The influence of family involvement on tax aggressiveness of family firms

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Abstract

Purpose – The purpose of this paper is to analyze the tax aggressiveness among family firms considering their different levels of family involvement. Based on the family influence on power, experience, and culture approach proposed by Astrachan *et al.* (2002), this study examines to what extent the heterogeneity among family firms generates distinctive (and unique resource) combinations of family involvement that explain different levels of tax aggressiveness.
Design/methodology/approach – A sample of 282 small and medium-sized family enterprises and a structural equation modeling approach have been used to study simultaneously the effects of family influence through the power, experience, and culture dimensions of tax aggressiveness in family firms.
Findings – The family influences the business' tax aggressiveness in different ways. As such, the greater the family experience, by the incorporation of second and subsequent generations, the greater the tax aggressiveness; in contrast, greater family power in terms of firm ownership and management negatively affects tax aggressiveness. Additionally, greater alignment of the family and business culture does not exert a significant effect on tax behaviors of family firms.
Practical implications – Tax aggressiveness is a complex activity that should be managed from a global point of view in family firms. Managers should compensate for the negative influence of family governance on tax aggressiveness with the positive effect of the family generations in order to obtain proper and balanced tax management that contributes to the sustainability of family firms.
Originality/value – This study contributes to the understanding of tax behavior heterogeneities among family firms by going further than most research (usually based mainly on comparative ownership aspects between large, publicly quoted family and non-family firms), considering some other more representative factors of family small and medium-sized enterprises, where the influence of characteristics of family management, family generation, and family values can be the main determinants of the firm taxation policies.

Keywords F-PEC scale, Family influence, SEM approach, Spanish firms, Tax aggressiveness
Paper type Research paper

1. Introduction

Firm taxation and proper tax compliance pose many questions that, in a global environment, are currently at the center of the political and economic debate (Scholes *et al.*, 2009). Companies need to plan taxes to obtain the expected performance while, at the same time, minimizing the risks and costs associated with tax avoidance (Shackelford and Shevlin, 2001; Stiglitz, 1985). In that vein, numerous studies highlight

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