments with the logic of Hypothesis 1, we expect that the positive performance effects of CEO duality will be the strongest in listed family firms with non-family CEO–chair, followed by firms with family-affiliated CEO–chairs. Thus, we formulate the following hypothesis:

> **Hypothesis 2.** *Family affiliation of the CEO–chair negatively moderates the relationship between CEO duality and firm performance in listed family firms; that is, family firms with non-family CEO–chair have higher performance than those with family-affiliated CEO–chair.*

Performance effects of CEO duality in listed family firms during an economic crisis

In addition to the principal differences arising from the nature of family involvement in a firm, recent refinements in family business research have shown that family SEW preferences are not static but may change depending on the firm's strategic context (Li & Daspit, 2016; Schierstedt et al., 2020). A global economic crisis presents significant threats to a firm's survival and continued profitability (Evans & Borders, 2014) and hence, a direct risk to the family's economic and socioemotional endowments. Critical firm situations, like the events of economic shock, will be particularly important for family owners as they pose a threat to their control and influence, can disrupt the external image of business effectiveness, and generate an emotional loss, which in turn influences the nature of family owners' SEW priorities (Calabrò et al., 2021; Lohe & Calabrò, 2017; Salvato et al., 2020). In this section, we explain how the threat toward SEW endowment will change the balance between extended and restricted SEW priorities and ultimately reflect in the performance outcomes associated with CEO duality.

The desire to preserve their SEW endowment in adversity may prompt family owners to prioritize stewardship over agency motives toward the firm, resulting in greater extended SEW and lower restricted SEW benefits. As the financial crisis presents a hazard for family SEW, loss-averse family owners ensure that firm survival is a priority over other goals enhancing their resource commitment to the firm (Minichilli et al., 2016). Family firms' unique social capital has been argued to be particularly beneficial in times of economic adversity (Amore et al., 2022). Specifically, strong social ties between the family and the business generate cohesiveness, trust, and reciprocity within the firm, thereby enhance its resilience (Calabrò et al., 2021; van Essen et al., 2015). Furthermore, family firms' close embeddedness in their local communities enables better access to resources such as the credit market, providing the firm with a financial buffer from demand shocks while enabling them to capitalize on emerging investment opportunities (Minichilli et al., 2016). Accordingly, employing family-specific resources to keep the business afloat during the crisis and facilitating its recovery may benefit the controlling family and non-family shareholders (Braun & Latham, 2009). Thus, the extended SEW stemming from family stewardship toward the firm is expected to be especially pronounced during an economic crisis compared to steady-state conditions. Meanwhile, family firms will be less likely to engage in opportunistic behavior by seeking additional SEW gains at the expense of the firm and non-family shareholders because it increases the threat of SEW loss, leading to a further decrease in restricted SEW (Minichilli et al., 2016).

Combining CEO and board chair offices may benefit family firms because it provides an effective channel for the family to generate extended SEW during economic hardship (Braun & Latham, 2009). Such a leadership structure facilitates decision-making speed by omitting the additional steps for ratification and approval, allowing firms to fully profit from family owners' long-term horizons and their social and human capital, which are pivotal for a firm's survival in times of crisis (Boyd, 1995; Calabrò et al., 2021). In contrast, the separation of the CEO and board chair positions creates additional layers of decision control (Larcker & Tayan, 2016) that can impair family stewardship toward the firm, making it more difficult for family owners to aid in strategic decision-making on a timely basis. We thus propose that family firms will derive greater performance benefits from CEO duality in times of economic crisis.

> **Hypothesis 3a.** The presence of an economic crisis positively moderates the relationship

between CEO duality and the performance of listed family firms; that is, family firms with CEO duality have a higher performance during an economic crisis than in a stable economic environment.

We subsequently argue that the benefits of a CEO duality in times of crisis will be more pronounced in firms with non-family CEO–chairs than those with family CEO–chairs. Having a family CEO–chair enables family to exert both decision control and decision management, whereas a non-family CEO–chair assures separation between decision control exercised by the family owners and decision management by the non-family executive. Although enabling the family with decision control over the firm can facilitate the decision-making process and strategic adaptation, when combined with decision control, it may lead family's pursuit of restricted SEW uncontested, ultimately hampering the effectiveness of the CEO duality. Supporting that, previous research has shown that such a leadership structure bears the greatest benefits when implemented in conjunction with stronger board governance during a crisis (Zona, 2012).

Furthermore, having a non-family CEO–chair can overcome the drawbacks associated with the inherently internal orientation of the family owners (Cater & Schwab, 2008), who tend to be less open to outsiders in a firm's strategic decision-making (Collin & Ahlberg, 2012). A non-family CEO–chair in family firms can be more open to novel perspectives and insights into a firm's decision-making, enhancing strategic decision-making while maintaining the unity of command. Furthermore, family relationships may bring additional layers of complexity into the decision-making process, further decreasing the benefits of CEO duality (Frank et al., 2019). A strong tendency toward conflict avoidance and orientation toward consensus (Calabrò et al., 2021) may decrease the speed of adoption of strategic decisions, decreasing the positive effects of CEO duality in family firms with family CEO–chairs compared with firms with non-family CEO–chairs. In contrast, having a non-family CEO–board chair enables the board with better position to reconcile the interests of family and non-family owners, leaving family conflicts outside the management domain. Consequently, we expect the positive effects of CEO duality in times of economic crisis to be especially pronounced in family firms with non-family CEO–chair.

Based on the arguments above, we formulate the following hypothesis:

Hypothesis 3b. The performance benefits of CEO duality in times of the economic crisis will be more pronounced in family firms with non-family CEO-chairs than in family firms with family CEO–chairs.

METHODS

Sample

The hypotheses were tested on a sample of all Italian-listed industrial firms from *Mercato Telematico Azionario* (MTA), the leading Italian Equity Market dedicated to midsize and large companies, between 2003 and 2015. From the initial sample of 2128 firm-year observations, we excluded 34 owing to missing data. The final sample included 200 firms producing a panel of 2094 firm-year observations.

Corporate boards' structure data were hand-collected from the annual reports on corporate governance firms, available on the official firms' respective websites and the Italian Stock Exchange website. The ownership structure data were gathered from the *Consob* (*Commissione Italiana per le Società e la Borsa*), the Italian authority for listed companies, and the stock exchange reports. Data for all financial variables came from *Thomson Reuters Datastream*. All the variables were winsorized at the 1% level at both tails to minimize the impact of outliers (Duru et al., 2016; Yang & Zhao, 2014).

Variables

To measure firm performance, we employed the return on assets (ROA), computed as the ratio between operating income and total assets, a proxy particularly appropriate to assess the short-term financial performance of family firms (Minichilli et al., 2016).

The main independent variable is *CEO duality*, a dummy variable coded as one if there is one CEO only on the board, and it also covers the position of chair of the board and zero otherwise.

To identify a *family firm*, we computed a dummy variable (equal to one) when at least one of the following two criteria was met: (a) the founder and/or family members held more than 25% of shares, or (b) the family was represented on the board of directors (Andres, 2008).

To distinguish among family firms based on the nature of family involvement, we create a dummy variable named *non-family CEO* (Bauweraerts et al., 2020), which takes a value equal to one when a non-family member holds the CEO position and zero otherwise.

Crisis is a dummy variable coded one for 2008 to 2013 and zero otherwise. To identify the recession period, we referred to the *Italian National Bureau of Statistics* (*Istat*) evidence, which stated that in Italy, different from the United States, where the economic crisis started in 2007, the first year of the economic crisis was 2008 when GDP decreased by 1.1% (Cambrea, Calabrò, et al., 2022). Thus, we considered 2008–2013 as crisis period. Diversely, 2003–2007 and 2014–2015 were supposed as steady-state periods.

Following Jaskiewicz et al. (2017), who underlined the importance of control variables when investigating firm performance, we introduced several control variables. *Firm size* is measured as the logarithm of total revenues (Tuggle et al., 2010). *Debt* is the long-term debt ratio to total assets (Bebchuk et al., 2011). *Cash holdings* is the amount of firm liquidity, calculated as the availability of cash and cash equivalents on total assets less cash and cash equivalents (Harford et al., 2008). *Cash flow* is derived from the ratio of cash flow to total sales.

TABLE 1 Descriptive statistics.

Panel A: Descriptive statistics for the whole sample of firms					
Variable	**Mean**	**Standard deviation**	**First quartile**	**Median**	**Third quartile**
ROA	0.015	0.081	−0.002	0.025	0.052
ROE	−0.229	2.360	−0.038	0.044	0.117
MTBR	0.865	0.165	0.829	0.918	0.962
Crisis	0.503	0.500	0.000	1.000	1.000
Family firm	0.751	0.433	1.000	1.000	1.000
Non-family CEO	0.583	0.493	0.000	1.000	1.000
CEO duality	0.154	0.361	0.000	0.000	0.000
Firm size (millions €)	3.689.498	12.288.521	144.071	380.356	1.726.996
Debt	0.172	0.156	0.050	0.137	0.252
Cash holdings	0.175	0.686	0.042	0.088	0.166
Cash flow	−11.212	498.830	2.800	7.630	14.580
Firm age (years)	36.445	32.617	15.000	25.500	44.000
R&D	0.817	5.420	0.000	0.000	0.000
Sales growth	9.837	427.946	−0.056	0.034	0.137
Tangibility	0.249	0.210	0.086	0.192	0.364
Ownership concentration	0.590	0.168	0.496	0.620	0.699
Institutional investor	0.684	0.465	0.000	1.000	1.000
Board size (number of directors)	9.608	3.157	7.000	9.000	11.000
Independent directors	0.389	0.179	0.273	0.375	0.500
Female directors	0.111	0.116	0.000	0.091	0.200

Panel B: Comparison of family and non-family firms				
Variables	**Family firms**	**Non-family firms**	**Difference**	***t*-statistic**
Number of observations	1572	522		
ROA	0.019	0.004	0.015	4.17***
ROE	−0.120	−0.476	0.356	3.20***
MTBR	0.882	0.828	0.054	6.96***
CEO duality	0.175	0.105	0.070	4.11***
Firm size (millions €)	1.897.252	7.762.280	−5.865.028	−10.36***
Debt	0.162	0.197	−0.035	−4.84***
Cash holdings	0.162	0.205	−0.043	−1.30
Cash flow	3.886	−45.523	41.637	3.26**
Firm age (years)	37.157	34.827	2.330	1.51
R&D	0.611	1.287	−0.676	−2.64**
Sales growth	13.869	0.672	13.197	0.65
Tangibility	0.223	0.311	−0.088	−9.05***
Ownership concentration	0.631	0.497	0.134	18.21***
Institutional investor	0.627	0.814	−0.187	−8.66**
Board size (number of directors)	9.380	10.127	−0.747	−5.04***
Independent directors	0.359	0.456	−0.097	−11.89***
Female directors	0.119	0.092	0.027	4.96***

Firm age is the natural logarithm of firm years (Anderson & Reeb, 2003), computed as the difference between the year of the observation and the company's founding year. *R&D* is computed as research and development expenses divided by total sales (Yang & Zhao, 2014). Following Miller et al. (2007), we coded the firm's R&D expenditure a zero if it is missing. *Sales growth*, indicating the firm's ability to invest in business development, is measured by the sales rate (Lee, 2009). *Tangibility* is the ratio between fixed assets and total assets. Because several empirical studies have found a significant link between ownership structure and firm performance (De Miguel et al., 2004), we considered *Ownership concentration*, measured by the proportion of shares held directly by the first three shareholders (Deman et al., 2018), and *Institutional investor*, coded as one if at least one institutional investor held a stake higher than 2% (Bianco et al., 2015). We also considered some board characteristics as a determinant of firm performance. Previous evidence shows that *Board size*, computed as the number of board members, can influence the company's value (Rubino et al., 2017). *Independent directors*, measured by the percentage of independent directors on the board, are expected to improve financial performance owing to their superior monitoring capabilities (Nguyen & Nielsen, 2010). Finally, we control female participation on boards by including a dummy variable named *Female directors*, identified by the ratio of women directors and the number of directors on the board (Rubino et al., 2017).

RESULTS

Descriptive statistics

Panel A of Table 1 presents descriptive statistics for the entire sample of companies. Panel B shows the results of the difference of means tests between family and non-family firms.

Firms in our sample show considerable ownership and leadership structure variation. Family firms represent 75% of all companies in the full sample. The CEO is also the board chair in 15.4% of cases. Almost 42% of CEOs are family members.

Panel B of Table 1 shows significant differences in means of almost all characteristics between the family and non-family firms considered in the entire sample. To ensure our analysis results are not driven by an unobserved heterogeneity between family and non-family firms, we employ propensity score matching as a robustness test (see Table 6 for details).

Table 2 shows the correlation among the variables used in the econometric analysis. The findings indicate acceptable correlation levels among all the variables of the empirical models. We also computed the variance inflation factor (VIF) values among all the independent variables employed in our models. VIF values (not reported for brevity) present a mean value of 2.10; therefore, the finding indicates no evidence of multicollinearity.

Regression analyses

The research is designed to investigate CEO duality effects in different periods. It is based on a longitudinal dataset containing annual observations of the dependent and independent variables for up to 13 years. We conducted the Breusch–Pagan Lagrangian multiplier test to determine whether the data have a panel structure. The result ($p > \chi^2 = 0.00$) suggests implementing a methodology that considers a longitudinal dataset. Additionally, because our explanatory variables (CEO duality and family firm) are often time-invariant parameters over the whole period, we followed Mersland & Strøm (2009) and applied a random-effects panel regression model, allowing cross-company comparisons over time (Minichilli et al., 2016). We included year and industry dummies in all models to control period effects and account for industry differences.

The results provided in Column 1 show the insignificant relationship between CEO duality and firm performance. In Column 2, we introduce an interaction variable between *CEO duality* and *Family firm* to the model. The stand-alone effect of *CEO duality* is negatively and statistically significantly correlated with firm performance ($\beta = -0.036$, $p < .01$), whereas this negative relationship is positively moderated by family ownership ($\beta = 0.044$, $p < .01$). The results reveal a positive and significant effect of CEO duality on performance in family firms. The stand-alone negative effect of CEO duality on firm performance is related to non-family firms. The abovementioned insignificant overall effect of CEO duality in the full sample (Column 1) is due because the positive effect of CEO duality in family firms is offset by the negative effect of non-family firms, which further corroborates the importance of investigating the ownership effect on the link between CEO duality and firm performance.

To better understand how family ownership moderates the relationship between CEO duality and firm performance, we plotted the interaction effect (see Figure 1). In line with H1, Figure 1 suggests that family firms with CEO duality perform better than non-family firms characterized by CEO duality. Family firms with combined CEO and board chair roles obtain higher performance benefits than under the separation of the two roles; non-family firms demonstrate higher performance when the CEO and board chair roles are separate.

Column 3 shows the moderating influence of the non-family CEO on the relationship between CEO duality and firm performance in family firms during the entire study period. The coefficient of the interaction

TABLE 2 Correlation matrix.

	Variables	1	2	3	4	5	6	7	8	9	10
1	ROA	1									
2	ROE	0.453***	1								
3	MTBR	0.388***	0.136***	1							
4	Crisis	−0.117***	−0.0718**	−0.0204	1						
5	Family firm	0.0785***	0.0660**	0.150***	0.0127	1					
6	Non-family CEO	0.0191	−0.0121	−0.0588**	0.0119	−0.480***	1				
7	CEO duality	−0.0649**	−0.0502*	−0.0412	0.0478*	0.0848***	−0.279***	1			
8	Firm size	0.233***	0.0648**	0.218***	−0.00885	−0.190***	0.239***	−0.0416	1		
9	Debt	−0.0123	−0.130***	0.0456*	0.0356	−0.104***	0.195***	−0.0497*	0.383***	1	
10	Cash holdings	−0.0125	0.0158	0.0159	−0.0194	−0.0291	0.0315	0.00143	−0.0340	−0.0968***	1
11	Cash flow	0.341***	0.0963***	0.206***	−0.0716**	−0.0139	0.0114	−0.102***	0.144***	0.0444*	−0.0799***
12	Firm age	−0.0406	−0.000913	0.0243	0.0309	0.0901***	−0.116***	0.0475*	0.0697**	0.00981	0.0381
13	R&D	−0.141***	0.00699	−0.132***	0.00680	−0.0582**	0.0593**	0.0946***	−0.0221	−0.0630**	0.0391
14	Sales growth	−0.0163	0.00137	0.00305	−0.0212	0.0143	−0.0250	−0.00857	−0.00546	−0.0246	−0.00276
15	Tangibility	0.0321	0.00442	−0.0928***	0.0136	−0.196***	0.107***	−0.0283	0.206***	0.373***	−0.121***
16	Ownership concentration	0.0987***	0.0274	0.161***	0.0526*	0.365***	−0.166***	0.0816***	−0.128***	−0.0713**	0.0146
17	Institutional investor	0.154***	0.0581**	0.166***	−0.000505	−0.187***	0.208***	0.0121	0.285***	0.105***	0.0330
18	Board size	0.0957***	0.0590**	0.0949***	0.0136	−0.111***	0.239***	−0.104***	0.498***	0.220***	−0.0296
19	Independent directors	−0.000771	−0.0731***	−0.0325	−0.00210	−0.253***	0.185***	−0.0196	0.317***	0.202***	−0.0453*
20	Female directors	−0.0608**	0.0408	−0.0253	−0.110***	0.110***	−0.0408	0.0747***	−0.150***	0.0177	−0.0110

Note: (*), (**), and (***) indicate the statistical significance of each coefficient to a level of 0.05, 0.01, and 0.001, respectively.

TABLE 2 (Continued)

	11	12	13	14	15	16	17	18	19	20
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11	1									
12	−0.0171	1								
13	−0.181***	0.0138	1							
14	0.0135	−0.0627**	−0.00338	1						
15	0.0807***	0.0602**	−0.0789***	−0.0127	1					
16	−0.00137	0.0708**	−0.0834***	0.0193	0.0359	1				
17	0.0242	−0.0218	0.0379	−0.0337	−0.0324	−0.0746***	1			
18	0.0426	0.0815***	0.0538*	−0.00526	0.0431*	−0.104***	0.236***	1		
19	0.0391	−0.0615**	−0.00826	−0.00757	0.157***	−0.130***	0.148***	0.164***	1	
20	−0.0597**	0.164***	0.00183	0.0220	−0.0114	0.156***	−0.0540*	−0.0887***	−0.00547	1

Note: (*), (**), and (***) indicate the statistical significance of each coefficient to a level of 0.05, 0.01, and 0.001, respectively.

FIGURE 1 CEO duality, family and non-family firms, and performance. ROA, return on assets

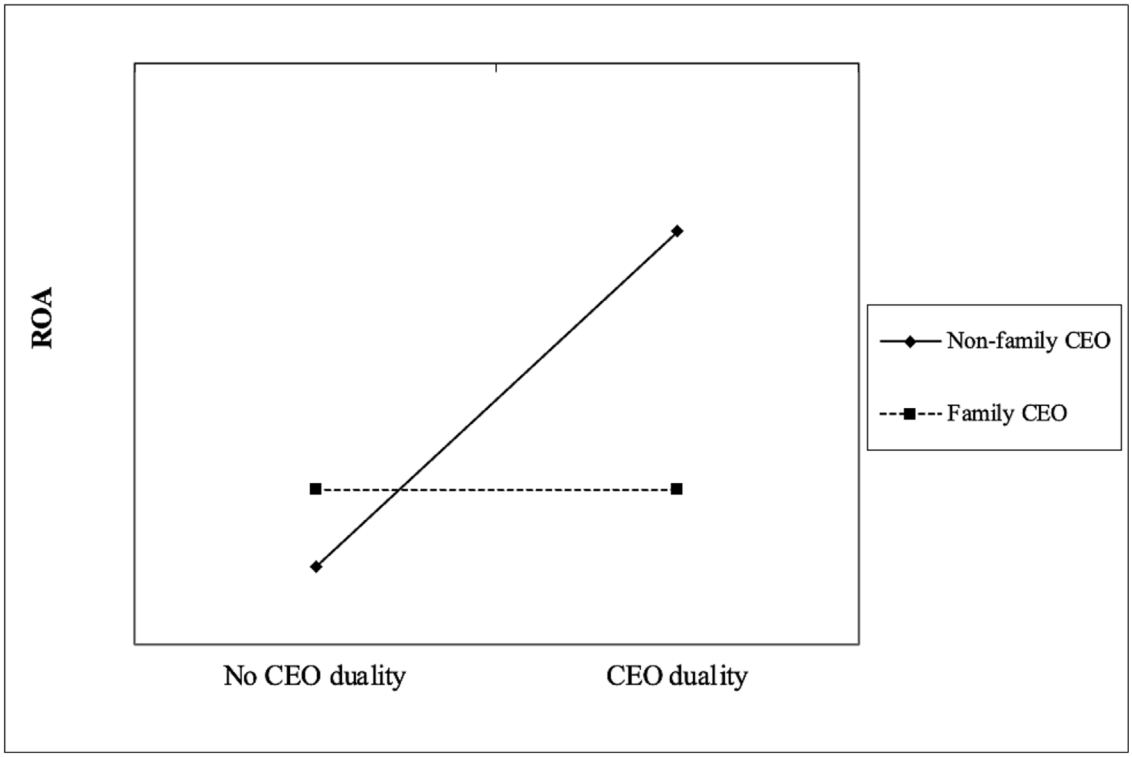

FIGURE 2 CEO duality, non-family CEO, and performance in family firms. ROA, return on assets

variable *CEO duality*non-family CEO* is positive and marginally statistically significant ($\beta = 0.026$, $p < 0.10$), in line with H2. Figure 2 graphically illustrates the moderating effect, indicating that family firms with non-family CEO–chairs perform better than those with family-affiliated CEO–chairs. More specifically, we can

observe that the positive effect of CEO duality on family firm performance will be present only in family firms with non-family CEO. In contrast, the performance of family firms with a family CEO is largely the same regardless of whether the same family member holds CEO and board chair positions.

Column 4 of Table 3 presents the link between CEO duality and family firm performance during the economic crisis. The sign of the moderating variable *CEO duality*Crisis* coefficient is positive and statistically significant ($\beta = 0.016$, $p < 0.05$). Figure 3 graphically represents the nature of the moderation effect of the economic crisis on the relationship between CEO duality on family firm performance, showing that family firms with CEO duality perform better in a period of economic adversity than in steady-state conditions. This empirical finding supports H3a, indicating that the positive impact of CEO duality on family firm performance is stronger during the economic crisis period. Figure 3 also shows that the performance of family firms with combined CEO and board chair roles and those where the two roles are separated is largely the same during the stable state period.

We subsequently explore H3b in two ways. We first examine the interaction between *CEO duality*CEO family status* in the subsample of family firms during the crisis period vis-a-vis stable state conditions. Column 5 in Table 3 reveals a positive marginally significant moderating effect of the non-family CEO ($\beta = 0.036$, $p < 0.10$) on the link between CEO duality and family firm performance during the economic crisis, whereas column 6 of Table 3 shows that this relationship is not statistically significant in stable conditions ($\beta = -0.002$, $p > 0.10$). This result indicates the positive moderating effect of a non-family CEO–chair that is more pronounced in times of economic adversity. To better understand the moderating role of CEO–chair family affiliation in times of crisis versus stable environment, we run a three-way interaction between *CEO duality*, *non-family CEO*, and *crisis*. The coefficient of the three-way interaction shown in Column 7 of Table 3 is positive and marginally statistically significant ($\beta = 0.044$, $p < 0.10$). The inspection of Figure 4 denotes that the performance benefits of CEO duality in times of crisis are more pronounced in family firms with non-family CEO–chairs than in family firms with family-affiliated CEO-chairs, providing support to H3b. Interestingly, we find that firms with family-affiliated CEO–chairs exhibit lower performance during crisis period than in stable state conditions. This finding indicates that in crisis, family firms can benefit more from extended SEW, but only when the family owner's ability to pursue restricted SEW is limited, that is, in the presence of a non-family CEO–chair.

Finally, to ensure that our results do not depend on the superior performance of family firms in crisis (Zhou et al., 2017), we empirically tested the relationship between family firms and corporate performance. The findings[1] show that all the coefficients of the variable *family firm* are not statistically significant, indicating that family firms' performance is not better than non-family firms.

ROBUSTNESS CHECKS

The following sections present some robustness tests aiming to ensure the validity of our results regarding the first two hypotheses that investigate the different impacts of CEO duality in family and non-family firms, in steady-state and during the recession, respectively.

Alternative dependent variables

We estimated Models 2–5, displayed in Table 3, using two different performance measures: *return on equity* (ROE) and *market-to-book ratio* (MTBR). ROE was computed as the net income divided by stockholders' equity (Arrondo-Garcia et al., 2016). *MTBR* was calculated as the market value of assets divided by the book value of total assets. The market value of assets was computed as the book value of assets plus the market value of equity minus the sum of the book value of common equity and deferred taxes (O'Brien & Folta, 2009). The empirical findings shown in Table 4 partially align with our main model. Indeed, when we employed ROE as a firm performance measure, three out of four hypotheses were supported. Specifically, hypothesis H3b aiming to test the effect of the family affiliation of the CEO–chair is not statistically supported, implying that the results should be taken with caution. In contrast, when we used the MTBR as the dependent variable, the outcome differed from those presented when accounting measures of firm performance were employed. Using a market performance measure supports only the Hypothesis 1 and the Hypothesis 3a. This divergence is because accounting and market-based measures capture different performance dimensions (Tang, 2017); therefore, they may lead to different results (Richard et al., 2009). Despite accounting and market variables determining different outcomes, we used both performance measures to enable the comparison to previous studies.

Economic crisis period

We also considered the alternative years for the crisis period. Consistent with previous studies (Minichilli et al., 2016; van Essen et al., 2013), we ran models with

[1]The analysis results not reported for brevity in the manuscript are available with the authors.

TABLE 3 Relationship between CEO duality and firm performance (ROA).

	ROA						
VARIABLES	(1) Whole sample Entire period	(2) Whole sample Entire period	(3) FFs subsample Entire period	(4) FFs subsample Entire period	(5) FFs subsample Crisis	(6) FFs subsample No crisis	(7) FFs subsample Interaction
CEO duality	−0.003	−0.036***	−0.001	0.000	−0.030*	0.008	−0.001
	(0.605)	(0.000)	(0.927)	(0.943)	(0.060)	(0.317)	(0.940)
Family firm	−0.003	−0.008					
	(0.571)	(0.172)					
CEO duality*family firm		**0.044*** **					
		(0.000)					
Non-family CEO			−0.006		−0.008	−0.002	−0.003
			(0.250)		(0.323)	(0.773)	(0.591)
CEO duality*non-family CEO			**0.026***		**0.036***	−0.002	−0.001
			(0.077)		**(0.078)**	(0.919)	(0.947)
Non-family CEO*crisis							−0.005
							(0.458)
Crisis				−0.014			−0.006
				(0.110)			(0.477)
CEO duality*crisis				**0.016****			−0.000
				(0.019)			(0.992)
CEO duality*non-family CEO*crisis							**0.044***
							(0.093)
Firm size	0.017***	0.016***	0.016***	0.015***	0.019***	0.009***	0.015***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)
Debt	−0.030**	−0.031**	−0.057***	−0.057***	−0.045*	−0.048**	−0.057***
	(0.028)	(0.024)	(0.001)	(0.000)	(0.071)	(0.027)	(0.001)
Cash holdings	0.001	0.001	0.012**	0.012***	0.065***	0.007*	0.011**
	(0.634)	(0.585)	(0.010)	(0.009)	(0.000)	(0.097)	(0.012)
Cash flow	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.009)	(0.000)
Firm age	−0.007**	−0.007**	−0.010**	−0.010**	−0.012*	−0.007	−0.009**
	(0.042)	(0.041)	(0.024)	(0.034)	(0.075)	(0.123)	(0.032)
R&D	−0.001**	−0.001*	0.001	0.000	0.004*	−0.000	0.001
	(0.049)	(0.050)	(0.693)	(0.878)	(0.063)	(0.724)	(0.595)
Sales growth	−0.000	−0.000	−0.000*	−0.000*	−0.000	−0.000*	−0.000*
	(0.118)	(0.126)	(0.051)	(0.063)	(0.471)	(0.063)	(0.051)
Tangibility	−0.001	−0.001	−0.013	−0.016	0.032	−0.033	−0.013
	(0.911)	(0.912)	(0.376)	(0.303)	(0.159)	(0.109)	(0.376)
Ownership concentration	0.069***	0.067***	0.090***	0.087***	0.109***	0.055**	0.092***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.013)	(0.000)
Institutional investor	0.003	0.003	0.002	0.002	0.004	0.001	0.003
	(0.428)	(0.511)	(0.611)	(0.570)	(0.582)	(0.864)	(0.489)
Board size	−0.000	−0.000	−0.001	−0.001	−0.003*	0.002**	−0.001
	(0.826)	(0.716)	(0.152)	(0.171)	(0.055)	(0.048)	(0.189)
Independent directors	−0.030***	−0.031***	−0.049***	−0.044***	−0.054**	−0.055***	−0.050***
	(0.006)	(0.005)	(0.001)	(0.003)	(0.026)	(0.002)	(0.001)
Female directors	0.042**	0.040**	0.036*	0.041*	0.030	0.062**	0.036*

TABLE 3 (Continued)

	ROA						
VARIABLES	**(1) Whole sample Entire period**	**(2) Whole sample Entire period**	**(3) FFs subsample Entire period**	**(4) FFs subsample Entire period**	**(5) FFs subsample Crisis**	**(6) FFs subsample No crisis**	**(7) FFs subsample Interaction**
	(0.027)	(0.031)	(0.087)	(0.052)	(0.324)	(0.036)	(0.083)
Constant	−0.229***	−0.219***	−0.212***	−0.206***	−0.182***	−0.132***	−0.211***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.004)	(0.000)
Random effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.281	0.302	0.268	0.253	0.366	0.223	0.260
Number of Id	200	200	155	155	145	155	155
Observations	2094	2094	1572	1572	798	774	1572

Note: Between brackets are *p*-values. Bold values indicate the coefficients of the variables that are statistically significant. ROA, return on assets. *, **, and *** indicate the statistical significance of each coefficient to a level of 10%, 5%, and 1%, respectively.

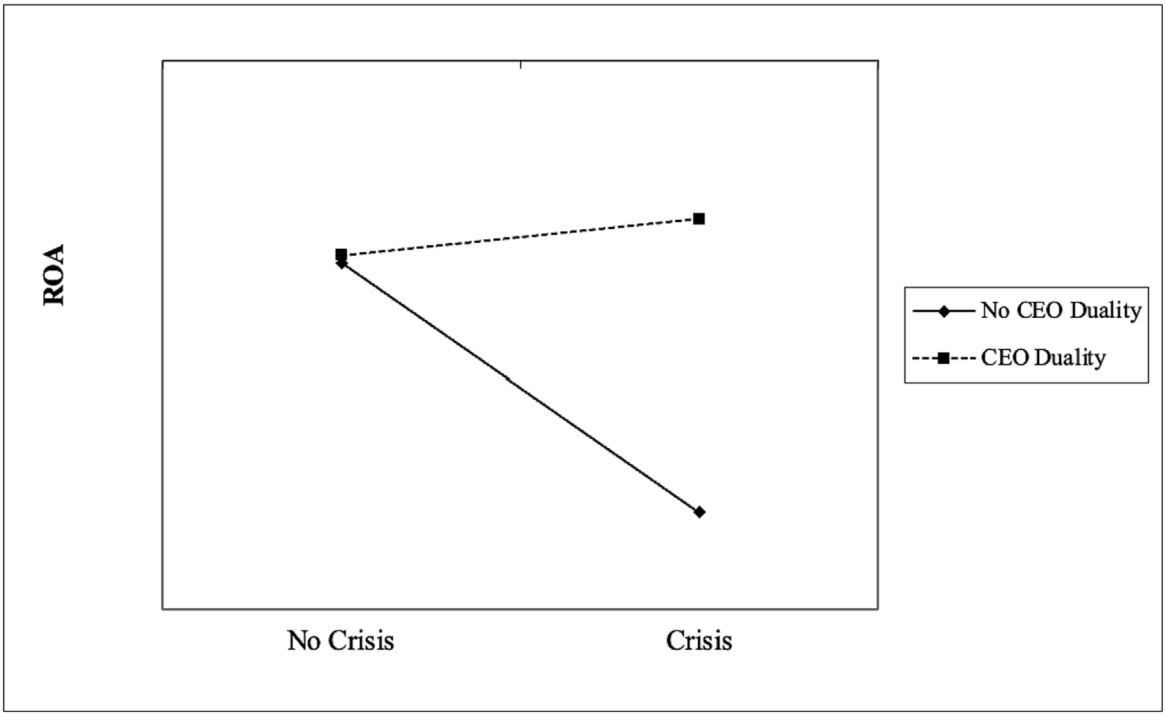

FIGURE 3 CEO duality, crisis and no crisis, and performance in family firms. ROA, return on assets

crisis periods starting in 2007 and 2009. Further, we estimated the regressions by considering 2008–2012 as the period of economic crisis; therefore, we considered 2013 as a post-crisis year (instead of a crisis year). The results, which employ all our dependent variables (ROA, ROE, and MTBR), are qualitatively similar.[2]

[2]We did not tabulate these results because of space considerations; nevertheless, the results are available from the authors upon request.

Alternative family firm definitions

Previous studies have differed considerably in the operationalization of family firms (Chrisman et al., 2012). Thus, to ensure that our findings are not limited to a specific definition, we tested the effect of CEO duality on firm performance using two alternative operationalization of family firms. First, much like Cirillo et al. (2015), we consider a firm as a family firm when two conditions exist simultaneously: (a) the founder and/or

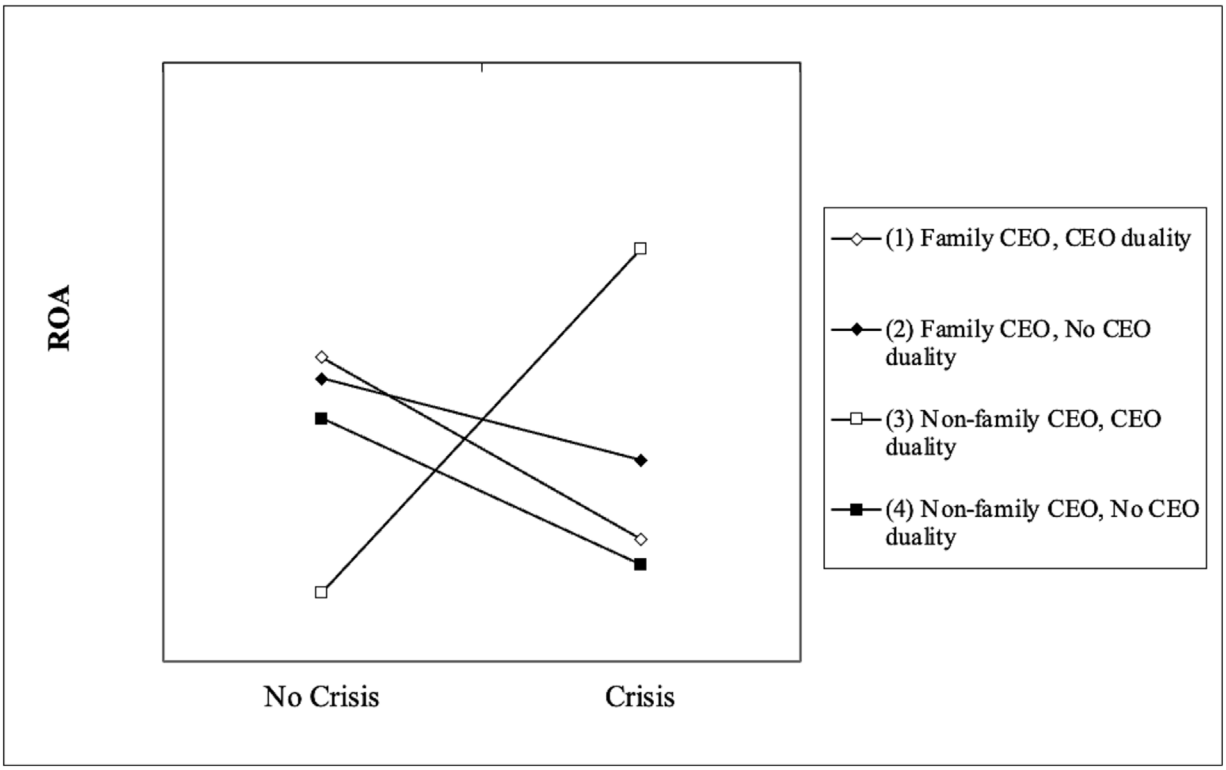

FIGURE 4 Non-family CEO, crisis and no crisis, and performance in family firms. ROA, return on assets

family members held more than 25% of the shares, and (b) the family was represented on the board of directors (Columns 1–2, Table 5). Second, we operationalized a family firm as a firm in which family members are involved in ownership and management (Campopiano & De Massis, 2015; Chrisman & Patel, 2012). This proxy took a value of one if at least two family members cover managerial positions and zero otherwise (Columns 3–4 of Table 5).

As shown in Table 5, the empirical findings are in line with our final models (Table 3, Columns 2–3), indicating that the impact of CEO duality on firm performance does not depend on the employed definition of being a family firm.

Propensity score matching

The different effects of CEO duality on corporate performance in family and non-family firms might result from the differences in the characteristics between the two groups. We addressed these issues by employing a propensity score matching technique (Rosenbaum & Rubin, 1983).

First, we estimated the probability of a company being a family firm using logit regression. The dependent variable is the dummy variable, *family firm*, and the explanatory variables are those employed in Column 1 of Table 3.[3] Family firms are considered the treatment group; diversely, non-family firms are part of the control group. Second, we used the single nearest neighbor method with no replacement. This option allowed us to perform one-to-one matching between each treatment firm (family firm) and a firm belonging to the control group (non-family firm). Propensity score matching produced a matched sample comprising 694 cases: 347 treatment cases (family firms) and 347 control cases (non-family firms). To verify that family and non-family firms are indistinguishable regarding their observable characteristics, we examined the differences in the means of each observable characteristic between the treatment and control firm-year observations. Panel B of Table 6 shows that the propensity score matching removed all the observable differences in the explanatory variables between the treatment and control groups. Then, we estimated the regression presented in Column 2 of Table 3 based on the matched sample of firm-year observations. The results confirm our main findings, suggesting that our empirical evidence is not likely to be driven by (observable) differences between family and non-family firms (see Panel A of Table 6).

[3]The results for the logit regression are not tabulated and are available upon request.

TABLE 4 Relationship between CEO duality, ROE, and MTBR.

	ROE				MTBR			
VARIABLES	(1) Whole sample Entire period	(2) FFs subsample Entire period	(3) FFs subsample Entire period	(4) FFs subsample Crisis	(5) Whole sample Entire period	(6) FFs subsample Entire period	(7) FFs subsample Entire period	(8) FFs subsample Crisis
CEO duality	−1.223***	−0.246	−0.201	−0.201	−0.058***	0.011	0.003	0.003
	(0.000)	(0.207)	(0.284)	(0.611)	(0.000)	(0.296)	(0.787)	(0.845)
Family firm	0.324				−0.000			
	(0.100)				(0.961)			
CEO duality*family firm	**1.684*** **				**0.075*** **			
	(0.000)				**(0.000)**			
Non-family CEO		−0.376**		−0.047		−0.024***		−0.010
		(0.028)		(0.884)		(0.008)		(0.391)
CEO duality*non-family CEO		**0.826***		0.763		0.004		0.007
		(0.068)		(0.347)		(0.870)		(0.820)
crisis			−0.481*				−0.037***	
			(0.072)				(0.009)	
CEO duality*crisis			**0.362***				**0.031** **	
			(0.072)				**(0.016)**	
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Random effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.0780	0.0758	0.0668	0.154	0.230	0.221	0.205	0.276
Number of Id	200	155	155	145	200	155	155	145
Observations	2094	1572	1572	798	2094	1572	1572	798

Note: Between brackets are *p*-values. Bold values indicate the coefficients of the variables that are statistically significant. MTBR, market-to-book ratio; ROE, return on equity. *, **, and *** indicate the statistical significance of each coefficient to a level of 10%, 5%, and 1%, respectively.

Controlling for endogeneity

Although Iyengar and Zampelli (2009) empirically show that the adoption of CEO duality and firm performance are not endogenously determined, our research, like most empirical studies that observe the relationship between board characteristics and corporate governance, may suffer from endogeneity issues (Yang & Zhao, 2014). All the regressions include industry and year-fixed effects (Dey et al., 2011; Linck et al., 2008) to mitigate endogeneity and independence concerns. Second, to ensure that our results are not driven by reversed causality, we reproduced the models in Columns 2–5 of Table 3, which are related to investigating the hypotheses, by employing 1-year lagged independent and control variables (Tang, 2017; Uribe-Bohorquez et al., 2018). The key findings are qualitatively similar.[4] Third, the three-way interaction shown in Model 7 of Table 3 reproduces a difference-in-difference estimation, which permitted us to overcome the potential endogeneity issues of the relationship between CEO duality and firm performance (Yang & Zhao, 2014), thus, ensuring the robustness of our empirical results.

DISCUSSION AND CONCLUSIONS

Our research was motivated by exploring the costs and benefits of combining CEO and board chair offices in a distinct context of listed family firms. Our empirical findings provide noteworthy evidence indicating that CEO duality functions differently in listed family and non-family firms. In alignment with previous studies (Braun & Sharma, 2007; García-Ramos & García-Olalla, 2011), our results suggest that listed family firms may potentially benefit more from combining CEO and board chair positions compared to their non-family counterparts. To explain these findings, we offer a distinct perspective attributing them to the net positive effect of the

[4]To conserve space, the results for the other econometric method are not reported but are available upon request.

TABLE 5 Relationship between CEO duality and firm performance—alternative family firm definitions.

	ROA			
VARIABLES	**(1) Whole sample Entire period**	**(2) FFs subsample Entire period**	**(3) Whole sample Entire period**	**(4) FFs subsample Entire period**
CEO duality	−0.025**	−0.002	−0.018**	−0.004
	(0.030)	(0.770)	(0.016)	(0.585)
Family firm	−0.009		−0.010*	
	(0.205)		(0.056)	
CEO duality*family firm	**0.028****		**0.027*****	
	(0.029)		**(0.006)**	
Crisis		−0.017**		−0.012*
		(0.049)		(0.098)
CEO duality*crisis		**0.015****		**0.010***
		(0.034)		**(0.084)**
Random effects	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes
Industry effects	Yes	Yes	Yes	Yes
R-squared	0.291	0.443	0.286	0.450
Number of Id	200	155	200	155
Observations	2094	1572	2094	1572

Note: Between brackets are *p*-values. Bold values indicate the coefficients of the variables that are statistically significant. ROA, return on assets. *, **, and *** indicate the statistical significance of each coefficient to a level of 10%, 5%, and 1%, respectively.

TABLE 6 Relationship between CEO duality and firm performance for the matched sample.

Panel A: Relationship between CEO duality and firm performance for the matched sample.

VARIABLES	**ROA (1) Entire period**
CEO duality	−0.036***
	(0.008)
Family control	−0.038***
	(0.000)
CEO duality*family control	**0.056*****
	(0.002)
Control variables	Yes
Random effects	Yes
Year dummies	Yes
Industry effects	Yes
R-squared	0.325
Number of Id	178
Observations	694

Panel B: Mean difference test between family and non-family firms for the matched sample

Variables	**Treatment family firms**	**Control non-family firms**	**Difference**	***t*-statistic**
Number of observations	347	347		
ROA	0.007	0.005	0.002	0.30
CEO duality	0.138	0.130	0.008	0.33

TABLE 6 (Continued)

Panel B: Mean difference test between family and non-family firms for the matched sample				
Variables	**Treatment family firms**	**Control non-family firms**	**Difference**	***t*-statistic**
Firm size (millions €)	3.231.961	2.596.033	635.928	1.25
Debt	0.188	0.177	0.011	0.92
Cash holdings	0.171	0.167	0.004	0.06
Cash flow	3.728	6.024	−2.296	−0.41
Firm age (years)	38.669	39.392	−0.723	−0.56
RDS	0.388	0.328	0.060	0.54
Sales growth	0.085	1.162	−1.077	−0.99
Tangibility	0.261	0.251	0.010	0.65
Ownership concentration	0.591	0.590	0.001	0.08
Institutional investor	0.726	0.744	−0.018	−0.52
Board size (number of directors)	9.888	9.793	0.095	0.40
Independent directors	0.393	0.383	0.010	0.78
Female directors	0.108	0.099	0.009	1.03

Note: Between brackets are *p*-values. Bold values indicate the coefficients of the variables that are statistically significant. ROA, return on assets. *, **, and *** indicate the statistical significance of each coefficient to a level of 10%, 5%, and 1%, respectively.

balance between extended and restricted SEW. Subsequently, we nuance this relationship further by considering how the pursuit of SEW in family firms depends on the nature of family owners' involvement in a firm and firm's strategic environment. We maintain that family firms with a family CEO–chair are more inclined to pursue restricted SEW compared to those with a non-family CEO–chair. In line with the findings by Sacristán-Navarro et al. (2011), our empirical analyses provide support for this notion, showing that the positive effects of CEO duality are more pronounced in family firms with non-family CEO–chairs than those with family-affiliated CEO–chairs. We extend our analysis by accounting for the firm's external environment. Our evidence suggests that the performance benefits of combining CEO and board chair roles in family firms tend to increase during adverse economic conditions. However, this increase is observed primarily in family firms with non-family CEO–chairs.

Our study provides two main contributions. First, we answer the calls for examining family governance choices that span beyond the traditional agency and stewardship frameworks (Le Breton-Miller et al., 2011; Le Breton-Miller & Miller, 2009; Madison et al., 2016) by introducing SEW perspective as a binding link between stewardship and agency views on CEO duality. Although most previous studies on CEO duality in family firms (e.g., Braun & Sharma, 2007; Cirillo et al., 2015; García-Ramos & García-Olalla, 2011) have approached agency and stewardship theories as "separate and opposing lenses for viewing the family firm" (Madison et al., 2016: 66), our study takes a different perspective. Aligning closely with Chrisman (2019) and Lin et al. (2023), we argue that both agency and stewardship motives coexist, and their relative strength depends on the balance between family owners' ability to pursue extended and restricted SEW. The two-dimensional conceptualization of SEW, increasingly applied in family business research (Li & Daspit, 2016; Miller and Le Breton-Miller, 2014; 2020; Tsao et al., 2021), helps us to reconcile the mixed findings as it predicts under which circumstances combining CEO and board chair roles can facilitate stewardship behaviors and when it can be a source of agency costs stemming from family opportunism. Thus, by conceptualizing SEW motives as a common root for stewardship and agency behaviors, we take a step toward integrating the two perspectives, which to date have largely developed in isolation and, thereby, provide a more comprehensive and relevant view of family firm governance (Chrisman, 2019; Madison et al., 2016).

Second, our study advances the knowledge about heterogeneity in governance practices among family firms (Daspit et al., 2021; Du et al., 2022; Nordqvist et al., 2014; Wang et al., 2023) by emphasizing the pivotal role played by the domain of family involvement in the firm in understanding the diverse governance choices made by family firms and their subsequent performance implications. Our findings reveal that the benefits derived from CEO duality in family firms are contingent upon the nature of family shareholders' involvement, as manifested through the family affiliation of the CEO–chair. Aligning with prior work that highlights the advantages of involving non-family executives in family firms (Fang et al., 2016, 2022), our research extends this understanding by elucidating the indirect benefits it brings through its interaction with other corporate governance mechanisms, particularly CEO duality. Furthermore, the

consideration of the family affiliation of the CEO–chair advances the ongoing debate about the effectiveness of CEO duality in a family firm context (García-Ramos et al., 2017), taking a step toward in reconciling the inconclusive results concerning the performance effects of such a governance structure.

Additionally, our study emphasizes that the governance needs of family firms may differ depending on the nature of the firm's strategic environment. Although the extant body of knowledge on family firm governance has predominantly assumed stable economic conditions, we adopt a dynamic perspective, theorizing how family owners' SEW preferences evolve depending on the firm's strategic environment. Our study reveals a shift in SEW preferences during contrasting economic circumstances and, in line with recent work by Lin et al. (2023), highlights the importance of fit among the firm governance practices, the nature of family involvement in a firm, and its strategic environment. Namely, we theorize and provide empirical support to the notion that when faced with a threat of SEW loss posed by the economic crisis, the extended SEW preferences become more salient. Interestingly, we also find indications that restricted SEW may increase their importance in times of crisis. This shift in SEW priorities, in turn, has important implications for the functioning of corporate governance mechanisms, particularly the CEO duality. Against this backdrop, our results also contribute to the rapidly developing research on family governance in times of crisis (Amore et al., 2022; Calabrò et al., 2021; Minichilli et al., 2016) by drawing attention to the family influence domain of a firm as an important governance mechanism that determines the family firms' ability to withstand economic adversity.

This work has implications for institutional policymakers who strongly recommend the division of roles among the CEO, board chair, and shareholders (Byrd et al., 2012). Our empirical results support family firms' resistance to the separation of roles because CEO duality could be an advantage rather than a liability in the family business; this questions the economic costs of policies directed at separating the two offices in the context of corporations characterized by concentrated ownership structure. Yet not all family firms may benefit equally from combining the two leadership roles. Specifically, our findings indicate that the CEO–board chair position in a family member's hands is more costly for the firm than when it is held by a non-family member, suggesting the importance of fit between the nature of family involvement in the firm and corporate governance practices.

Our study is not without its limitations. First, we do not directly measure SEW. Instead, we use the family involvement in the firm and the economic crisis of 2008 as contextual determinants that alter SEW preferences. Future studies could use recent advancements in the field to measure owners' preferences directly for specific SEW benefits. For example, Debicki et al. (2016) introduce the SEWi instrument allowing measurement of the salience of SEW motives in three distinct dimensions: family prominence, family continuity, and family enrichment. Although not necessarily mutually exclusive, we expect each of the three SEWi dimensions to associate broadly with extended and restricted SEW motives. Although the family prominence dimension measures the importance of stakeholder interests for family owners and their preferences toward the accumulation of social and relational capital, which can benefit both family and non-family stakeholders, we expect it to mainly reveal the salience of extended SEW concerns conceptualized by Miller and Le Breton-Miller et al. (2014). Similarly, family continuity and family enrichment dimensions reflect narrower and more short-term SEW concerns exclusive to the controlling family and thus are more aligned with the conceptualization of restricted SEW preferences (ibid). Based on this reasoning, SEWi presents a useful instrument to empirically capture the balance between extended and restricted SEW preferences.

Second, having explored the phenomenon based on a single-country sample, our findings may not necessarily be generalized to other national contexts. When building our theoretical framework, we only considered empirical studies conducted in Western contexts with relatively developed institutions, such as the regulatory environment and financial markets. Considering that corporate governance mechanisms and the role of capital markets vary across institutional environments (Aguilera & Jackson, 2003), it is necessary to account for institutional differences when theorizing the role of CEO duality in family firms across institutional contexts. We thus encourage future research to conduct comparative studies on the performance effects of combining CEO and board chair roles in listed family firms across different institutional contexts. Additionally, considering that various countries were affected by the financial crises in different periods and with varying intensities (Mitra et al., 2009), a cross-national analysis would facilitate considering the impact of CEO duality under the different macroeconomic shock intensities. Furthermore, it could be interesting to explore how the nature and origins of exogenous shock shape the performance effects of CEO duality in family firms. The COVID-19 pandemic can be a particularly suitable context for this type of inquiry.

Finally, other sources of family firm heterogeneity (Neubaum et al., 2019) could also influence the balance between extended and restricted SEW priorities. Thus, we encourage future studies to explore the heterogeneity of family firms further. For example, they can compare the trade-offs between the unity of command and managerial entrenchment under different configurations in founder-led versus successor-run firms, develop our theoretical model further, and apply it to private family firms. Another alternative is to explore whether the benefits derived from non-family CEO increase as more family

generations get involve in the firm. Previous studies have argued that the nature of SEW preferences may change depending on the family generation (Martínez-Romero & Rojo-Ramírez, 2016). We thus encourage future research to account for the generational difference when comparing family and non-family CEO–chair in family firms.

In this study, we sought to explain the effects of combining CEO and board chair offices in a distinct context of listed family firms. Despite a wealth of research on the topic, CEO duality remains a highly debated issue on corporate agendas, not least in family firms. We hope that this small step toward understanding family owners and their motivations will prompt future scholarship to examine SEW motives' intertwined and dynamic nature.

AUTHOR CONTRIBUTIONS

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Domenico Rocco Cambrea: Data collection; methodology; formal analysis; writing—original draft; writing—review and editing. **Yuliya Ponomareva**: Writing—original draft; theory building; conceptualization; writing—review and editing. **Fabio Quarato**: Writing—original draft; methodology; writing—review & editing. **Paolo Tenuta**: Data collection; writing—original draft; project administration.

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CONFLICT OF INTEREST STATEMENT

The authors declare no conflict of interest.

DATA AVAILABILITY STATEMENT

Research data are not shared.

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