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ORIGINAL PAPER

Tax Avoidance in Family Business: The Ethical Perspective of CEO Transgenerational Responsibility

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Abstract

Exploring the intricacies of heterogeneity in tax avoidance practices within family firms, a growing trend acknowledges the significant role of chief executive officers (CEOs) in setting the ethical tone and shaping corporate tax strategies. However, these studies often overlook the influence of the CEO's transgenerational orientation, which becomes crucial when assessing ethics in family businesses. Therefore, the paper aims to analyse to what extent the CEO's transgenerational responsibility (the moral obligation that incumbent leaders have vis-à-vis next generation family members) affects tax avoidance with a utilitarianism lens. Relying on a sample of 272 firm-year observations of Italian listed family companies along the period 2014–2018, the panel regression model finds a positive relationship. Moreover, the involvement in the business of the next generation of family members strengthens this relationship, suggesting that the immediate proximity with other relatives fosters the conversion of the CEO's transgenerational responsibility into tax avoidance practices. Finally, when the family firm is in financial distress, CEOs with greater transgenerational responsibility tend to avoid more taxes.

Keywords Tax avoidance · Utilitarianism · Transgenerational responsibility · Next generation · Financial distress · Family business

Introduction

The extent to which ethical principles and moral values guide family firms in their strategies and decision-making process is widely debated in the family business literature (Astrachan et al., 2020). While some works highlight the fact that family firms display higher ethical focus in comparison with non-family firms (e.g. Blodget et al., 2011; Garcia-Sanchez et al., 2021; Vazquez, 2018), others report opposite findings (e.g. Krishnan & Peytcheva, 2019; Neckebrouck et al., 2018) or even no differences (Graafland et al., 2003). To bring more clarity on this issue, several scholars have called for further studies on the ethical dilemmas surrounding specific business decisions (Diéguez-Soto et al., 2021), arguing that each decision will induce unique consequences in terms of ethics for family firms and must therefore be considered independently (Vazquez, 2018).

In this study, we direct our attention towards the analysis of tax-related decisions by investigating the ethical implications of tax avoidance, an umbrella concept that encompasses all (legal or illegal) practices aimed at reducing tax (West, 2018), in the family business context (Khelil & Khlif, 2022). Addressing this issue is particularly insightful since

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previous studies have largely apprehended the ethics that underlie tax avoidance (Payne and Rayborn, 2018), while also identifying the idiosyncratic features of family firms that condition the ethical judgement of engaging in such practices (Özbay et al., 2023). Indeed, prior research suggests that tax avoidance can be perceived as unethical by most companies since it can besmirch the firm's reputation in case of tax litigation (Gallemore et al., 2014) and impact public well-being by reducing tax revenues for the state, which is responsible for providing essential social services to the community (Godar et al., 2005; Sikka, 2010). This negative perception is even more salient in family firms because their greater concern for maintaining socially responsible business practices (López-González et al., 2019) and a good image in the eyes of the community (Deephouse & Jaskiewicz, 2013) create a unique ethical dynamic that makes them less inclined to pursue tax avoidance activities than non-family firms (Chen et al., 2010).

Going beyond the dichotomy between family and non-family firms, several studies examine how family firm heterogeneity may lead to variation in the perception of the ethics of tax avoidance (Khelil & Khlif, 2022), considering that the ethical determination of such practices is likely to vary depending on various factors, such as the type and extent of family involvement in the business (Koverman and Wendt, 2019; Mafrolla and D'Amico, 2016), board composition (Flamini et al., 2021), the degree of socially responsible performance (López-González et al., 2019) or firm eponymy (Bauweraerts et al., 2020). Digging deeper into the source of family firm heterogeneity in the upper echelons, scholars tackle the central role of the chief executive officers (CEOs) in setting the tone at the top and influencing the ethical appraisal of corporate tax strategy (Duan et al., 2018). Especially, they suggest that their individual characteristics influence how they interpret the situations they meet and, ultimately, lead to heterogeneous ethical appraisal of tax avoidance *within* family firms (Garcia-Meca et al., 2021). Applying that logic, Steijvers and Niskanen (2014) state that CEO ownership is negatively related to tax avoidance, while Brune and colleagues (2019) find that hired or descendent CEOs avoid more taxes than founder CEOs. For their part, Bauweraerts and Vandernoot (2019) as well as Cao et al. (2023) show that family CEOs exert a negative influence on tax avoidance practices.

Despite being insightful, these studies have overlooked the effect of individual dispositions and preferences of family CEOs on tax avoidance, leaving out of the debate moral values (e.g. the set of basic principles able to guide and influence beliefs, attitudes and behaviours), which are essential when ethicality is under scrutiny in family business. More specifically, no study to date has explicitly investigated how the family CEO's transgenerational responsibility, i.e. the family CEO's sense of moral obligation towards the next generations that leads to supportive behaviours and resource sharing (Ruf et al., 2021), affects tax avoidance. This is an important point to consider since family executives are more prone to leverage on their moral values when assessing transgenerational sustainability and seeking for long-term economic success (Sorenson, 2013). Indeed, moral values of those executives are oriented towards feeding others' well-being and caring about the family as social institution, such orientation being more pronounced for deeply involved family executives such as the CEO. Putting the CEO's transgenerational responsibility factor in the equation is thus instrumental since the desire to perpetuate family values and dynasty can lead family CEOs to strategically evaluate the ethical implications of tax avoidance based on the next generations' perspective. In addition, prior works made the implicit assumption that family-led firms frame tax decisions with a transgenerational focus (Bauweraerts & Vandernoot, 2019), without considering the actual effect of family CEOs' commitment to next generations on the ethical appraisal of tax avoidance practices. As such, introducing transgenerational responsibility as a differentiating personal attribute of family CEOs appears insightful to extend our understanding of how they perceive the ethics of tax avoidance.

Furthermore, this study goes a step further by considering next generation involvement and financial distress as important contingency factors that moderate the relationship between family CEO transgenerational responsibility and tax avoidance. On the one hand, having next generation family members joining the company can make family CEO transgenerational responsibility more salient when evaluating the ethical implications of tax avoidance, since they usually intervene and accentuate concerns regarding the future of the company and its leadership (Garcia et al., 2019). Under these circumstances, the family CEO's focus on ensuring transgenerational stability and financial wealth to sustain such stability will play an increased role in assessing the ethical consequences of avoiding taxes. On the other hand, financial distress represents a potential threat to firm survival and the family wealth (Gómez-Mejia et al., 2022), which might call into question how family CEOs with high transgenerational responsibility perceive the ethical dilemma surrounding tax avoidance practices. In that context, the moral obligation of family CEOs to secure the financial stability of the business for the next generations can lead them to consider tax avoidance as an ethically acceptable solution to overcome the firm's current situation (Edwards et al., 2016); they will deem the social costs of tax avoidance for the state less important than its benefits for the focal stakeholder which is the family. Financial distress will thus strongly condition the extent to which family CEO transgenerational responsibility influences tax avoidance.

Building on this line of argumentation, this paper aims to answer the following research questions: *(1) What is the influence of family CEO transgenerational responsibility on tax avoidance? (2) How do next generation involvement and financial distress moderate the relationship between family CEO transgenerational responsibility and tax avoidance?* To answer them, we employ the consequentialist theoretical framework, and more specifically the utilitarian framework, which is characterized by the evaluation of ethicality of a strategic action based on costs and benefits of the outcome (e.g. Godar et al., 2005; Preuss, 2012).

With consistent findings from a sample of 272 firm-year observations of Italian listed family companies, this study contributes to the academic debate on the ethics of tax avoidance in family firms in several ways. First, stemming from the concept of generational altruism in family firms (Jaskiewicz et al., 2017), it contributes to the family business-tax avoidance debate by deciphering the role of family firm heterogeneity that has its roots in the CEO's moral obligation towards next generations as a basis for assessing the ethicality of tax avoidance strategies. In addition, it forms the basis for expanding to accounting choices the influence of behavioural motives that have been a prerogative of strategy-related outputs in the family business (Kellermanns et al., 2014) by leveraging on family CEO's moral values. Finally, the study sheds new light on how the family becomes a salient stakeholder in tax strategies when transgenerational concerns are incorporated in the cost–benefit analysis under the utilitarianism perspective (Purkayastha et al., 2022).

Theoretical Development

The Ethical Perspective of Tax Avoidance

Tax avoidance is broadly defined as '*the ability of firms to pay less tax compared to GAAP tax expense, resulting from corporate financial statement'* (Dyreng et al., 2008; Hanlon & Heitzman, 2010). So, it implies strategic actions aimed at reducing the firm's liability to tax or maximizing after-tax returns. As such, tax avoidance is not illegal per se since it refers to "*complex transactions used by corporations to obtain significant tax benefits probably never intended by the tax code*" (Hanlon & Slemrod, 2009: p. 127) that might be detected by tax authorities or courts and placed under judicial appeal to concretely evaluate their illegal intent and use. As in West (2018), for the purpose of this analysis, the term tax avoidance refers to the intended goals of reducing tax expenses and maximizing after-tax income. That is, tax avoidance might encompass legal (e.g. maximize deduction; using amortization discretionally; invest in charitable initiatives; make tax credit claim) and/or illegal (e.g. concealing assets in offshore bank accounts; underreporting income; artificially inflating expenses and deductions) practices where those terms (legal *vs*. illegal) refer to the adherence or not to law (tax code in particular) by ignoring the adherence to ethical and moral principles. This consideration of both (legal and illegal) activities appears coherent with the research questions of this study, which address the issue using an ethicality lens, since, under such ethical perspective, "*distinguishing between terms based on their legality is not necessarily useful*" (West, 2018: p. 1144).

Notably, tax avoidance is rooted in the domain of tax ethics (Doyle et al., 2014), since minimizing or eliminating corporate tax burden may erode governments' ability to provide social stability, essential services (e.g. healthcare, housing, education) and to create social wealth (Sikka, 2010). Although firms are embedded in a legal framework and are obliged to behave legally following norms and prescriptions, they are not obliged by law to behave ethically (Payne & Raiborn, 2018). Tax legislations (as a contract between the state and the society) are imperfect by nature and the need to interpret and evaluate legal prescriptions emerges: in such consequent arbitrariness rests the ethical responsibility of firms (Scarpa & Signori, 2020), which varies among them depending on moral obligations that upper echelon members, especially CEOs, consider crucial and belonging to their personal beliefs and moral integrity (Wesley et al., 2022). Scholars have long argued that managers' personal judgement on whether actions are "moral" or "ethical" in principle shapes corporate decision-making (Singhapakdi et al., 1996). The issue is even more critical in family firms where the ethicality of family managers is infused into family values and family relationships (Astrachan, et al., 2020), particularly those that involve multiple generations (Barbera et al., 2020). Hence, it is necessary to address the issue of what constitutes ethical behaviour and, even more importantly, to understand with respect to whom such ethically driven actions must be framed.

To investigate the ethical and moral aspects of tax avoidance, two main theoretical umbrellas have been fruitfully employed: consequentialist and deontological theories (Payne & Raiborn, 2018). The former considers an action to be morally acceptable if the positive (in terms of pleasure, utility, individual or social welfare) effect outweighs the negative one considering all potential stakeholders that are affected. The latter eschews the assessment of the potential impacts of the action and focuses solely on its closeness to a moral rule or principle. In this case, the attention is on the decision makers' intention and not on the potential consequences of the action taken. In the context of family firms, the coexistence of the family and business systems, as well as the presence of both economic and non-economic goals leads to a care-based morality (Richards, 2023), where the impact of consequence-driven actions

on multiple stakeholders is considered (Astrachan et al., 2020) with the aim of sustaining transgenerational family legacy. Family business as a social institution appears also more prone to value the "optimal" outcome, with respect to justice and ethics, as the outcome allows a fair treatment of all stakeholders and maximizes the overall utility (Van der Heyden et al., 2005). In this sense, the consequentialist theoretical perspective appears to best fit the intrinsic nature of the decision-making process in family businesses when ethicality is evaluated.

Within the consequentialist theoretical lens, utilitarianism is a fruitful support in explaining tax avoidance behaviours (e.g. Godar et al., 2005; Preuss, 2012) since it is helpful when considering decisions in which the impact of decisions on other stakeholders is at issue. Indeed, utilitarianism provides a structured approach to evaluate these decisions by examining the cost–benefit reasoning and evaluating their consequences in terms of overall utility (Velasquez, 1992; West, 2018). At its core, this theory, based on Mill's (1861) and Bentham's (1789) critical thinking, puts the principle of utility, according to which utilitarian ethics are concerned with outcomes and approve or disapprove any action based on whether they promote or hinder utility (Bentham, 1789). Thus, what truly matters in this ethical lens is to achieve the best overall outcome (Crisp, 1997; Frecknall-Hughes et al., 2017): actions are ethical if the net benefit resulting from such actions exceed the net benefits of possible alternatives, thus creating the maximum net social good (Velasquez, 1992). That is, tax avoidance can be regarded as an ethical action when it generates a morally positive outcome; it creates more utility (both moral and economic) for all affected stakeholders than its alternative (being tax compliant) (Preuss, 2012). Avoiding tax (*vis-a-vis* fair tax payment) might generate benefits for shareholders (higher profitability), employees (higher incentives) and customers (lower product costs) (Godar et al., 2005). At the same time, it might induce costs for the same categories in terms of reputational damage (shareholders), psychological insecurity (employees) and lower product quality (customers) (Payne & Raiborn, 2018; Preuss, 2012). Another meaningful cost is the lower contribution to government revenues, which alters the provision of public goods and services aimed at sustaining economic and social development (McGee et al., 2008).

In the family business domain, the costs borne by shareholders, employees and customers play a less prominent role in decision-making, and might thus have less influence on the cost–benefit analysis of ethical tax avoidance decisions. In fact, family firms are considered to have a better social reputation (Deephouse & Jaskiewicz, 2013), be less prone to downsize their workforce, offering greater psychological security to their employees (Cirillo et al., 2022b) and be perceived as superior quality products and services provider by customers (Binz et al., 2013). As a result, addressing whether or not leveraging on legal loopholes to avoid tax would meet an ethical determination would imply considering benefits for stakeholders (and not their costs) and costs for public well-being (less income for the State) under the utilitarianism perspective.

Morality and ethical behaviours are crucial in the relationship that the prior generation builds with the upcoming one: in the family business context, incumbent leaders might feel morally responsible for the actions made by their predecessors (Bernhard & Labaki, 2021; Litz & Turner, 2013). This poses the need to consider tax avoidance from a transgenerational perspective and critically assess it in a multigenerational framework: ethics cost and benefit analysis should then be conducted accordingly. Moreover, in family firms, the business ethic is strictly dependent on the personal desires of family members that shape firm culture and dictate the predominance of moral values (Tabor et al., 2020). So, it is worth investigating CEO transgenerational responsibility, conceived as a moral value that shapes the desire to pass a wealthy business to the next family generation, as a driver of tax avoidance. Indeed, accounting research has portrayed the CEO as the individual who is able to determine the extent of tax avoidance at firm level (Dyreng et al., 2010). Family business scholars have complemented this statement by adding that the family CEO, and her/his values, play a crucial role in shaping the heterogeneity of tax burden minimization (Bauweraerts & Vandernoot, 2019; Brune et al., 2019). Drawing on these arguments, this research aims to test whether *a*) CEO transgenerational responsibility makes family business more oriented towards tax avoidance in order to sustain financial wealth for next generations and if a such strategy is contingent upon *b*) the direct involvement of forthcoming family generation and *c*) firm financial distress.

Tax Avoidance in Family Firms

Starting from the seminal paper of Chen and colleagues (2010), the issue of tax avoidance in family firms has trigged scholarly attention. A first literature stream devoted its attention to investigating the existing differences between family and non-family firms, yielding mixed findings. In common law contexts, with fragmented ownership, listed family firms are less prone to tax avoidance behaviours since such a strategy can be interpreted as a rent-extraction action that will be penalized by minority shareholders and capital markets (Chen et al., 2010). Similar findings are observed in the context of private firms: family businesses exhibit a lower level of tax avoidance because of their reluctance to incur the non-financial costs associated with tax avoidance (such as reputational loss) (Lee & Bose, 2021; Steijvers & Niskanen, 2014). In contrast, other studies suggest that family

ownership would foster tax avoidance. Using an agency framework, Kovermann and Wendt (2019) reveal that private family firms avoid more taxes than their non-family counterparts because of family owners' propensity to engage in rent-seeking behaviours at the expense of minority shareholders. In the same vein, Gaaya et al. (2017) state that in low investor protection regimes family firms extract private benefits of control from tax avoidance positions.

The ambiguity surrounding tax avoidance in family businesses can be interpreted in the light of family firm heterogeneity, a still underdeveloped topic within the current literature (Brune et al., 2019). In this research stream, Bauweraerts et al. (2020) built on the mixed gamble logic to highlight that firm eponymy as well as the degree and type of family involvement in the business are decisive in explaining differences in tax avoidance among family firms. Mafrolla and D'Amico (2016) report an inverted U-shaped relationship between family ownership and the effective tax rate, arguing that when family ownership reaches moderate-to-high levels, family owners are more likely to be entrenched, which fosters the expropriation of minority shareholders through tax avoidance practices.

Aware of the crucial role of the CEO in shaping the firm's tax strategy (García-Meca et al., 2021), some studies investigate how CEO characteristics explain heterogeneity in tax avoidance behaviours within family firms. For instance, Steijvers and Niskanen (2014) indicate that higher levels of CEO ownership result in the adoption of less tax aggressive practices. They argue that the CEO is less incentivized to engage in rent-seeking activities when her/his ownership stake increases since she/he bears most of the costs of such activities. Bauweraerts and Vandernoot (2019) also show that family CEOs are less inclined to rely on tax aggressiveness than non-family CEOs, the former placing greater emphasis on avoiding the potential reputational damage that tax avoidance behaviours might cause. Despite this growing interest in the variegated effects of the CEO on tax practices, the attempt to grasp how individual CEO values influence tax avoidance in family firms is still an open concern. Addressing this gap remains highly relevant since prior studies have widely recognized that the adoption of ethical behaviours, including those related to tax practices (Marques et al., 2014), reflects CEO values (García-Meca et al., 2021). This view is even more prevalent when family firms are led by a family CEO, who can use her/his disproportionate power in the business to instil her/his values in the decision-making process (Kelleci et al., 2019). Following that line of argumentation, this paper proposes an investigation of how the family CEO's transgenerational responsibility, a long-term value reflecting the CEO's commitment to ensure the preservation of the future of the company and family values, affects tax avoidance.

Hypotheses Development

Transgenerational Responsibility and Tax Avoidance

Transgenerational responsibility can be seen as a moral obligation that incumbent leaders have *vis-à-vis* next generation family members. The transgenerational view of the family also becomes a moral value to consider in the decision-making process when emotionally related objectives and greater stakeholder orientations are combined (Mitchell et al., 2011).[1] CEO values stand as basic principles and tenets able to guide and influence beliefs, attitudes and behaviours (Hood, 2003). Values thus shape ways individuals interact with their surrounding environment and achieve goals. Moral values, such as caring for others and protecting them, are also profoundly influenced by the family as an institution (Kraatz et al., 2020) and as a business (Picone et al., 2021). So, CEO transgenerational responsibility (i.e. the CEO's moral obligation towards next generation family members) is a moral value that might impact the firm's strategic behaviours. In fact, the responsibility to hand over a healthy business to the next generation is based on CEO moral values (Ruf et al., 2021) that exhibit multiple roots. First, individual moral values are echoed by the greater involvement and sacrifices in the family business (Sorenson, 2013) that are typically instilled by the founder. Second, the family, as an institution, serves as the moral infrastructure for family leaders involved in the business (Sorenson et al., 2010); for the CEO marriage nourishes moral values that can be transposed in decision-making (Hegde & Mishra, 2019). Third, CEOs' parenthood stimulates concern for others' well-being (Dahl et al., 2012), making moral values even more oriented towards achieving transgenerational goals. Fourth, prior works have abundantly investigated the potential linkage

[1] Moral values identify what are the basic principles according to which a person is expected to behave and express what is valuable (Sorenson, 2013). Once the person has internalized those principles, they serve as a reference to which actions are measured and then judged acceptable or not (Bernhard and Labaki, 2021). Moral values reflect the overall societal system of values, but they can be also embedded in belonging to a social group such as the family; in fact, family is recognized as the first institution of moral indoctrination (Feldam, 2007) since moral values are transmitted through a process of socialization that is naturally rooted in the family as a social learning community (parents and children have a reciprocal relationship through which moral values are learned and transmitted) (Grusec, 2011). In the family business, managers, especially family members, tend to approach moral values from two perspectives: rational and emotional (Picone et al., 2021). Emotions are considered individual feeling states that are firstly influenced by moral values (Bormann et al., 2021) but, notably, in the family business context, are also embedded in the set of moral principles instilled by the family (Sorenson, 2013). Then, family members share most of their moral values becoming emotionally closer.

between executives' age and their moral reasoning process, showing that CEOs' moral values tend to be more socially oriented as their age increases (Weber, 2010). In sum, from a theoretical standpoint, CEO transgenerational responsibility as a moral value might be determined by several CEO attributes: the founder status, the marital status, parenthood and age.

In addition to such a morally embedded aspect, the role of the family as a primary stakeholder must be put under scrutiny. Indeed, the next family generation turns into a salient stakeholder since, from a transgenerational perspective, it assumes the characteristics of urgency that are bound to both its family and business roles (Signori & Fassin, 2021). Ideally, transgenerational responsibility as a moral value considers both the long-term survivability of the business and the long-lasting duration of family values (Ruf et al., 2021): those two perspectives can hardly be separated by a family CEO who considers the next generation as the possible successor (Serna et al., 2022).

Under the utilitarian framework, multiple logical steps should be considered by the manager in concluding whether avoiding taxes is morally acceptable or not. The CEO must identify the stakeholders that would be affected by the tax strategy and assess the advantages and disadvantages of all potential alternatives. The moral agent should then consider as ethical the alternative that allows the greatest benefit to be obtained for the wider categories of stakeholders or the minimum damage for the greatest number of stakeholders.

When it comes to family CEOs, they are expected to consider their family as the primary stakeholder (Berrone et al., 2014). Consequently, greater importance is attributable to the emotional attachment they have to the family, transgenerational continuity being at the core of their preoccupations (Hoffmann et al., 2019; Ruf et al., 2021). That is, the more CEOs feel responsible for the next family generation, the greater emphasis they will place on this family stakeholder whose wealth must be prioritized. In this light, family CEOs are moral agents that give superior standing and weight to the interest and well-being of the next generation family members when they are facing ethical dilemmas. Because of this greater sense of responsibility for the next generation, family leaders would judge as morally acceptable a tax avoidance strategy that does not violate any implicit or explicit moral duties with regard to the upcoming generation. In other words, family CEOs with greater transgenerational responsibility might perceive the use of tax avoidance practices as an appropriate tool to maximize wealth transfer across generations, which will benefit not only family shareholders but also the entire business. In this sense, family CEOs with superior moral values are focused on preserving and increasing the wealth of the family first, but they also consider other stakeholders with whom they frequently interact (Ruf et al., 2021). This, in turn, means that other internal stakeholders (such as employees and non-family owners) and external stakeholders (such as suppliers or customers) might also reap the fruits of tax avoidance since family firms usually display a greater propensity to share wealth with non-family-claimants due to their strong relational orientation (Bingham et al., 2011). However, it is also true that if CEOs with greater transgenerational responsibility opt for tax avoidance strategies to, primarily, increase the financial wealth of the next generation, a potential social cost in terms of image damage must be considered. If the notion of the next generations' well-being includes both financial and non-financial components (Vazquez & Campopiano, 2023), tax avoidance could be potentially detrimental to family image and reputation. Multiple considerations are here at issue. First, the benefit (greater financial wealth) is certain while the cost is only potential (image damage occurs when firms engage in illegal tax strategies and are then detected—Eddleston & Mulki, 2021). Second, the benefit is shared among next generation family members but also with non-family stakeholders (even if they represent a smaller part compared to family ones) while the potential reputational cost is exclusively borne by the family. Under a utilitarianism framework, the ethicality is judged by addressing the cost–benefit analysis for multiple stakeholders and not just one. Third, ethical and sustainable growth ranks as a priority for family next generations (PwC, 2022), and receiving a financially healthy business from their predecessor would help in achieving this goal. At the same time, this would also protect them from market pressure for financial stability (Fernando et al., 2014), making the potential image damage[2] less urgent.

This reasoning leads to the following hypothesis:

Hypothesis 1 The transgenerational responsibility of family CEOs is positively related to tax avoidance.

Moderating Effects

Transgenerational responsibility is embedded in family CEO moral values but the present theorizing claims that two critical factors, one from the family side and one from the financial side, might increase such responsibility towards the next family generation. That is, the involvement of next

[2] From the empirical standpoint, Gallemore et al. (2014) did not find evidence about decrease or damage of corporate reputation in the long-run for listed firms engaged in tax avoidance behaviours. In the short-run, Gallemore and colleagues revealed that a temporary decline (that fully inverts within 30 market days) in the stock price occurred. Under a transgenerational logic, the crux rests in the fact that family CEOs might consider that the certain benefit of tax avoidance (passing to the next generation a more financially healthy business) exceeds the fear of potential family image damage.

generation family members and the condition of financial distress are placed under scrutiny.

CEO moral values, such as transgenerational responsibility, modify and increase when the leader interacts with others on a social basis (Hood, 2003). Within the context of family business, executives' moral value of benevolence (e.g. the focus "*on the welfare of people with whom one is in frequent personal contact*", Ruf et al., 2021: p. 54) is more likely to be manifest when family members interact with each other (Ruf et al., 2021). Thus, the responsibility the CEO has over next generation family members becomes more salient when they are already participating in the business as she/he has frequent interactions with them (Long & Mathews, 2011). Indeed, next generation family involvement fosters transgenerational transition and its effective financial planning (Murphy & Lambrechts, 2015), giving rise to a greater CEO focus on transgenerational stability from the financial standpoint (Koropp et al., 2013). Although next generational involvement does not necessarily lead to a family succession (the willingness of incumbents must be carefully considered), it pushes the family CEO to stress the transgenerational logic in her/his decision-making process and influences the emotions she/he has over the business and the family (Holt & Popp, 2013; Radu-Lefebvre et al., 2020). Under these circumstances, family CEOs aiming at ensuring transgenerational stability might perceive greater benefits from engaging in tax avoidance practices because their immediate interactions with next generation family members make them more sensitive to the necessity to accumulate wealth for the family and the continuity of the business. The direct involvement of next generation family members will also lead them to feel less affected by a sense of responsibility for the possibly unethical, to their own morality, behaviours perpetuated by the incumbent CEO (Bernhard & Labaki, 2021) if such actions are devoted to safeguarding family transgenerational stability (Litz & Turner, 2013). That is, the family CEO will be more inclined to decrease tax liabilities considering that next generation family members would not feel guilty even if they share a different moral judgement (i.e. if next generation family members consider tax avoidance not in line with their ethicality).

In addition, as compared to family firms where the next generation is not involved, the participation of the upcoming generation implies that more family stakeholders would benefit from the financial benefits of tax avoidance activities. From a utilitarian perspective, this can make family CEOs with greater transgenerational responsibility even more convinced of the ethical nature of such strategy.

In sum, family CEOs that place stronger emphasis on perpetuating the family legacy and traditions will look more favourably at accumulating wealth through tax avoidance behaviours when the next generation is in the business. Therefore, a moderation effect is suggested:

Hypothesis 2 Next family generation involvement positively moderates the relationship between the transgenerational responsibility of family CEOs and tax avoidance.

From the family standpoint, tax avoidance might serve as a tool to increase family wealth by transferring value from the community (tax theoretically payable) to shareholders. From the economic point of view, engaging in tax avoidance activities represents an effective strategy to increase firm value, especially when the company is financially distressed (Edwards et al., 2016). However, if the firm's financial stability is threatened, family wealth could also be at stake (Gòmez-Mejia et al., 2022). From an ethical point of view, financial distress might thus increase the weight family CEOs assign to family members' well-being when assessing the ethicality of a strategy. This, in turn, would make the social cost of tax minimization (i.e. the erosion of public financial availability destined to sustain social well-being) less salient in the eyes of family CEOs, thereby reinforcing the belief that tax avoidance is morally acceptable. Indeed, when a family business faces financial distress, the transgenerational responsibility of family CEOs leads them to consider the improvement of the current financial situation as the key reference point in the decision-making process due to their willingness to pass on a healthy company to the future generations. Therefore, tax avoidance might be seen as an ethically acceptable solution to overcome such a situation since it could contribute to preserving the business whose wealth is shared among family and non-family stakeholders. Moreover, on an ethical base, the condition of financial distress also leads family members to a "supreme rationalization" of morality judgements that allows them to act for the sake of the family (Litz & Turner, 2013): thus, they are more prone to engage in tax avoidance to feed financial stability of the firm (Eddleston & Mulki, 2021). So, in the case of financial distress, family CEOs are more prone to avoid tax. This leads to the formulation of the following hypothesis:

Hypothesis 3 Financial distress positively moderates the relationship between the transgenerational responsibility of family CEOs and tax avoidance.

The conceptual model illustrated in Fig. 1 summarizes our assumptions. Furthermore, it contains not only the observed variables, but also the endogenous latent variable of Transgenerational Responsibility: the latent variables refer to phenomena that cannot be observed directly but can be measured through the observed variables.

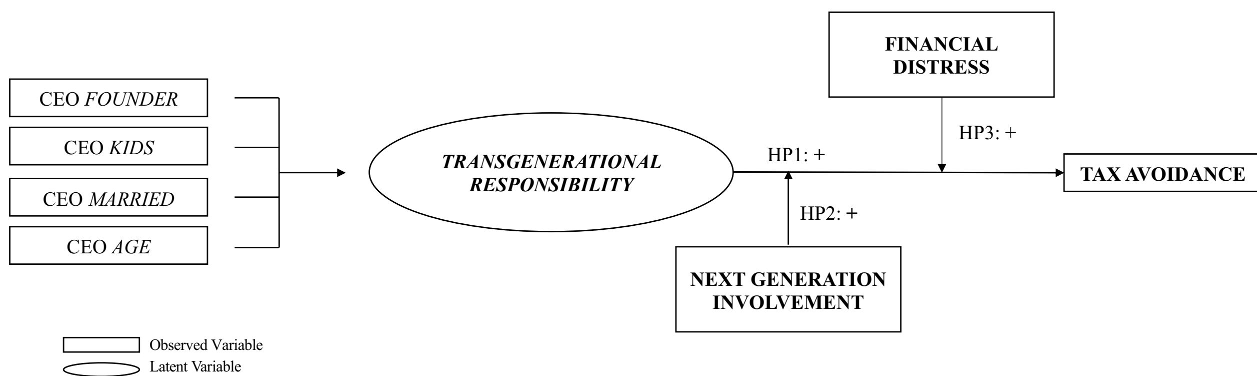

Fig. 1 Transgenerational responsibility and tax avoidance: summary of the hypotheses

Research Design

Tax Structure in Italy

The characteristics of a country's tax system drive tax avoidance practices, determining the final layer of taxes that firms pay (Alm et al., 1990). Thus, the twofold reason behind the choice of Italy as a specific setting lies in the peculiarities of the Italian tax environment.

First, engagement in the adoption of tax planning strategies is greater when the resulting benefits are greater as well: this becomes concrete when the statutory tax rate is higher (Atwood et al., 2012). In Italy, the corporate tax rate has always stood at higher levels than in other EU Member States (Mafrolla, 2019). Considering the last fiscal year (2022), Italy has the third highest rate among European OECD countries, after Portugal and Germany, and is above the average of 28,11% (OECD, 2023). The Italian tax rate for corporate entities, with some specific rules for bank and financial companies, includes a corporate income tax (*Imposta sul Reddito delle Società*—IRES, which came into force with Legislative Decree No. 344/2003[3]) and a regional production tax *(Imposta Regionale sulle Attività Produttive*—IRAP, which came into force with Legislative Decree No. 446/1997). The standard rate for IRES passed from 27.5 to 24% during the years under analysis, as amended by the Stability Law for 2016[4] and is charged on the total net income reported in the company's financial statements as adjusted for specific tax rules. The standard IRAP rate is set at 3.9%[5] by the 2008 Budgetary Law[6] and is applied to the net production value of companies.

Second, the level of book-tax conformity, that is the extent to which accounting income (under GAAP) and taxable income (under the country's tax code) reflect each other, is crucial in tax strategy planning (Blaylock et al., 2017). Indeed, in countries where book-tax conformity is lower, managers are afforded more opportunities to avoid taxes by decreasing reported earnings (Atwood et al., 2012). This usually happens for companies adopting two sets of rules and accounts for financial and tax reporting. Italian listed companies followed a two-book system until the *International Financial Reporting Standards* (IFRS) adoption (2006–2007): they restated IFRS financial statements according to local GAAP and then applied tax adjustments. Only from 2008, did the transition to the one-book system take place and companies' IFRS determined accounting earnings become the starting point for tax calculations. Nevertheless, this transition has revealed a limited decrease in earnings manipulation, as a result of persistent and increasing tendency to tax avoidance in Italy (Menicacci, 2022).

Therefore, the high level of the tax rate and the discretion of Italian listed firms due to a low level of tax compliance appear reasonable in investigating tax avoidance in the Italian context (Mafrolla, 2019).

Furthermore, our focus of analysis is on family firms, which hold a historical and significant role in the Italian economy. Indeed, according to the latest edition of the AUB Monitor (AIDAF, 2023), Italian family businesses form 65% of Italian companies with a turnover of more than 20 million euros. Moreover, the Milan Stock Exchange is the Euronext market with the highest incidence of family-controlled businesses: they account for over 25% of Italian capitalization representing around 60% of recorded companies. Within these firms, the controlling families are engaged in weaving decisions and overseeing the day-to-day operations of their businesses (Prencipe et al., 2008). This active involvement

[3] The IRES rate replaced the corporate income tax "*Imposta sul Reddito delle Persone Giuridiche*" (IRPEG), which was a proportional Italian tax governed by the Income Tax Consolidation Act (Presidential Decree No. 917 of 22/12/1986).

[4] Law No. 208 of 28 December 2015.

[5] IRAP is levied on a regional basis, and regions are allowed to increase or decrease the standard IRAP rate up to 0.92%.

[6] Law No. 244 of 24 December 2007.

is evidenced by the regular appointment of family members to key executive positions. For instance, just considering the incumbent position of interest in this study, more than 45% of the CEOs of family-owned listed companies in Italy is a family member (AIDAF, 2023).

Thus, stemming from these premises, Italian listed family firms represent the ideal setting to test the relationship between the family CEO transgenerational responsibility and corporate tax avoidance.

Sample Selection Procedure and Data Source

Our sample comprises a panel of all non-financial family firms listed on the Milan Stock Exchange—EXM market segment—over the period 2014–2018. Since tax avoidance often straddles the line between legality and ethics, analysing trends in tax avoidance and their impact during these years can help evaluate the effectiveness of fiscal policies and regulatory changes. In fact, in line with previous studies that choose the time frame of analysis to account for regulatory changes (e.g. Cao et al., 2023), we consider two years before and after the Stability Law of 2016, following which the IRES tax reduction took place. Examining the Italian context during this period can help assess the ethical implications of certain tax avoidance practices and shed light on the economic consequences for both businesses and the Italian government. The sample selection relied on several sources: financial and performance data were collected from AIDA Database (Bureau van Dijk), while corporate governance information was hand-gathered from companies' published Governance Report, CONSOB Ownership Report (Italian Commission for the Stock Exchange), and public websites. Starting from the entire population of EXM listed firms in the above-mentioned period (1227 firm-year observations), we excluded financial and insurance companies which follow specific regulations (ATECO 64–68, 291 firm-year observations) (Cao et al., 2023), and observations with missing data (109 firm-year observations). Thereafter, to observe the phenomenon under scrutiny, we focalized on family firms. We checked familial relationships combining different sources: we started from surname commonality with shareholders and board members, as recorded in CONSOB and the company Governance Report, and searched for other public information through company websites and owners/directors' personal web page, social networks or press articles to reduce inaccuracies and take into account, for example, women with a different surname from their husband or children (Minichilli et al., 2016). We defined a company as a family business considering the involvement at two levels (Cirillo et al., 2015): in ownership, if one or more family members owned at least the 30%[7] of the controlling group shares (Minichilli et al., 2010), and in governance, if, apart from the main shareholder, at least one of the family members was sitting on the board of directors (Fernando et al., 2014). Concordantly, and taking into account that some companies entered or exited the stock market during these years, the selection led to an unbalanced panel of 272 family firm-years observations.

[7] According to previous studies (Corbetta & Minichilli, 2006; Minichilli et al., 2010), 30% is a reasonable threshold considering the specific features—in terms of average size and average stock ownership—of the Italian Stock Exchange.

Variable and Measures

Tax Avoidance

The dependent variable of the model is the corporate tax avoidance (*TA*). In line with the dominant literature (Dyreng et al., 2008, 2010), we adopted the GAAP effective tax rate (ETR) over a one-year period, measured as total tax expense for income taxes (current and deferred) scaled by pre-tax book income (Chen et al., 2010). ETRs with negative or zero pre-tax income, since non meaningful, were set to missing and the remaining ETRs were restricted to fall in the range [0,1]. As larger values of ETR represent a low level of tax avoidance, we multiplied this measure by minus one (− 1) to facilitate the result interpretation. Therefore, higher values of the variable (*TA*) mean higher levels of tax avoidance (Hasan et al., 2021).

Transgenerational Responsibility

Our main independent variable is the transgenerational responsibility of the family CEO. Although this concept has not been empirically explored so far, we relied on factor analysis to capture its complexity and disentangle the multidimensional aspects of the construct. Specifically, we considered four moral triggering factors leveraging on CEO transgenerational responsibility for company, family and personal obligations.

First, we focused on the direct transgenerational responsibility which binds the CEO to the company by being its founder and conceiving the company as her/his own (Abebe et al., 2020). Being the founder implies that the CEO has sacrificed part of her/his life, time and wealth to start-up and grow the business. Due to this superior involvement, in the family context, founder status increases the moral attitude of caring towards others (Sorenson, 2013) and magnifies moral responsibility towards firm sustainability and relevant stakeholders (Lee et al., 2020). Accordingly, we proxied whether the CEO was the founder of the company or not through a binary variable (*CEO_Founder*) (Chen et al., 2010).

Then, we considered the family influencing factors of transgenerational responsibility since the family as social institution constitutes the moral infrastructure for family members and stimulates altruistic-oriented behaviours (Sorenson et al., 2010). Specifically, we explored family obligations in terms of the CEO's marriage and parental status, from which the goal of caring for each other and fostering the next generation derives (Hedge & Mishra, 2019). The CEO's marital status influences her/his lifestyle, goals and values; in fact, when married, she/he favours the pursuit of common good and care goals (Kim et al., 2022). In this sense, married CEOs act in a more ethically minded way and are more responsible for the continuity of the company and the family legacy (Hedge & Mishra, 2019). Furthermore, it is said that 'children may shape their parents' (Cronqvist & Yu, 2017). Indeed, the advent of parenthood as well as the increase in the number of children profoundly changes the values of an individual (Dahl et al., 2012), who becomes highly responsible for family issues and more morally oriented towards transgenerational issues. Thus, the parental status naturally influences also the CEOs' behaviour (Cronqvist & Yu, 2017). We captured whether the CEO was married or not through a binary variable (*CEO_Married*) (Hedge & Mishra, 2019) and we accounted for the parenting responsibility through the number of CEO's kids (*CEO_Kids*) (Dahl et al., 2012).

Finally, we examined the transgenerational responsibility arising from the CEO's personal obligations since such obligations have an impact on moral values of top executives (Weber, 2010). We considered the age of the CEO because it influences her/his strategic behaviour (Cirillo et al., 2022a). In particular, as CEOs age, they become more concerned about their current and future job prospects (Umans et al., 2021). In other words, thinking about their responsibilities and succession becomes a future-oriented priority. This is especially true in family businesses, where, as CEOs advance in age, transgenerational consideration becomes a predominant concern. Indeed, the moral desire to pass on a financially healthy business for transgenerational stability increases with age (Meier & Schier, 2021). Starting from this, we introduced the last triggering variable capturing the number of years of the CEO (*CEO_Age*) (Eddleston & Mulki, 2021).

Table 1 shows our factor analysis. Two of the four factors had Eigenvalues greater than one and, taken together, they explained around 72% (2.873/4) of the total variance of variables considered in the analysis. In the first two columns the table summarizes the values of factor loadings after orthogonal rotation: the higher the load the more its relevance in defining the factor's dimensionality. *CEO_Married* and *CEO_Kids* had the highest loads in factor 1, *CEO_Founder* and *CEO_age* in factor 2. Consequently, it is possible to consider the first factor as a measure of CEO transgenerational responsibility for family obligations, the second one of CEO transgenerational responsibility for company and personal obligations. The third column shows the communalities: they are reasonably high, indicating that the results are quite reliable.

Table 1 Rotated factor loadings and communalities

Variable	Factor1	Factor2	Communalities
CEO_founder	0.056	**0.844**	0.716
CEO_married	**0.855**	0.075	0.736
CEO_kids	**0.846**	0.104	0.726
CEO_age	0.129	**0.823**	0.695
Eigenvalue	1.466	1.407	

The values in bold highlight the significance of the variables of interest

The focus of the study is on the transgenerational responsibilities of the family CEO, as family norms affirm the moral obligation that reinforces commitment to the family business (Umans et al., 2021) and guides the perpetuation of family continuity. Consequently, our independent variable, resulting from the factor analysis, was activated if the CEO was a member of the controlling family, otherwise was set to zero.

Next Generation Involvement

To test our second hypothesis, we defined the involvement of the next generation (*NEXT_GEN*) as a dichotomous variable equal to one if the next generation (different from the older one) was involved in the business, zero otherwise.

Financial Distress

For the third hypothesis, we predicted financial distress (*ALTMAN*) through the Altman Z's score (1968) for listed companies. This well-established index relies on five weighted indicators to provide a continuous measure of financial distress (Gómez-Mejia et al., 2022). The Z-score is calculated as follows:

$$0.012x_1 + 0.014x_2 + 0.033x_3 + 0.006x_4 + 0.999x_5,$$

where x_1 is the ratio of net working capital to total assets, x_2 is the ratio of retained earnings to total assets, x_3 is the ratio of EBIT to total assets, x_4 is the ratio of market value of equity to total liabilities, and x_5 is the ratio of total sales with respect to total assets.

According to the generally accepted interpretation, Z-scores have three cut-off points: Z-scores below 1.81 indicate financial distress, Z-scores between 1.81 and 2.67 (included) represent the "grey" zone and Z-scores higher than 2.67 indicate the absence of financial distress (Altman, 1968, 1993).

Control Variables

We also included a battery of controls which previous research has shown to influence tax avoidance. Specifically, we controlled at three levels of analysis: firm, governance and family level. As for firm level, we controlled for firm fundamental characteristics, which are age from the initial public offering process (*IPO_AGE*), size (*SIZE*), profitability (*ROS*) and debt-to-equity ratio (*LEVERAGE*). Moreover, to control for differences in the financial and tax accounting treatment, we defined intangibility (*INTANG*) and liquidity (*LIQU*) as the ratios of intangible assets to total assets and cash to total assets (Dyreng et al., 2010). We included a dummy variable to consider whether the firm was audited by a Big Four company (*BIG4*) (Gayaa et al., 2017).

At governance level, we controlled for board and CEO characteristics. Specifically, we included the size of the board (*BOARD_SIZE*) and the presence of CEO duality (*CEO_DUALITY*) in the model (Bauweraerts et al., 2020). Moreover, considering the role of the CEO in the analysis of her/his transgenerational responsibility, we controlled for her/his level of education (*CEO_EDU*) (Eddleston & Mulki, 2021) and involvement in ownership (*CEO_OWN*) (Chen et al., 2010; Hasan et al., 2021).

As regards the family level, in line with our definition, we controlled for family influence through the Power item of the F-PEC instrument (Astrachan et al., 2002; Sánchez-Marín et al., 2016) combining family involvement in both ownership and board positions (*F-PEC*). As for the ownership involvement, we also considered the number of family owners (*N_FAM_OWNERS*) (Kovermann & Wendt, 2019), while, for governance involvement, we controlled for the family status of the Chair (*CHAIR_FAMILY*) (Cao et al., 2023). Finally, we included the number of generations simultaneously involved in the firm (*FAM_GEN_INV*) (Sciascia et al., 2013) and the generation currently in control (*FAM_GEN_STAGE*) (Sánchez-Marín et al., 2016).

Table 2 provides a detailed description of all the variables included in the analysis.

Empirical Models

To test our hypotheses, we applied panel regression estimations with fixed effects (STATA command *xtreg* with *fe* option). Panel models combine intertemporal dynamics of cross-sectional populations including individual effects to control for unobservable heterogeneity, avoiding bias for missing variables (Hsiao, 2003). Specifically, to explore the effects of family CEO transgenerational responsibility on tax avoidance, which represents our first hypothesis, we established the econometric model as follows:

$$\mathrm{TA}_{\mathrm{it}} = \alpha_i + \beta_1 \mathrm{TRANSG_RESP}_{\mathrm{it}} + \beta_2 \mathrm{CONTROLS}_{\mathrm{it}} + \varepsilon_{\mathrm{it}},$$

where i represents the company, t represents the time period, β represents estimating parameters and ε represents the error term.

For testing the moderating hypotheses, we opted for the model with interaction effects (Aiken & West, 1991) to provide a comprehensive picture of the changing effects of next generation involvement and financial distress. Thus, we defined interaction variables as follows:

*INTER_1 = TRASNG_RESP * NEXT_GEN;*

*INTER_2 = TRASNG_RESP * ALTMAN.*

The model for the second hypothesis was estimated as follows:

$$\mathrm{TA}_{\mathrm{it}} = \alpha_i + \beta_1 \mathrm{TRANSG_RESP}_{\mathrm{it}} + \beta_2 \mathrm{NEXT_GEN} + \beta_3 \mathrm{INTER_1} + \beta_4 \mathrm{CONTROLS}_{\mathrm{it}} + \varepsilon_{\mathrm{it}}$$

Finally, for the third hypothesis, the model was as follows:

$$\mathrm{TA}_{\mathrm{it}} = \alpha_i + \beta_1 \mathrm{TRANSG_RESP}_{\mathrm{it}} + \beta_2\ \mathrm{ALTMAN} + \beta_3 \mathrm{INTER_2} + \beta_4 \mathrm{CONTROLS}_{\mathrm{it}} + \varepsilon_{\mathrm{it}}$$

We estimated the above equations using heteroskedasticity-robust standard errors (Greene, 2011).

Results

Descriptive Statistics and Correlations

In Table 3, we reported summary statistics of the sample for the investigated variables, excluding interactions. The results show that *TA* variable is lower than the Italian Statutory Tax Rate considered both before and after fiscal year 2016 (Table 4 shows the average of the variable in the years considered for a greater level of detail). In 45% of the cases, the next generation is involved in the companies of our sample

Table 2 Variables definition

Name	Label	Description	Related literature	Source
Dependent variable				
TA	Tax avoidance	*Continuous variable*: effective tax rate (ETR) computed as the ratio of total income tax expense (composed of a current and deferred component) scaled by pre-tax book income ETRs with negative pre-tax income are set to missing The remaining non-missing ETRs are winsorized (reset) in the range [0;1]. The index is multiplied by negative one (− 1) to facilitate the interpretation of our results	Dyreng et al., (2008, 2010)	AIDA Database
TA_ADJ	Tax avoidance adjusted	*Continuous variable*: the difference between the firm's ETR and the industry average ETR. The index is multiplied by negative one (− 1) to facilitate the interpretation of our results	Armstrong et al., (2015)	AIDA Database
Independent variable				
TRANSG_RESP	Transgenerational responsibility	*Latent Variable*: Factor analysis of four variables: - CEO Founder = binary variable: equal to one if the CEO is the founder of the firm, zero otherwise; - CEO Married = binary variable: equal to one if the CEO is married, zero otherwise; - CEO Kids = ordinary variable: the number of CEO's kids - CEO Age = ordinary variable: the number of CEO's years The variable activates if the CEO is a member of the controlling family, otherwise is set to zero	Chen et al., (2010); Hedge and Mishra (2019); Dahl et al., (2012); Eddleston and Mulki (2021)	Governance Report, Firm website
Moderating variables				
NEXT_GEN	Next generation involvement	*Binary variable*: equal to one if the next generation is involved, zero otherwise	Cirillo et al., (2015)	Governance Report

Table 2 (continued)

Name	Label	Description	Related literature	Source
ALTMAN	Altman Z-score	*Continuous variable*: the formula of Altman's score: $0.012x_1+0.014x_2+0.033x_3+0.006x_4+0.999x_5$ where x_1 is the ratio of net working capital with respect to total assets, x_2 is the ratio of retained earnings to total assets, x_3 is the ratio of EBIT to total assets, x_4 is the ratio of market value of equity to total liabilities and x_5 is the ratio of total sales with respect to total assets	Altman (1968)	AIDA Database
Firm level controls				
IPO_AGE	Firm age from IPO	*Continuous variable*: the number of years since firm IPO process	Chen et al., (2022)	AIDA Database
SIZE	Firm size	*Continuous variable*: the logarithm of the number of employees	Cai and Liu (2009)	AIDA Database
LEVERAGE	Firm leverage	*Continuous variable*: the ratio of non-equity debts over equity	Utama and Ancella (2020)	AIDA Database
ROS	Return On sales	*Continuous variable*: the ratio of operating income over total sales	Zhang et al., (2016)	AIDA Database
INTANG	Intangibility	*Continuous variable*: the ratio of intangibles over total assets	Dyreng et al., (2010); Kovermann and Wendt (2019); Sánchez-Marín et al., (2016); Bauweraerts et al., (2020)	AIDA Database
LIQU	Liquidity	*Continuous variable*: the ratio of cash over total assets	Dyreng et al., (2010)	AIDA Database
BIG4	Big four auditor	*Binary variable*: equal to one if the firm is audited by a Big Four company, zero otherwise	Gayaa et al. (2017)	
Board-CEO level controls				
BOARD_SIZE	Board size	*Continuous variable*: the logarithm of the number of directors sitting on the board	Bauweraerts et al., (2020)	Governance Report
CEO_DUALITY	CEO duality	*Binary variable*: equal to one if the CEO is also the chairperson, zero otherwise	Bauweraerts et al., (2020)	
CEO_EDU	CEO education	*Ordinary variable*: equal to one if the CEO holds a graduate degree; equal to two if she/he holds a master and equal to 3 if she/he holds a PhD	Eddleston and Mulki (2021)	Governance Report, Firm website
CEO_OWN	CEO ownership	*Continuous variable*: the percentage of ownership held by the CEO	Hasan et al., (2021); Chen et al., (2010)	Governance Report, AIDA Database
Family level controls				

Table 2 (continued)

Name	Label	Description	Related literature	Source
F-PEC	F-PEC score	*Continuous variable*: family involvement in both ownership and board positions	Astrachan et al., (2002); Sánchez-Marín et al., (2016)	Governance Report, CONSOB Ownership Report, AIDA Database
N_FAM_OWNERS	Family shareholders	*Ordinary variable*: the number of family owners involved in equity	Kovermann and Wendt, (2019)	Governance Report, CONSOB Ownership Report, AIDA Database
CHAIR_FAMILY	Chair family	*Binary variable*: equal to one if the Chair is a member of the controlling family, zero otherwise	Cao et al., (2023	Governance Report
FAM_GEN_INV	Family generational involvement	*Ordinary variable*: equal to one, two or three if one, two and three-beyond family generations are involved in the board respectively	Sciascia et al., (2013	Governance Report
FAM_GEN_STAGE	Family generational stage	*Ordinary variable*: equal to one, two or three if the family first, second and third-beyond generation is currently in control on the board, respectively	Sánchez-Marín et al., (2016	Governance Report

(*NEXT_GEN*). This is in line with a number of at least 2 generations involved in the firm (*FAM_GEN_INV*), even if the generation currently in control is commonly the first (*FAM_GEN_STAGE*). Moreover, the average value of the Altman Z-score is about 0.65 (*ALTMAN*), attesting a certain level of financial distress in our family firms. Dwelling on the role of the CEO, CEOs in our sample tend to have at least a graduate degree (*CEO_EDU*) and, on average, hold 11% of the equity (*CEO_OWN*). Examining the role of the family, we observe a pronounced family involvement via equity and governance: on average, 88% of the power is in the hands of the family (*F-PEC*), at least three family owners on average are involved in ownership (*FAM_OWNERS*) and there is an evident tendency to appoint the Chair from among family members (85% of the observations) (*CHAIR_FAMILY*).

Table 3 also highlights acceptable levels of correlation. However, to assess the absence of multicollinearity in our sample, we computed variance inflation factor (VIF) concluding that, as the values are lower than 5, collinearity does not represent a concern (Kennedy, 2008) (see Table 5).

Regression Results

Table 5 shows the results of our fixed-effects panel regression analysis.

First, we regressed tax avoidance solely on the control variables to enhance the confidence of the analysis, finding that the model as a whole was significant (Model 1; Prob. > F 0.000). The main independent variable, *TRANSG_RESP*, was added in Model 2. The association between transgenerational responsibility and tax avoidance was positive and statistically significant ($\beta = 0.102$, $p < 0.01$), confirming our first Hypothesis. In Models 3 and 4, we tested the moderating hypotheses. As for the second hypothesis (Model 3), we included *NEXT_GEN* (first moderator) and *INTER_1* (related interaction term). The result for the main variable (*TRANSG_RESP*) remained robust and increased in statistical significance ($\beta = 0.179$, $p < 0.001$); the interaction term (*INTER_1*) had a positive and significant coefficient ($\beta = 0.171$, $p < 0.01$). Consequently, the involvement of the next generation positively moderates the relationship between transgenerational responsibility of the family CEO and tax avoidance practices. Hypothesis 2 is therefore supported too. Figure 2 shows this interaction effect: the more the new generation is involved in the business, at the same level of transgenerational responsibility as the family CEO, the higher the level of tax avoidance becomes.

In Model 4, we tested the third hypothesis, considering *ALTMAN* (second moderator) and *INTER_2* (related interaction term). Even in this case, the main relationship remained positive and significant ($\beta = 0.159$, $p < 0.05$), whereas the interaction had a negative and significant coefficient ($\beta = -0.119$, $p < 0.01$). Indeed, according to the traditional

Table 3 Descriptives statistics and correlation

		Mean	Std. Dev	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
(1)	TA	−0.216	0.227	1.000																				
(2)	TA_Adj	−0.003	0.200	0.878*	1.000																			
(3)	TRANSG_RESP	0.180	0.451	0.079	0.045	1.000																		
(4)	NEXT_GEN	0.449	0.498	−0.089	−0.050	−0.131*	1.000																	
(5)	ALTMAN	0.653	0.585	−0.224*	−0.213*	0.069	−0.084	1.000																
(6)	IPO_AGE	14.279	11.797	0.115	0.035	−0.107	0.013	−0.240*	1.000															
(7)	SIZE	5.756	1.668	−0.153*	−0.038	−0.207*	−0.034	0.358*	−0.208*	1.000														
(8)	LEVERAGE	0.683	1.031	−0.405*	−0.317*	−0.052	0.028	−0.036	−0.131*	0.007	1.000													
(9)	ROS	−9.300	95.590	−0.206*	−0.119	−0.188*	−0.058	0.196*	−0.247*	0.374*	0.125*	1.000												
(10)	INTANG	0.072	0.106	−0.102	−0.014	−0.072	0.059	0.140*	−0.074	0.282*	0.053	0.189*	1.000											
(11)	LIQU	0.087	0.073	0.084	0.076	−0.098	0.059	0.116	−0.173*	−0.002	−0.151*	−0.054	−0.094	1.000										
(12)	BIG4	0.904	0.295	0.131*	0.157*	0.001	−0.134*	0.020	0.014	0.082	0.044	−0.046	−0.190*	−0.005	1.000									
(13)	BOARD_SIZE	2.271	0.253	0.045	−0.007	0.113	−0.100	−0.086	−0.019	0.107	0.004	−0.176*	−0.043	−0.067	0.126*	1.000								
(14)	CEO_DUALITY	0.335	0.473	0.1426*	0.141*	0.082	0.113	−0.113	−0.135*	−0.090	−0.029	0.073	−0.062	−0.038	0.098	−0.195*	1.000							
(15)	CEO_EDU	1.011	0.674	0.1957*	0.133*	0.017	−0.246*	−0.057	0.064	−0.029	−0.077	−0.122*	−0.007	0.033	0.080	0.276*	−0.267*	1.000						
(16)	CEO_OWN	0.109	0.207	0.006	−0.011	0.014	0.110	−0.047	−0.112	−0.110	0.030	0.056	−0.066	−0.036	0.017	−0.199*	0.509*	−0.411*	1.000					
(17)	F-PEC	0.886	0.195	0.003	−0.017	0.021	−0.150*	0.013	−0.019	−0.155*	−0.001	0.119	−0.246*	0.055	0.025	−0.451*	0.226*	−0.221*	0.270*	1.000				
(18)	FAM_OWNERS	2.772	1.934	0.139*	0.097	0.009	−0.116	−0.047	0.076	0.024	−0.117	−0.194*	−0.101	0.103	0.111	0.059	−0.045	0.042	−0.212*	0.170*	1.000			
(19)	CHAIR_FAMILY	0.853	0.355	0.083	0.114	0.008	0.041	−0.088	−0.037	−0.005	−0.236*	0.171*	0.192*	−0.080	−0.064	−0.091	0.162*	−0.163*	0.188*	0.065	−0.189*	1.000		
(20)	FAM_GEN_INV	1.640	0.518	0.216*	0.206*	0.174*	−0.387*	0.003	−0.102	−0.033	−0.185*	−0.055	−0.112	0.123*	0.185*	−0.113	0.208*	0.011	0.138*	0.326*	0.072	0.353*	1.000	
(21)	FAM_GEN_STAGE	1.574	0.656	−0.146*	−0.082	0.053	0.034	0.027	0.000	0.115	0.173*	−0.105	−0.019	−0.025	−0.002	0.084	−0.121*	0.002	−0.16*	0.004	0.185*	−0.302*	−0.324*	1.000

$N = 272$, *Significance level $p < 0.05$

Table 4 Average of the dependent variable over the years

Tax avoidance		
Year	*N*	Mean
2014	44	− 0.276
2015	55	− 0.250
2016	60	− 0.253
2017	59	− 0.154
2018	54	− 0.159
Total	272	− 0.216

interpretation, a low level of Altman's Z-Score indicates a high level of financial distress and vice versa. Thus, the result suggests that the relationship between transgenerational responsibility of the family CEO and tax avoidance is positively moderated by financial distress of the firm, confirming Hypothesis 3. The plot of this interaction effect is shown in Fig. 3: the higher the company's level of financial distress is, with the same level of transgenerational responsibility of the family CEO, the higher the level of tax avoidance becomes.

In each model, *IPO_AGE* was positively related to tax avoidance, while *LEVERAGE* affected tax avoidance practices negatively. Moreover, *CEO_DUALITY*, *CEO_EDU* and *FAM_OWNERS* positively influenced the level of tax avoidance.

Robustness Check

To confirm our main regression results, we replicated the whole analysis by using an alternative dependent variable (*TA_ADJ*). Specifically, we computed the difference between the firm's ETR and the industry average ETR (Armstrong et al., 2015). Also in this case, the index was multiplied by negative one (− 1) to ease interpretations.

As Table 6 (Models 5, 6, 7 and 8) highlights, the estimate was consistent with our main findings. Specifically, the overall model remained robust (Model 5: Prob. > F 0.000) and the main effect of *TRANSG_RESP* on *TA_ADJ* was still positive and statistically significant (Model 6: $\beta = 0.111$, $p < 0.01$), supporting the first hypothesis. Both the moderating hypotheses were confirmed too. Indeed, the coefficient of *INTER_1* was positive and statistically significant (Model 7: $\beta = 0.175$, $p < 0.01$) while the coefficient of *INTER_2* was negative and statistically significant (Model 8: $\beta = -0.127$, $p < 0.001$). In summary, these findings suggest that in family firms, the transgenerational responsibility of the family CEO is an antecedent of tax avoidance, and this relationship is positively moderated by the involvement of the next generation and the financial distress of the firm.

Table 5 Results

	Y = TA			
	Model 1	Model 2	Model 3	Model 4
TRANSG_RESP (a)		**0.102****	**0.179*****	**0.159***
		(0.034)	(0.0408	(0.075)
NEXT_GEN (b)			− 0.047	
			(0.171	
INTER_1 (a*b)			**0.171****	
			(0.0572	
ALTMAN (c)				− 0.348**
				(0.118)
INTER_2 (a*c)				**− 0.119****
				(0.037)
IPO_AGE	0.027*	0.028*	0.028*	0.021†
	(0.011)	(0.011)	(0.0106	(0.011)
SIZE	0.012	0.010	0.012	0.047†
	(0.027)	(0.027)	(0.0254	(0.024)
LEVERAGE	− 0.036*	− 0.037*	− 0.036*	− 0.048**
	(0.018)	(0.017)	(0.016)	(0.017)
ROS	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
INTANG	0.415	0.332	0.212	0.540
	(0.769)	(0.735)	(0.708)	(0.707)
LIQU	0.292	0.283	0.314	0.307
	(0.303)	(0.296)	(0.297)	(0.266)
BIG4	0.144	0.147	0.140	0.151
	(0.171)	(0.171)	(0.170)	(0.169)
BOARD_SIZE	− 0.087	− 0.090	− 0.060	− 0.116
	(0.129)	(0.128)	(0.136)	(0.102)
CEO_DUALITY	0.123	0.135†	0.138†	0.135*
	(0.074)	(0.074)	(0.073)	(0.067)
CEO_EDU	0.084**	0.119***	0.132***	0.132**
	(0.031)	(0.032)	(0.035)	(0.041)
CEO_OWN	− 0.181†	− 0.147	− 0.178	− 0.199
	(0.097)	(0.124)	(0.119)	(0.138)
F-PEC	0.044	0.031	0.059	0.188
	(0.144)	(0.143)	(0.152)	(0.195)
FAM_OWNERS	0.033*	0.035*	0.037*	0.038**
	(0.016)	(0.016)	(0.016)	(0.013)
CHAIR_FAMILY	− 0.072	− 0.090	− 0.099	− 0.039
	(0.102)	(0.106)	(0.108)	(0.086)
FAM_GEN_INV	0.054	0.067	0.077	0.032
	(0.099)	(0.098)	(0.097)	(0.077)
FAM_GEN_STAGE	0.099	0.071	0.017	0.052
	(0.085)	(0.072)	(0.062)	(0.060)
Constant	− 1.056†	− 1.061*	− 1.107*	− 1.005*
	(0.540)	(0.529)	(0.524)	(0.449)
N	272	272	272	272
Mean VIF	1.38	1.37	1.61	1.51
Prob > F	0.000	0.000	0.000	0.000
R-squared within	0.137	0.144	0.149	0.195

Standard errors in parentheses

† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

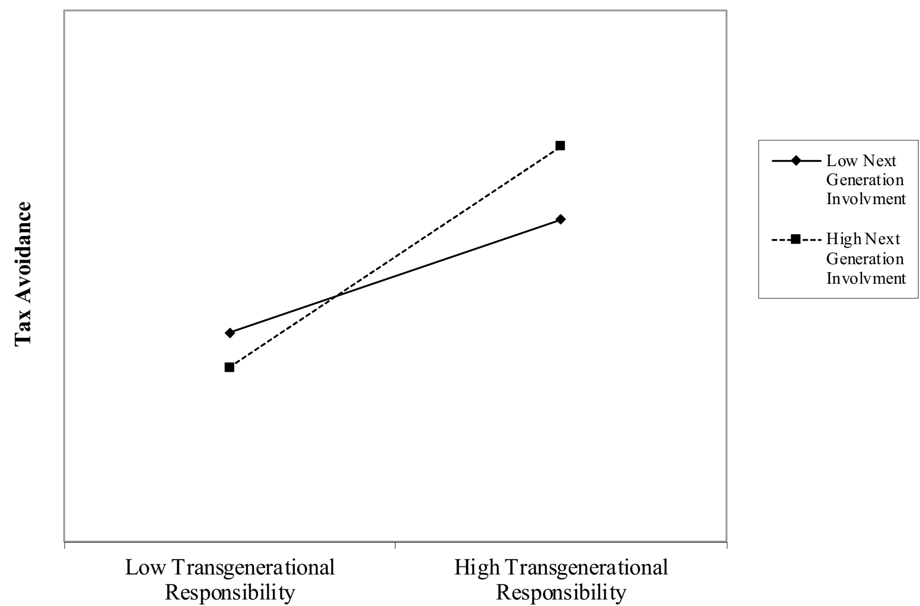

Fig. 2 Moderating effect of next generational involvement

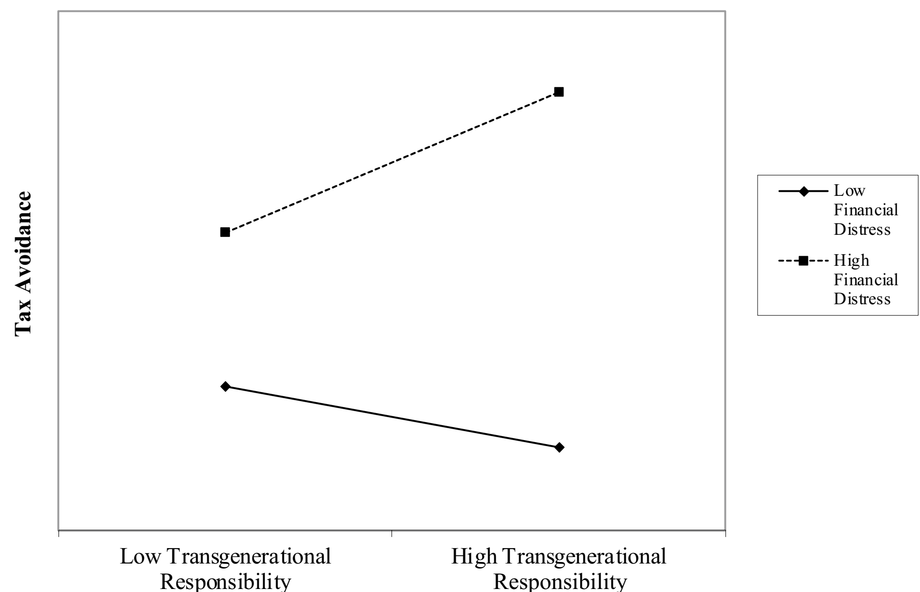

Fig. 3 Moderating effect of financial distress

Discussion

The present study puts tax avoidance behaviours in family-listed firms under scrutiny and frames this issue from an ethical perspective. While ethicality in the family business realm is a long-debated topic (Blodget et al., 2011), it is gaining attention in tax and family firm-related literature (Eddleston & Mulki, 2021) emphasizing the unique dynamics that make family firms behave more ethically than their non-family counterparts. Exploring variations in ethical perceptions based on family firm heterogeneity, it must also be considered that family leaders are responsible for shaping and forming moral and ethical values of the business (Tabor et al., 2020). Thus, in order to better understand the family heterogeneity with respect to tax avoidance strategies, it seems helpful to link the moral values of family leaders with the ethical evaluation of whether or not voluntary reducing tax expenses. Our research rests in this literature line. Current research suggests that CEOs are responsible for setting up tax avoidance strategies and in this decision-making process personal beliefs and moral values, as well as orientation to the future, play a pivotal role (Chen et al., 2022). This is especially true in family firms, as CEOs' moral values infuse their decisions (Bauweraerts et al., 2020) and rest a focal point in the moral evaluation process with respect to the next

Table 6 Robustness check

	Y = TA_ADJ			
	Model 5	Model 6	Model 7	Model 8
TRANSG_RESP (a)		**0.111****	**0.190*****	**0.202*****
		(0.035)	(0.037)	(0.051)
NEXT_GEN (b)			− 0.038	
			(0.159)	
INTER_1 (a*b)			**0.175****	
			(0.054)	
ALTMAN (c)				− 0.309*
				(0.120)
INTER_2 (a*c)				**− 0.127*****
				(0.033)
IPO_AGE	− 0.001	0.000	0.000	− 0.007
	(0.010)	(0.010)	(0.010)	(0.010)
SIZE	0.003	0.000	0.002	0.032
	(0.024)	(0.024)	(0.022)	(0.023)
LEVERAGE	− 0.019	− 0.020	− 0.019	− 0.029†
	(0.018)	(0.017)	(0.016)	(0.015)
ROS	0.000	0.000	0.000	0.000
	(0.002)	(0.000)	(0.000)	(0.000)
INTANG	− 0.584	− 0.673	− 0.792	− 0.509
	(0.654)	(0.623)	(0.598)	(0.608)
LIQU	− 0.088	− 0.097	− 0.066	− 0.063
	(0.267)	(0.261)	(0.260)	(0.233)
BIG4	0.160	0.163	0.156	0.166
	(0.171)	(0.171)	(0.169)	(0.170)
BOARD_SIZE	− 0.075	− 0.078	− 0.049	− 0.099
	(0.110)	(0.109)	(0.113)	(0.089)
CEO_DUALITY	0.078	0.091	0.094	0.095†
	(0.064)	(0.062)	(0.060)	(0.056)
CEO_EDU	0.044	0.081**	0.095**	0.104**
	(0.032)	(0.030)	(0.031)	(0.034)
CEO_OWN	− 0.159†	− 0.122	− 0.154†	− 0.167†
	(0.085)	(0.084)	(0.083)	(0.098)
F-PEC	0.063	0.048	0.076	0.193
	(0.131)	(0.129)	(0.132)	(0.150)
FAM_OWNERS	0.032*	0.035*	0.037*	0.038***
	(0.016)	(0.015)	(0.015)	(0.010)
CHAIR_FAMILY	− 0.069	− 0.088	− 0.097	− 0.049
	(0.086)	(0.090)	(0.092)	(0.077)
FAM_GEN_INV	0.051	0.065	0.075	0.037
	(0.095)	(0.094)	(0.093)	(0.074)
FAM_GEN_STAGE	0.122	0.091	0.037	0.066
	(0.081)	(0.068)	(0.065)	(0.054)
Constant	− 0.324	− 0.330	− 0.366	− 0.290
	(0.502)	(0.490)	(0.477)	(0.407)
N	272	272	272	272
Mean VIF	1.38	1.37	1.61	1.51
Prob > F	0.000	0.000	0.000	0.000
R-squared within	0.077	0.085	0.092	0.136

Standard errors in parentheses

† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

family generation (Bernhard & Labaki, 2021). So, the need emerges to consider how family CEOs evaluate the ethicality of tax avoidance based on their moral values. In particular, we introduce the concept of CEO transgenerational responsibility (i.e. the CEO's moral obligation towards the protection of future family generations). This responsibility is a moral value embedded in the superior attention to others' well-being and in the greater sense of care and protection towards family members and crucial stakeholders (Kraatz et al., 2020; Picone et al., 2021).

The theoretical link between CEO transgenerational responsibility and tax avoidance is rooted in the utilitarianism umbrella. It states that executives address the ethicality of their actions based on the consequences of such actions: if the well-being produced for crucial stakeholders is greater than the related harmful effect the action is ethically compliant (Preuss, 2012; Frecknall-Hughes, 2017). Stemming from this approach, we assumed that family CEOs place greater emphasis on the benefits of tax avoidance (financial wealth transfer to the firm: family and shareholders) than its costs (less income for the State to provide public services): this is an ethical behaviour from the utilitarianist perspective since more stakeholders obtain direct utility gains from adopting tax avoidance behaviours than paying taxes. Results support the view that the more the CEO feels responsible for the next family generation, the greater propensity the family firm has towards tax avoidance behaviours. Thus, family CEOs' judgement is guided by the emotional-related thinking and worries for the next family members, in turn affected by moral values. Indeed, a responsible CEO would therefore avoid taxes to guarantee the financial well-being of next generation family members. Such transgenerational responsibility enables her/him to assess tax avoidance as a strategy that does not violate ethical principles. In fact, the transgenerational way of thinking and behaving is quite common in the family business domain (e.g. Berrone et al., 2014; Deephouse & Jaskiewicz, 2013) and its influence on family culture and values as well as its impact on decision-making is acknowledged (Picone et al., 2021).

Emotions and responsibility increase with proximity to other stakeholders (Mikulincer & Shaver, 2005). Thus, this study also focussed on the moderating effect of next generation involvement in the business, since viewed through a utilitarian lens, the involvement of the next generation implies that a larger number of family stakeholders would reap the financial advantages of tax avoidance. In line with our expectations, we found that the implication of family members from the next generation(s) strengthens the positive link between CEOs' transgenerational responsibility and tax avoidance. This implies that CEOs' transgenerational responsibility is even more decisive in avoiding tax because of their greater proximity with next generation family members in the business. Under these circumstances, CEOs are

more emotionally bound to the next generation and thus place greater value on securing the firm's financial health through tax avoidance practices that contribute to generating immediate and future financial rewards for next generation family members (Koropp et al., 2013; Murphy & Lambrechts, 2015). This is in line with the view that being in an emotionally rooted relationship (such as the relationship between the family incumbents and incoming family generations) nurtures a sense of responsibility to avoid any kind of distress for the other parties (Shaver & Mikulincer, 2002). Such responsibility is increased when partners' distress might result from the other parties' behaviours (e.g. decrease in the next generations' wealth resulting from suboptimal family CEOs' behaviours) (Clark et al., 2001).

Building upon the utilitarianism framework, we also formulated a hypothesis that considers tax avoidance as a morally justifiable strategy in the face of financial distress, aligning with the family's commitment to ensuring the prosperity of the company for future generations. Our findings confirm that a responsible CEO, guided by a transgenerational view, is more inclined to opt for tax avoidance strategies when the firm is facing financial distress. In that context, family CEOs make the preservation of the family's wealth the focal reference point in decision-making (Minichilli et al., 2016). Consequently, their heightened sense of responsibility towards the forthcoming generations materializes through their engagement in tax avoidance practices. These strategies are perceived as ethically acceptable means to rebound from financial distress and, simultaneously, to secure the future of the company. In essence, family CEOs are driven not only by economic considerations but also by the ethical obligation to navigate the company through challenging financial times while safeguarding its long-term prospects, in line with their commitment to the well-being of future family members (Eddleston & Mulki, 2021). In contrast, Fig. 3 highlights that the relationship between CEO transgenerational responsibility and tax avoidance turns negative when the firm is financially healthy. In other words, when the business is highly solvent, CEOs' greater sense of moral obligation towards next generations makes them less inclined to engage in tax avoidance practices. An explanation could be that such practices are perceived as unethical by family CEOs whose main reference point in situations of extreme financial health is the preservation of the family's socioemotional endowment, which includes, among other things, the maintenance of a good family image and reputation across generations (Gómez-Mejia et al., 2022). Because healthy firms generate enough resources to fulfil future family needs, family CEOs may thus consider that the potential reputational costs associated with tax avoidance outweigh its financial benefits, leading them to opt for cautious tax practices that better fit their ethical standards.

Conclusion

Theoretical and Practical Implications

Our study offers insightful theoretical and practical contributions.

From a theoretical standpoint, this article adds to the family business and ethics fields. First, it tentatively adds to the literature on family firm heterogeneity and tax avoidance. Looking at the CEO as one of the most important decision makers with respect to tax minimization strategy in family business (Bauweraerts & Vandernoot, 2019), there is a large part of heterogeneity in tax behaviours attributable to this figure still underexplored (Brune et al., 2019). Specifically, the concept of generational altruism (i.e. the sense of moral obligation towards next generations that leads to supportive behaviours and resource sharing) has been recognized as an important factor in elucidating family firm heterogeneity (Jaskiewicz et al., 2017), however, its role as a determinant of tax strategies is still an area that warrants further exploration. Addressing this gap, this research leverages on utilitarianism to introduce the family CEO's concern for the next generation as a driver of tax avoidance by studying how CEO transgenerational responsibility, i.e. the expression of transgenerational altruism for the CEO, would be crucial in evaluating the ethicality of tax avoidance strategies.

Second, the present study contributes to the stream of literature that puts the role of family values and personal emotions in shaping decision-making process under scrutiny (e.g. Bernhard & Labaki, 2021; Picone et al., 2021). While previous research efforts devoted attention to strategic outputs (Kellermanns et al., 2014), this study fruitfully proposes tax avoidance as a suitable context to explore the impact of CEO's moral values, embedded in her/his founder and marital status as well as her/his parenthood and age. In line with the view that the transgenerational value is embedded in family firms (Zellweger et al., 2012), the present research shows how strategic tax decisions are strongly driven by morally focussed value: the responsibility of the CEO towards next generations. Third, a contribution to the ethical perspective of tax avoidance is provided. In this light, utilitarianism and its cost–benefit analysis from an ethical perspective represent a consolidated approach to studying the ethicality of tax avoidance strategies (e.g. Godar et al., 2005; Preuss, 2012). However, there is still a lack of understanding of how transgenerational concerns shape this cost–benefit assessment (Schulze & Zellweger, 2021). This paper enters this debate by showing that the family becomes a salient stakeholder (Purkayastha et al., 2022), whose related benefits outweigh potential costs when a multigenerational time-horizon is applied, due to the CEO's sense of responsibility in handing over a healthy company to the next generation,

even more when the CEO interacts with the next generation or experiences financial distress in the company.

Our study also has practical implications, serving as a valuable starting point to raise awareness among the importance of family businesses anchoring their tax decisions in a transgenerational perspective. At first, it addresses both corporate stakeholders involved with family firms and practitioners supporting family decision-making process. Indeed, the research encompasses a broader perspective that considers the ethical responsibilities and moral obligations of family CEO towards the next generation family members. In doing so, our study underscores the crucial role that generational and financial stability factors play in shaping these moral obligations. In a practical sense, this means that those responsible for governance, taxation and strategic decision-making within family firms should closely monitor and evaluate the impact of generational dynamics and financial stability on their tax strategies, particularly in cases where a tax avoidance approach is being pursued. By doing so, family-owned businesses can ensure that their tax practices align with their moral obligations to future generations, while also maintaining a sustainable and responsible approach to tax management. This allows family firms to optimize their tax planning strategies to achieve a balance between minimizing tax burdens and maintaining next generation stability.

Moreover, delving into the setting of listed family firms, this study unveils valuable insights that should be of particular interest to external investors who must weigh the merits of short-term profit *versus* long-term sustainability. When family-owned businesses prioritize transgenerational responsibility, they often adopt a tax avoidance strategy that may not immediately translate into impressive short-term financial performance. For an investor seeking quick returns, this situation might be seen as unfavourable. However, this emphasis on transgenerational responsibility signifies the company's unwavering commitment to sustained success and financial well-being across generations. While it may not provide immediate gratification in terms of profit, it reflects a business's focus on long-term stability and growth. This can be immensely appealing to investors who value stability and are seeking to build wealth through long-term, enduring investments. In essence, family businesses that emphasizes transgenerational responsibility represent an attractive choice for investors who are willing to forego immediate gains in favour of long-term stability and the promise of sustained financial success. It's a strategic alignment that rewards patience and a forward-thinking approach to investment.

Finally, a comprehensive understanding of tax avoidance in family firms enables policymakers to refine and update tax policies and regulations. This informed decision-making can lead to more effective and equitable tax reforms, ultimately benefiting the economy and government revenue.

Limitations and Future Line of Research

This paper encompasses several limitations that must be carefully considered in conducting future research. First, the concept of transgenerational responsibility, as a latent construct, is not directly observable and thus represents a convenient proxy derived from factor analysis. While relying on primary data from survey questionnaires is usually preferrable to capture CEO values (e.g. Bernhard & Labaki, 2021), it would have been very difficult to grasp such information regarding tax issues since family members are highly reluctant to make this kind of disclosure (Boubaker et al., 2022). As a result, a fruitful research avenue would be to conduct deeper investigations into the behavioural components of transgenerational responsibility outside the tax research domain. This offers an opportunity to delve into several areas, for instance, investigations into family business succession (e.g. De Massis et al., 2008) and intergenerational wealth transfer (e.g. Carr et al., 2016) may incorporate the ethical perspective on the responsible attitude of family CEOs towards the next generation.

Second, the use of a tax avoidance measure such as ETR neglects the wide spectrum of other tax-related strategies that comprise, for example, aggressive tax avoidance or tax sheltering (Dyreng et al., 2008). Future studies pondering those measures, considered illegal or borderline (e.g. Hanlon & Heitzman, 2010; Hanlon & Slemrod, 2009), would advance the ongoing debate on the ethicality of tax behaviours in family firms. Indeed, the tax strategy of family businesses could change radically as the responsibility to preserve the family's reputation may be at the detriment of the responsibility towards future family members.

Third, the analysis is based on a single country, and this undermines the generalizability of our findings since tax and strategies are contingent upon the legal regimes (Brune et al., 2019) and the cultural values embedded in a country (Lei et al., 2022). Future research could therefore target multiple countries to bolster the external validity of our study. This approach would not only broaden the applicability of our findings but would also clarify whether the institutional and/or the cultural context play an important role in explaining variations in tax avoidance practices among family firms. At the same time, comparing Italy's tax avoidance patterns with those of other countries during the same period can provide a broader perspective on the global tax landscape. This future avenue may help identify whether Italy's experiences are unique or part of broader international trends.

Furthermore, our reliance on data from listed firms primarily stems from data availability. However, we must recognize that tax decisions in non-listed family firms may differ, given their lower visibility to the public and tax authorities. That is, exploring non-listed family firms is likely to provide additional insights into this subject.

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Declarations

Conflict of interest Authors declare no conflict of interests.

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