

## The Family-Owned Business Decision Making In Preserving Socioemotional Wealth

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**Abstract.** Regarding socioemotional wealth, which is derived from non-financial business elements, this study attempts to investigate the tax aggressiveness of public family-owned businesses in Indonesia. The effect of socioemotional wealth in terms of family engagement on tax aggression (measured by effective tax rate) and family generational stage as a moderator were assessed using a panel data set from 2010 to 2017 and moderated regression models using WarpPLS software version 6.0. The findings illustrate that the higher the involvement of the family in terms of ownership, management, and board of directors as well as a board of commissioners, the less tax aggressiveness. Furthermore, the findings imply that family involvement and tax behavior are not necessarily aligned and that these relationships are moderated by the family's generational stage. Considering that public family-owned business samples still exhibit the same traits as non-family-owned business, the next generation stage board of directors seems to be concerned about how aggressive tax behaviors may affect shareholder wealth and reputation.

**Keywords:** Tax aggressiveness, Socioemotional Wealth, Family-Owned Business, FPEC Scale

### INTRODUCTION

Taxes are the main sources of domestic revenue that are used for the need for the people's welfare. Tax revenue supported the largest proportion in the state budget over the period 2010 to 2016 (Financial Notes and Indonesia State Budget (2017) and Statistic Bureau 2016). Taxes should be mandatory contributions to the state paid by individuals or institutions which are enforceable under the Law. Taxpayers will not receive direct compensation from the government and the taxes are used for the purposes of the state for the people's welfare as mentioned in article 1 Law Number 6 of 1983 as amended lastly by Law Number 16 of 2009 concerning Taxation General Provisions and Procedure. It can be explained that the firms as the subject of corporate tax income must contribute to incurring firm's cash to pay their tax burden.

Sari & Martani (2010) stated that the tax paid is a transfer process of the firm's wealth to the government, so the firms and shareholders consider it as cost. Thus, the firm will tend to do efficiency of tax expense (tax savings) to increase profitability and shareholder value (Desai & Dharmapala, 2007). The effort of tax reduction is often referred to tax aggressiveness. Chen et al. (2010) define tax aggressiveness as an act of designing or manipulating data presentation aiming to reduce fiscal profit through proper tax planning, which can or cannot be classified as tax evasion.

The complimentary nature of tax aggressiveness and rent extraction always puts shareholders in a dilemma to support aggressive tax methods, although shareholders benefit from tax savings resulting from avoiding taxes. Therefore, outside shareholders typically perceive the possibility of rent extraction whenever taxes are evaded (Chen et al., 2010). For instance, the effort of tax savings often creates a problem or tax scandal that frequently attracts media and public attention as the International Consortium of Investigative Journalists (such as The Guardian and BBC in England, French's Le Monde, and 50 other media). Those media revealed cases of taxation undertaken by HSBC Switzerland to the public in February 2015. HSBC Switzerland has been alleged to have helped rich customers to avoid taxes by offering an aggressive scheme to reduce taxes in the host countries, particularly in Europe. This HSBC Switzerland case increased row of tax aggressiveness cases.

Because tax is a significant burden on the firm. In accordance with the aim of optimizing profit, the firm seeks to minimize the tax burden by leveraging existing tax provisions. The firm's owner will encourage the management to implement a tax plan that is aggressive to lower the tax burden. To reduce withholding taxes paid while meeting shareholder expectations, earnings management is done for tax purposes. This situation leads the firms to reduce the taxable income in different ways (manipulation) tend to illegal way of tax planning.

PT Asian Agri Group, one of the second largest holding firm in Raja Garuda Mas Group, a firm owned by Sukanto Tanoto found guilty of tax evasion in 2012 (The Jakarta Post, 2014). Some tax manipulation cases are carried out by Bakrie Group firms; PT Arutmin, PT Kaltim Prima Coal, and PT Bumi Resources (Siregar, 2014). More explicitly, Hanlon and Hanlon & Slemrod (2009) documented a share price discount of companies when the information of tax aggressiveness blew up in the public media.

In a less concentrated ownership structure where minority shareholders are protected by an efficient capital market, the responses of the shareholders are more pronounced. Nonetheless, the responses of the shareholders could not be taken seriously in a concentrated ownership with an emerging market. This is a result of the companies' lack of motivation for public legitimacy due to their minimal or non-existent market funding (Annuar et al., 2014). Therefore, the nature of the ownership structure may affect the level of tax aggressiveness with respect to its benefit and cost. This account for one of the reasons Shackelford & Shevlin (2001) argued that ownership structure becomes a potential effect of tax aggressiveness.

Unlike companies in U.S and U.K whose shares are diffusely held, a typical Asian corporation's shares are firmly controlled by one or more family members. The business is frequently affiliated with a family-controlled business group that consists of multiple publicly traded and privately held enterprises. Through stock pyramids and cross-shareholdings, which can have highly complex structural arrangements, the family effectively controls the companies within the group (Claessens et al., 2000). Claessens et al. (2000) showed that mostly public

companies in Hongkong, Korea, Philippine, Malaysia, Thailand, Taiwan, Singapore, and Indonesia have concentrated ownership, the ultimate owners of those companies are families.

Regarding the benefits and costs of tax aggressiveness, the family concentrated ownership structure has a unique and distinct characteristics that calls for more research. In terms of tax aggressiveness, companies with family concentrated ownership possess potential benefits and costs which are greater than non-family concentrated ownership company (Chen et al., 2010). This is because family shareholders have a greater proportion of shares (majority shareholders) and longer investment period, hence the benefit coming from the tax savings will be greater too.

Family owners also may get greater costs from tax aggressiveness. One non-tax costs of tax aggressiveness are the minority shareholder's share price discount. Further non-tax costs of tax aggressiveness include possible penalties from tax authorities and damage to the company's legitimacy or reputation. Consequently, compared to non-family-owned businesses, family-owned businesses exhibit less tax aggressiveness (Chen et al., 2010).

Gómez-Mejía et al. (2007) stated that the owners of family-owned business are concerned not only with financial factors for its goal, but also with non-financial factors through those firms as the main differentiating factor compared with other organizations or firms. This study will try to investigate the level of corporate tax aggressiveness behavior from the non-financial factors of the owners of family-owned business' goals or utilities. In addition, Gómez-Mejía et al. (2007); Berrone et al. (2012) stated the utilities of family owners derive from the non-financial business aspects are well known as socio-emotional wealth, hereinafter referred as SEW, that meet the family's affective need, such as the ability to exercise, family influence, maintaining family's value and its dynasty in the firm, as well as maintaining the family's image and reputation by having good social bonds with internal and external environment of the firm.

A firm with dominant family ownership and family members actively involved in management will tend to avoid managerial decisions that could damage the family's reputation (Steijvers & Niskanen, 2014). Family owners are usually multi-generation shareholders. Family owners have incentives to protect the "family name" since they may view their firms as investments to be passed on to the next generation, not a wealth to be consumed during their lifetime. Since tax aggressiveness is one of behavior that could damage the reputation, family members as either chairmen or CEO has preferences to be less tax aggressive.

Gómez-Mejía et al., (2007), therefore, added that the desire to preserve and enhance family SEW will drive the main managerial choice than efficiency or economic considerations. This is equal to Stewardship theory, in which a family-owned business maintains the firm's reputation in the long term and hopes the firm can be inherited for the future family generations.

There are several empirical studies which examine the effect of family ownership structure against tax aggressiveness problems caused by agency problems (agency perspective). Chen et al., (2010) found that the tax aggressiveness of the family-owned business is lower than non-family-owned business. Family-owned business included in index S & P 500, S & P Mid Cap 400 and S & P Small Cap 600 show higher effective tax rate and lower book tax difference. That is because the family-owned business is considered more willing to pay higher taxes rather than having to pay tax penalties and facing audit risk by tax inspectors as well as bad reputation risk.

Steijvers & Niskanen (2014) find that family-owned business shows a lower level of tax aggressiveness than non-family-owned business. This result is equal to study by Chen et al. (2010) and Steijvers & Niskanen, (2014). Steijvers & Niskanen (2014) study results were based on the importance of non-financial costs associated with tax aggressiveness behavior that could damage reputation and loss of SEW indicated by (Gómez-Mejía et al., 2007).

Sari & Martani (2010) show different results which find that family-owned business in Indonesia is more aggressive in taxation than non-family-owned business by taking manufacturing firms as samples over the period 2005 to 2008. Martinez & Ramalho (2014) support the result of Sari & Martani (2010) that family-owned business in Brazil show higher tax aggressiveness than non-family-owned business. These different results of recent studies show diversity in evidence of the level of tax aggressiveness of the family-owned business. In addition, the study which specifically examines the tax aggressiveness on family-owned business viewed from socio-emotional wealth perspective remains under studied.

This study differs with prior studies because of, choosing public firms in Indonesia over the periods 2010 to 2017 as a subject of the study. Indonesia is a country that is ideal for the study of the publicly family-owned business' behaviors because of more than 95% firms in Indonesia are family businesses (PwC, 2014). To avoid the distortion of permanent book tax difference, this study chooses the last tax rate reformation of Indonesia which started in 2010.

Refers to comprehensive literature, then some new things existed in this study are: (1) examining tax aggressiveness behaviors in publicly family concentrated ownership viewed from socioemotional wealth; (2) using the F-PEC Scale by Astrachan et al. (2002) and Giovannini (2010) to measure family involvement; (3) examining the family generational stage impact on tax aggressiveness.

Based on the background described above, formulation of the problems addressed in this study are as follows: 1) Does family involvement affect the level of family-owned business' tax aggressiveness? 2) Does the effect of family involvement to the level of tax aggressiveness become stronger at the earlier generational stage?

## **LITERATURE REVIEW**

### **Tax Aggressiveness**

Tax reporting aggressiveness is an act of downward manipulation of taxable income, taxable income through proper tax planning, in which it can be classified or not classified as fraudulent tax evasion (Frank, et al. 2009). Tax aggressiveness, according to Frischmann, et al. (2008), involves taking significant tax positions with comparatively less supporting facts. Lisowsky et al. (2010) defines tax aggressiveness as the act represents the latter stages of a tax avoidance continuum that spans from legitimate tax planning to investments in abusive tax shelters.

Tax aggressiveness can provide both marginal benefit and marginal cost. The most obvious benefit of tax aggressiveness is greater tax savings so the owner will be able to gain a larger portion. Doing tax aggressiveness also provides benefits to managers. Managers will indirectly get higher compensation for their performance in making the firm's tax burden to be paid much lower. Besides, manager has also the opportunity for personal gain (directly) such as doing aggressive behaviors in making financial statements, doing trans behaviors with special parties, or even taking firm's resources or assets for their self-interests (Chen et al.,

2010).

The marginal cost which occurs can be in the form of a penalty or administrative sanction given by tax authorities. If the tax fraud is discovered when the tax authorities are auditing the tax report, it will potentially raise other non-tax costs, which certainly can be detrimental for the firm and absolutely damage the firm's reputation. One of many examples is the declining share price because of shareholders' assumption shareholders that they will be harmed by the behaviors of rent extra behavior (tax aggressiveness) conducted by the managers (Desai & Dharmapala, 2006).

### **Socioemotional Wealth (SEW)**

The main purpose of family ownership of business activities is not only to create economic wealth but also to preserve the level of socio-emotional wealth (SEW). SEW concept was first proposed by Gómez-Mejía et al., (2007) as an attempt to understand the activity of family firm that is not consistent with the theory of main strategies. Basically, the concept of SEW demonstrates the utility of the owner's family that is based on non – economical business aspects as identity, the ability to influence; controls over the firm and maintains the value and the dynasty of family, upholds entrepreneurship tradition in controlling the firm Zellweger et al., (2012), produces positive family' image or reputation Berrone et al., (2010) and enjoys a favorable legitimacy in the society.

Berrone et al., (2012) propose five dimensions that can form SEW to promote a common understanding of dimensions underlying SEW. These five dimensions are: (1) control and influence of the family in the firm, (2) identification of family members with the firm, (3) family social ties, (4) an emotional tie between the family and the firm as well as among family members who are in the firm, and (5) renewal of family ties for the firm through dynastic succession (trans-generational family).

### **Family Involvement**

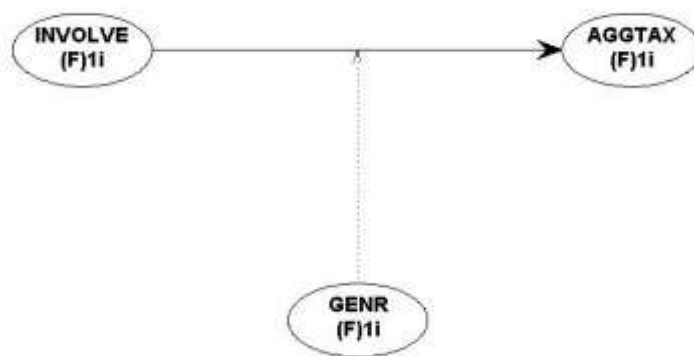
Family involvement of the firm is the first dimension of SEW. One of the main characteristics that distinguish family firms is family members take control and influence over strategic decisions in the firm (Berrone et al., 2012). Astrachan et al., (2002) formulated the F-PEC scale with an objective and representative measurement scale to explain the definition of family involvement.

Astrachan et al., (2002) formulated FPEC scale to describe the difference of Family involvement in the firm through dimensions of power. Dimensions of power take account the percentage of family members in each level of directors that indicate the level of influence or power of the family members. Furthermore, Berrone et al., (2012) stated that controlling power can be conducted directly, such as being the CEO or chairman / board member of the firm. Controls can be given by the original founder or by a coalition of the dominant family. The ability to implement the authority in the hands of family members comes from strong ownership position. Thus, it is not uncommon to see the owner's family handling dual role in the firm to exert both formal and informal controls (Mustakallio, 2002).

Power dimension consists of ownership, supervision, and participation in management (management involvement) factors. Ownership factors are described by the percentage of shares owned by the family. Supervision factor is described through comparison of the composition of board members between commissioners' members from families with independent (non-family) members. Participation in management factor is represented by the ratio of members on board of directors from families with independent owners (Astrachan et

al., 2002).

Control and influence are integral parts of SEW and highly desired by family members. In other words, to achieve the goal of preserving SEW, family members are willing the continuity to keep on controlling the firm. Therefore, family firms are more likely to perpetuate the control as well as the influence of direct or indirect owner over the firm affairs, regardless of the financial considerations(Gómez-Mejía et al., 2007).



**Figure 1. Study Framework**  
**Source: Developed for this study (2023)**

## METHOD

### Population and Sample of the Study

The Population in this study is non-financial companies listed on Indonesia Stock Exchange over the periods 2010 to 2017. This study uses a purposive sampling method in obtaining study samples into family concentrated ownership firm categories. The family firm category is defined based on the definition used byGiovannini (2010) referring to the components of F-PEC scale (Power dimension) by (Astrachan et al., 2002).

The scale underlying the power dimension has been clustered, to differentiate the sample into four subgroups. The interval F-PEC Scale from 0 to 0,5 indicates nonfamily business; from 0,5 to 1 can be defined as a weak family-owned business, from 1 to 1,5 as a normal family-owned business, and for scores above 1,5 as a strong family-owned business (Giovannini, 2010). A firm is included in the sample group of this study if the value of the F-PEC  $\geq 0.5$ , with this following formula (Astrachan et al., 2002):

$$F-PEC = \text{FamOwn} / \text{OwnTot} + (\text{BoD fam}) / (\text{BoD tot}) + (\text{BoC fam}) / (\text{BoC tot})$$

Where:

FamOwn	: Family Ownership
OwnTot	: Total number of ownerships
BoDfam	: Total number of family members holding Board of Director position
BoDtot	: Total number of Board of Director
BoCfam	: Total number of family members holding Board of Commissioners position
BoCtot	: Total number of Board of Commissioners

Data on firm ownership were collected manually from proxy statements, in which firms must identify all shareholders having the right of ownership or control or direction over shares carrying of the voting rights(Landry et al., 2013). Family businesses are those in which the founders or their relatives (by blood or marriage) occupy important positions as directors, executives, or block holders, in accordance with earlier research (Claessens et al., 2000; Anderson & Reeb, 2003).

The proxy statement is used to ascertain the identities of the board and executive members to ascertain whether a family member is a member of the company's board of commissioners and directors. If an individual is listed as a family member in the proxy statement or has the same last name as the owning family, they are considered family members. Information about the founder of the firm was obtained from the proxy statement, the firm's website, the annual reports, SWA online magazine in Youngster Inc. rubric, Forbes Indonesia online magazine and some others business websites which publish it.

### **Variables**

The study's dependent variable, tax aggressiveness, is determined by the effective tax rate (ETR), which is calculated by dividing the current income tax expense by the profit before taxes (Adhikari et al., 2006; Salaudeen & Eze, 2018), representing a tax rate that was taken by the company (Lin, 2006; Scholes et al., 2009). The company's profits are influenced by its tax rate, the higher the tax rate, the smaller the profit after taxes, and vice versa. Some authors Plesko (2003); Zimmerman (1983) argue that ETR as a robust measure of corporate tax pressure and has a strong relationship with tax aggressiveness, meaning that businesses with lower effective tax rates are generally more aggressive with their tax strategies.

The independent variable is Family Involvement. Family Involvement shows the family control and influence in the firm. The level of family involvement is measured by the value of F-PEC. F-PEC is the result of calculation that is previously used in the process of selecting family firms. The calculation is composed of the power components of F-PEC scale, this component is sufficient to indicate the power of the family over the firm ownership and their influence in the board of directors and commissioners Giovannini (2010) adopted by (Hartini & Achmad, 2011).

Generational stage is the moderating variable, measured by a dummy variable distinguishing firm less than twenty-five years old (first generation business) from the other firms. Since such variables usually indicate the presence or absence of a "quality" or an attribute, hence, to quantify these variables by constructing artificial variables that take on values of 1 or 0, 1 indicating the presence (or possession) of the attribute and 0 indicating the absence of that attribute (Gujarati & Porter, 2009).

In this case, given the value 1 if firm age is less than twenty-five years old (first generation business), and otherwise is 0. This is an arbitrary cut off, but it is around the time that second generation siblings begin to enter the business (Xi et al., 2015).

### **Analytical Method**

The study uses Moderated Regression Analysis to test the effect of family generation on the relationship between family involvement as well as binding social ties and tax aggressiveness. Test interaction is a special application of multiple linear regression in which the regression equation contains interactions and is used to test the regression with moderating variable (Ghozali, 2016).

While models of linear regression in this study are as follows:

$$AGGTAX = \alpha_0 + \beta_1 INVOLVE + \beta_2 GENR + \beta_4 INVOLVE * GENR$$

Description:

AGGTAX : Tax aggressiveness, measured by ETR (Adhikari et al., 2006)

INVOLVE : Family Involvement, measured by FPEC scale

GENR : Family Generational Stage, measured by Dummy Variable

## ANALYSIS AND DISCUSSION

**Table 1. Sample Selection**

<b>Primary Sample</b>	<b>Firms</b>	<b>Firm-Years</b>
Nonfinancial firms listed on IDX (2010-2017)	286	2288
<b>Deducted by sample criteria</b>		
Non-Domestic Capital Investment (Non-PMDN) Companies	72	
Firms whose FPEC Scale < 0.5 (non-family-owned business)	145	
Non rupiah currency	7	
Firms suffer losses (negative income)	19	
Firms possess loss carry forward	5	
Firms did not publish the annual report	2	
Firms have incomplete information	2	
	(252)	(2016)
<b>Final sample</b>	<b>34</b>	<b>272</b>

Source: Data Processing Results (2023)

**Descriptive Statistics**

The descriptive statistics of tax aggressiveness are reported in Table below:

**Table 2. Tax Aggressiveness in each family involvement in firms**

Panel A - Weak Family Owned Business (FPEC Scale $\geq 0.5 - 1$ ) with 10% firm-years in first generation business and 90% otherwise		Panel B - Normal Family Owned Business (FPEC Scale $> 1 - 1.5$ ) with 15% firm-years in first generation business and 85% otherwise	
Mean	0.204	Mean	0.243
Maximum	0.624	Maximum	0.892
Minimum	0.007	Minimum	0.004
Std. Dev.	0.131	Std. Dev.	0.356
Observations	80	Observations	104
Panel C - Strong Family Owned Business (FPEC Scale $> 1.5$ ) with 46% firm-years in first generation business and 54% otherwise			
Mean	0.337		
Maximum	0.604		
Minimum	0.001		
Std. Dev.	0.676		
Observations	88		

Source : Data Process (2023)

The dependent variable, Tax Aggressiveness has a mean of 0.262 and a range of 0.001 to 0.892. It means 272 family firm-years have small effective tax rate with an average of less than 0.50. The samples of this research are mostly the Normal Family Owned Business (FPEC Scale  $> 1 - 1.5$ ) since family involvement, the independent variable, has 104 observations or 13 firms of 34 all the samples. The normal family owned business has a range of 0.004 to 0.892 in the term of tax aggressiveness with a mean of 0.243. The weak family owned business has a mean of 0.204 and the strong family owned business has a mean of 0.337. The table above shows that the higher score of FPEC Scale or family involvement, the higher score of effective tax rate (ETR). Therefore, the result above can be concluded that the higher families are actively involved in the firms, the less aggressive in taxation. Family generational stage has a mean of 15% firms are at an earlier generational stage (first generational stage) and 85%



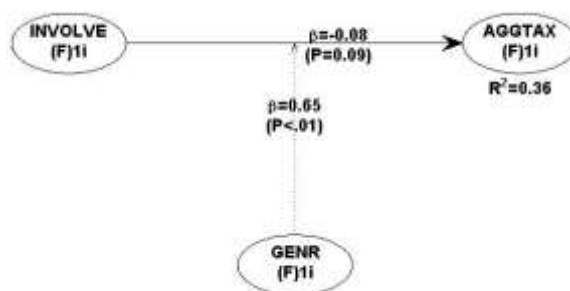
firms are on later generational stage.

### Hypothesis Testing

Hypothesis testing was conducted by moderated regression analysis using warpPLS version 6.0. The effect of a moderating variable is characterized, statistically as an interaction, that is, a dummy variable that affects the direction and/or strength of the relation between dependent and independent variable. The regression equation was used as the following form:

**Table 3. Hypothesis Testing Results (Moderated Regression Analysis)**

Path	Effect		Remark
	Coefficient	p-value	
INVOLVE → AGGTAX	-0.079	0.093*	H1 is accepted
INVOLVE*GENR → AGGTAX	0.645	< 0.001***	H2 is accepted
<b>Model Fit Indicators</b>			
Average Path Coefficient (APC)	0.362	< 0.001***	
Average R-square (ARS)	0.365	< 0.001***	
Average Variance Inflation Factor (AVIF)	1.480		



**Figure 2. Hypothesis Testing Result**

The model estimation results indicate that the criteria of goodness of fit have been met, the values of Average R-square (ARS) and Average Path Coefficient (APC) are statistically significant, and the value of Average Variance Inflation Factor (AVIF) is smaller than 5 (Ghozali & Latan, 2014).

Table 3 contains the results of regression analysis. The result reveals a negative effect between family involvement and tax aggressiveness at marginally significant levels ( $b = -0.079$ ;  $p = 0.093$ ). Therefore, Hypothesis 1 ( $H_1$ ) is supported. At earlier generational stages, the effect of family involvement on tax aggressiveness is marginally positive and significant ( $b = 0.645$ ,  $p < 0.001$ ). Thus, Hypothesis 2 ( $H_2$ ) is accepted.

## CONCLUSION

### The Effect of Family Involvement on Tax Aggressiveness

On Table 3 is shown that the value of coefficient regression which presents negative trend to tax aggressiveness (book tax difference), indicates the tendency of family-owned business to avoid aggressive tax action (less in tax aggressiveness). This is aligned with proposed Hypothesis 1 ( $H_1$ ). This finding is consistent with the study by Memili et al., (2016); Chen et al., (2010); Steijvers & Niskanen (2014); Desai & Dharmapala (2006). Desai & Dharmapala, (2006) do not support the study by Martinez & Ramalho (2014); Sari & Martani, (2010). The family owner might prefer to hold off possible tax benefits and preserve the family wealth in the firms (Desai & Dharmapala, 2006; Gómez-Mejía et al., 2007). The owner holds

off possible tax benefits because it helps the firms to stay out legal problems which lead to a bad reputation (Desai & Dharmapala, 2006). Firms with higher family ownership concentration and family members occupying managerial positions being more concerned with the assuming additional risk which could happen (Chen et al., 2010). The additional risk related to reputation, the harm that tax audit might produce and the potential price discounts coming from non-family shareholders.

The management includes family members to see themselves as the company's stewards and has a thorough understanding of the business. Thus, it could diminish agency conflicts and maximize firm value (Anderson & Reeb, 2003). Moreover, Davis et al., (1997a) argued that family members have a stewardship role. The act has a strong sense of identification with the company and sees its success as a reflection of their personal well-being.

In addition, the families frequently stay involved in their companies for a long time. The families saw the companies not as a source of riches to be consumed during their lifetimes, but as a resource to bequeath to their offspring. Long-term family ownership is beneficial since it fosters a reputation for the family that may affect how they interact with clients and outside suppliers (Anderson & Reeb, 2003). Therefore, the families must deal with reputational issues related to their continued involvement in the company and its impact on other parties, including employees, capital providers, and suppliers.

Tax aggressiveness is one of the actions related to legal problems which leads the damage to the firm's reputation. The CEO of the company and several top executives are family members, so they may more easily align the company's interests. Rather than using their wealth to satisfy their consumption goals, those families can use the company to do so. (Anderson & Reeb, 2003). Thus, the families CEO or other top management suggesting a willingness to be less aggressive in tax.

### **The Effect of Family Generational Stage on the Relationship Between Family Involvement and Tax Aggressiveness**

In hypothesis 2 (H2), this study investigates the trans-generational stage impact of family firms on tax aggressiveness. For this purpose, this study identifies the family generational stage – First (Earlier) Family Generational Stage when the firm age less than 25 years and second (next) generational stage when firm age more than 25 years. Thereafter, this study introduces two dummy variables, which are values equal 1 if an observation is a first (earlier) family generational stage and 0 otherwise.

The result of showing table 3 above to find a positive insignificant coefficient of interaction between family involvement and family generational stage dummy variable. The reason that might happen is because of the samples using in this study are public family-owned business, which are first (founding) generational stage should emphasize the need to increase economic wealth by reducing costs such as tax liabilities, SEW preservation decreases in importance (Gómez-Mejía et al., 2007).

This study contains several interesting results. First, using book tax difference as a measure of tax aggressiveness; this study found that the higher level of family involvement, the lower level of book tax difference (tax aggressiveness). This finding indicates a negative relationship between family involvement and tax aggressiveness. Given the family socio-emotional wealth is closely related to the welfare of the family business, family members who are involved in the firms view themselves as stewards.

The high degree of ownership concentration in family-owned business makes family shareholders have fewer possibilities to expropriate minority shareholders. Moreover, in family-owned business the outsider shareholders are probably connected to the business family network, and, on the one hand, they have different monitoring incentives than minority shareholders in listed firms, on the other, families are committed to strengthening the relational trust with their stakeholders (Cennamo et al., 2012) as the families are sensitive to the assessment of outsiders (Berrone et al., 2010). Therefore, the founders have the motivation to preserve the firms from bad reputation such as tax aggressiveness. The family members tend to pass the business on to their descendants rather than consuming the wealth only for their generations.

The study's conclusions may have several implications. The findings of the research enhance our comprehension of the factors affecting tax aggressiveness in publicly traded family-owned businesses. Therefore, researchers, stakeholders, and shareholders may find value in the study's conclusions. As the family managers (the board of directors) see themselves as stewards of the company, shareholders' monitoring functions to prevent a high extent of tax aggressiveness is particularly crucial if the family managers have a substantial quantity of shares. Additionally, the family shareholders may concentrate on appointing an active family board of commissioners that effectively carry out the monitoring role to preserve the firm's reputation and SEW.

## LIMITATIONS AND RECOMMENDATION

The present investigation is susceptible to several limitations. Since the R-squared value is generally low, caution must be used when interpreting the results. This study argues that the founder (earlier) generational stage can lessen the negative correlation between family involvement and tax aggressiveness. Therefore, this study considered family generational stage as a moderator. Nonetheless, it would be fascinating to investigate other potentially significant moderating effects.

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