Board Diversity and Risk Behavior: Does the Family Firm Ownership Matter?

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Abstract:

This study aims to investigate the impact of board demographic diversity, including age, gender, and nationality, on a firm's risk-taking behavior for 146 listed German firms for the period from 2014 to 2018. Moreover, it examines whether the relationship between board demographic diversity and a firm's risk-taking behavior significantly differs in family and non-family firms. Our findings suggest that age and nationality diverse boards enable firms to take more risk. However, the study finds that board age and gender diversity increase firms' propensity to take less risk in family firms than in non-family firms. With this study, we contribute to the literature on board diversity and family business that incorporates the perspective of socioemotional wealth.