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Article

The impact of family ownership on firm performance: A study on Vietnam

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FINANCIAL ECONOMICS | RESEARCH ARTICLE

The impact of family ownership on firm performance: A study on Vietnam

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Abstract: The purpose of this study is to examine the effect of family ownership and other factors on firm performance in Vietnam and to determine the optimal level of family ownership required to maximize firm performance. The study employs the quantitative method of panel-corrected standard errors (PCSE) regression to analyze data on 31 nonfinancial enterprises listed on the Ho Chi Minh City Stock Exchange (HOSE) in Vietnam between 2011 and 2019. The firm performance is analyzed from both a market perspective (via Tobin's Q) and an accounting perspective (via return on assets [ROA]). The U-shaped curve illustrating this effect show that the relationship between family ownership and the performance of Vietnamese enterprises is negative. Tobin's Q decreases as the family ownership ratio increases. Firm performance reaches its lowest point when family ownership exceeds 42.53%; then, as family ownership increases, Tobin's Q increases as well. Similarly, as family ownership increases, ROA decreases, and firm performance reaches its lowest point at 65.89%; then, as family ownership increases, firm performance improves.

Subjects: Corporate Finance; Investment & Securities; Operations Management

Keywords: Family ownership; firm performance; ROA(EBITDA); ROA(NI); Tobin's Q; Vietnam

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PUBLIC INTEREST STATEMENT

The family firm model is prevalent throughout the world's economies. In a family firm, family members frequently retain a sizable percentage of equity and management rights. At the moment, there are numerous arguments regarding the effect of family ownership on firm success. This study was conducted to explore the effect of family ownership ratio and a few other factors on firm performance as well as establish the best family ownership ratio for maximizing company performance. Firm performance is analyzed in this study from both a market (through Tobin's Q) and an accounting perspective (through return on assets). The research data was gathered in one of Asia's fastest rising economies in recent years, Vietnam. According to the findings, the relationship between family ownership rate and Vietnamese enterprise performance is negative and shaped like a "U."

1. Introduction

A family enterprise is a form of ownership in which family members own a majority of the enterprise's equity, management, and operating rights. It is frequently portrayed as an organization that lacks independence in decision-making, as its decisions are influenced by family members' interests. This business model is widely used in advanced economies, such as Europe and the United States, as well as in Asia. La Porta et al. (1999) rely on enterprise statistics in 27 countries. According to the data, 68% of the publicly traded companies are family owned. Additionally, Anderson and Reeb (2003) conduct research on 403 S&P 500 companies, approximately one-third of which are family owned. Particularly in Vietnam, after 35 years of reform, family enterprises tend to outperform other types of businesses in terms of sales, profits, and other growth indicators. To adapt to the new situation, family enterprises began to shift their operating model: from an owner- or family-managed model to a family-owned and externally managed model.

According to Anderson and Reeb (2003), Maury (2006), and Miller et al. (2007), family ownership has an effect on firm performance. Additionally, some studies about Asian countries, such as Saito (2008); Shyu (2011), corroborate these findings. These studies demonstrate that family ownership has the potential to reduce agency costs while improving firm performance. In a study of Fortune 1000 family-owned enterprises by Miller et al. (2007), there is no correlation between the rate of family ownership and business performance. As a result, whether family ownership improves corporate efficiency or reduces agency costs remains debatable.

In Vietnam, current studies on the ownership structure of enterprises have been conducted on those enterprises listed on the stock market. These studies focus on analyzing the influence of corporate ownership, state ownership, and foreign ownership on firm performance. The relationship between family ownership and business performance is still being studied, because of the small number of family-owned enterprises listed on the Vietnamese stock market. The purpose of this study is to examine the relationship between family ownership and the performance of enterprises listed on the Vietnam's Ho Chi Minh City Stock Exchange (HOSE). The study makes some recommendations for enterprises regarding the family ownership ratio so that they can achieve the desired performance.

2. Literature review

2.1. Family ownership

A enterprise can be defined as being family owned in one of three ways: (i) a family member founded the firm; (ii) a family member controls the business by holding a majority share of voting rights; or (iii) a family member participates in management of the business (Villalonga & Amit, 2006). When an enterprise is family owned, it is controlled by a family that is actively involved in its governance or has members on its board of directors (Martínez et al., 2007). According to the definition of a "related person" in the Vietnamese Enterprise Law of 2014, family ownership occurs when individuals are closely related to the business's manager, member of the board, or shareholder. The following shareholders have a direct or indirect relationship with the enterprise: wife, husband, father (biological or adoptive), mother (biological or adoptive), child (biological or adoptive), brother or sister (biological or adoptive), and brother-in-law or sister-in-law.

2.2. Firm performance

The research on firm performance stems from Murphy et al. (1996)'s examination of organizational structure and management policies. In general, firm performance is evaluated based on an examination of its financial statements and market value. From a financial perspective, firm performance is about increasing revenue, reducing costs, increasing profits on total assets, and increasing profits for shareholders (Chakravarthy, 1986). The return on assets (ROA), return on

equity (ROE), and return on invested capital (ROI) are frequently used financial instruments for evaluating firm performance. Additionally, firm performance is evaluated using market factors, including the organization's structure, business activities, and the growth of the stock market's market capitalization. Two commonly used indicators are the ratio of the market price to earnings per share (P/E) and the ratio of market capitalization plus the book value of debt to total assets (Tobin's Q). Tobin's Q is used in numerous previous studies on corporate performance, for example, Harold Demsetz and Villalonga (2001), Maury (2006), and Shyu (2011). The performance of businesses is examined from two perspectives in this study: financial statements (ROA [EBITDA] and ROA [NI]) and market indicators (Tobin's Q).

2.3. Agency theory

Agency issues arise when assets (cash flow) are divided between owners and managers or when important business decisions are made and interfered with. Because of the separation between ownership and management in modern business models, the primary conflict in a joint-stock enterprise is between shareholders and managers. Managers (representatives, typically hired) can exercise their profit rights. They benefit from information or expertise in order to make self-interested decisions. However, it might be detrimental to the enterprise's overall interests and to the interests of shareholders in particular. The theory of agency problems reflects the relationship between one party that delegates responsibility for managing work to another party that acts as a representative to manage the work. Agency problems have historically been studied from two perspectives: agency theory and principal-agent theory (Michael C Jensen, 1983).

Michael C Jensen and Meckling (1976) proposed the agency theory in response to conflicts of interests between joint-stock enterprise managers (the representative) and shareholders (the owner): one party is concerned with maximizing corporate value, whereas the other is concerned with stock prices and dividends. This contradiction becomes even more pronounced in an environment of information asymmetry. When the parties have divergent goals and divisions of labor, agency theory is extended by metaphorically describing this relationship through contracts (Michael C Jensen & Meckling, 1976). According to agency theory, when a principal and an agent enter a binding contract, the agent is obligated to act in the principal's best interests. The representative is rewarded for acting in the principal's best interests by being able to acquire additional business shares or certain beneficial privileges. This eliminates the agent's conflict of interest with the principal. Michael C Jensen and Meckling (1976) assert that increasing agent ownership reduces their self-interest. If the parties agree on their mutual interests, this conflict can be mitigated.

Meanwhile, it can be manifested in certain relationships, such as those between a client and a lawyer, an employer and an employee, or a buyer and a broker (Harris & Raviv, 1979); principal-agent theory is concerned with optimizing behavior with regard to outcomes between the principal and the agent. When information is asymmetric, the representative may or may not deliver on the promise for personal gain. Thus, the agency issue arises as a result of the agent's and principal's target differentiation, and the principal has no way of knowing when the agent will act and whether or not it will harm the principal's interests. When principals express skepticism, they frequently seek to close the gap by increasing investment in information systems (regulations, conventions, procedures, reporting, fragmentation of management levels, decentralization of supervision) or by developing contracts with authorized individuals based on the results they can achieve. When the contract requires that the representative's performance be meticulously prepared, the cost of transferring this risk from the principal to the representative increases when the business results are exposed to greater risks, and vice versa. If both parties benefit from the output (e.g., a successful business), the conflict of interest is reduced, as the agent has no incentive to act in his or her own self-interest. To summarize, agency problem theory is concerned with the outputs and information exchanged between the agent and the principal.

2.4. The relationship between family ownership and firm performance

Family ownership has the potential to improve or degrade a firm performance. Because they do not have to shoulder the entire additional cost if an owner-manager drops the proportion of

ownership below 100%, the manager uses or wastes business resources for personal benefit (Michael C Jensen & Meckling, 1976). Manager ownership is negatively related to agency expenses if agency costs are essential to the organization. When the family's objectives are aligned with the firm's interests, having a majority share and participating in the governance of operations or supervising managers can reduce agency costs and improve firm performance.

A family-owned enterprise is characterized by a high degree of power concentration among family members. Investors with a significant financial stake in a business have a greater financial incentive to avoid agency conflicts and improve overall performance (Harold Demsetz & Lehn, 1985). Additionally, in family-owned enterprises, the family's assets are inextricably linked to the company's creation, providing an incentive for the family to rein in the manager's self-interested behavior. When monitoring requires specialized knowledge, as it does in technological businesses, family members have a distinct advantage due to their access to resources, manufacturing know-how, and industry experience (Burkart et al., 2003).

A family-owned enterprise also benefits from the long-term commitment of family members to the business's development (which lasts generations). Family members are more likely to make long-term plans than other shareholders who are primarily concerned with short-term profits or surfing (James, 1999). Casson (1999) asserts that family members view the business not only as a means of self-improvement but also as an asset to be passed on to future generations. Recognizing the critical nature of such a business, family members always advocate optimizing its performance. High levels of trust and residual value can help family-owned businesses save more on agency costs than non-family businesses.

Family members may or may not play a direct role in the operation of the business. Maury (2006) establishes a link between a family's active control over business activities and profitability. Martínez et al. (2007) also demonstrate that family involvement in business management can boost performance. At the same time, family ownership can impair business performance. A family-controlled business is characterized by extreme conservatism, authoritarian governance, and the potential to infringe on the interests of minority shareholders. Numerous empirical studies demonstrate that family members can leverage their position and influence minority shareholders for personal gain. Grossman and Hart (1980) assert that when ownership is concentrated in a small number of shareholders, those shareholders tend to make arbitrary decisions, depriving minority shareholders of benefits. Family-owned businesses may prioritize nonmonetary benefits and divert resources from profitable projects, resulting in a decrease in corporate efficiency (Harold Demsetz, 1983). Making business decisions based on the personal opinions of family members also reduces performance, as it can have a negative effect on employee productivity and motivation (Burkart et al., 1997). Additionally, because family shareholders have a natural aversion to nonfamily shareholders, they are less likely to form a positive relationship later (possibly due to conflicts of interest). Anderson and Reeb (2003) report that family-owned enterprises frequently restrict management positions within the enterprise to family members, rather than hiring external managers.

Additionally, complicated family relationships can result in conflict and harm the business's reputation with customers and shareholders. Miller et al. (2007) used a sample of Fortune 1000 companies to demonstrate that businesses owned by family or close relatives are never better managed than other businesses from a market valuation perspective, even when first generations of family members manage the businesses. Additionally, enterprise management positions are frequently retained for an extended period of time, even when the business is inefficient. Cucculelli and Micucci (2008) discovered that family status-based management has a detrimental effect on firm performance. The preceding results are more pronounced in areas with high competition.

Not only does family ownership have an impact on firm performance, but firm performance also has an impact on family ownership. Harold Demsetz and Villalonga (2001) assert that the market will guide family members toward the optimal ownership ratio. Additionally, each business's family

ownership structure is unique due to the differences in factors such as economies of scale, particular determination, or the stability of the market in which the enterprise operates. Internal transactions and share buybacks are also indicators of a family-owned enterprise's ability to operate effectively. Anderson and Reeb (2003), Maury (2006), Poutziouris et al. (2015), and Shyu (2011) all support this hypothesis, arguing that family members have an advantage over other shareholders in terms of having more inside information and a better forecast of the business's prospects, allowing them to increase or decrease their ownership ratio during any given period. Anderson and Reeb (2003), Maury (2006), and Shyu (2011) all examine the relationship between family ownership and firm performance using the two-stage least squares method. Family ownership has an effect on business performance and vice versa; business performance has an effect on family ownership as well. This demonstrates that if endogeneity is not taken into account when estimating the relationship between family ownership and firm performance, the estimated results may be skewed.

In summary, based on practical concerns and empirical evidence from earlier studies, this study argues that family ownership and firm performance are connected with agency costs, which are primarily the outcome of conflicts between majority and minority shareholders. Because family ownership has the potential to increase or decrease various types of agency costs, a relationship between family ownership and business performance may or may not exist in various research contexts. Because the purpose of this study is to determine whether or not there is a correlation between the two notions in Vietnam, hypothesis 1 is offered as follows:

Hypothesis 1: Family ownership has an effect on firm performance.

Furthermore, there is still controversy regarding whether family ownership has a positive or negative impact on firm performance. In fact, even when the family ownership ratio is moderate, the remaining shareholders' weight of consideration and rebuttal is still high enough to maintain the accuracy of corporate judgments while not slowing decision-making speed to cope with the market's rapid swings. As a result, the firm performance is not only sustained, but also greatly increased. When the percentage of family ownership is too high, the majority shareholders may act arbitrarily in corporate choices. The remaining minority shareholders' criticisms are baseless; business decisions may be incorrect and bring harm to the company. The firm's performance has deteriorated since then. As a result, the study suggests that family ownership has a nonlinear rather than linear impact on firm performance. The following hypothesis is proposed:

Hypothesis 2: Family ownership has a nonlinear effect on firm performance (i.e., it takes an inverted U shape).

2.5. The relationship between other factors and firm performance

Research and development costs can positively affect firm performance (Morck et al., 1988). However, enterprises with high research costs (typically) also require external supervision (investors), which can lead to reduced firm performance (Chen et al., 2003; Chen & Steiner, 1999).

Cash dividends can reduce a firm performance, as a policy of high cash payout can result in a scarcity of investment opportunities (Ross, 1977). In comparison, substantial cash dividend payments reduce agency costs and may have a beneficial effect on firm performance (Chen & Steiner, 1999). According to Huang et al. (2012), dividend payments can have either a positive or negative effect on the family's ownership of the business (at levels of ownership below 10%, from 10% to 20%, and greater than 20%). As a result, the dividend payout ratio's effect on firm performance is still unclear (Chen et al., 2003).

With regard to long-term debt, Morck et al. (1988) argue that financial leverage can assist firms in obtaining tax benefits, thereby increasing the value of Tobin's Q. Long-term debt, however, is negatively correlated with a firm performance (Chen et al., 2003; Harold; Demsetz & Villalonga, 2001; Kowalewski et al., 2010; Poutziouris et al., 2015; Srivastava & Bhatia, 2020), as financial leverage increases a firm's likelihood of bankruptcy.

Organizational shareholders are viewed as an external source of oversight that assists shareholders in monitoring the board of directors' decisions and management (family members of the business) to ensure that their interests are not jeopardized by those of other shareholders. Chu (2011) demonstrates that, as stated by Chen et al. (2003), the percentage of shareholders in an organization is positively correlated with the firm performance.

Firm size can have a detrimental effect on performance if the business grows larger and more diversified but is still managed by a conservative mindset that refuses to adapt to the size of the enterprise's family members (Block et al., 2011; Harold; Demsetz & Villalonga, 2001; Lang & Stulz, 1994). Additionally, some studies have found a positive correlation between firm size and performance, indicating that larger firms may be more efficient in their asset utilization (allocation, management, and use) and benefit from economies of scale (Andres, 2008; Barontini & Caprio, 2006; Chu, 2011; Martínez et al., 2007).

3. Material and methods

3.1. Research model

Following previous studies by Block et al. (2011), Poutziouris et al. (2015), and Shyu (2011), we propose the following two equations regarding the impact of family ownership on firm performance. Table 1 lists the variables and their definitions.

The linear relationship between family ownership and firm performance is described by model (1). The rate of family ownership is expected to be positive (+).

$$\text{Perf}_{it} = \beta_{1i} + \beta_{2i}\text{Own}_{it} + \beta_{3i}\text{Size}_{it} + \beta_{4i}\text{LongDebt}_{it} + \beta_{5i}\text{DIV}_{it} + \beta_{6i}\text{InstOwn}_{it} + \beta_{7i}\text{Intang}_{it} + e_{it} \quad (1)$$

The second equation shows a quadratic (nonlinear) relationship between family ownership and firm performance. Family ownership squared (Own2) is expected to be statistically significant and to take a negative value. The relationship between family ownership and firm performance has an "inverted U" shape when this factor is considered. Increases in family ownership initially boost firm performance, but this effect fades as the ownership ratio exceeds the optimal level, and firm efficiency begins to decline as the family ownership ratio rises.

$$\text{Perf}_{it} = \beta_{1i} + \beta_{2i}\text{Own}_{it} + \beta_{3i}(\text{Own}_{it})^2 + \beta_{4i}\text{Size}_{it} + \beta_{5i}\text{LongDebt}_{it} + \beta_{6i}\text{DIV}_{it} + \beta_{7i}\text{InstOwn}_{it} + \beta_{8i}\text{Intang}_{it} + e_{it} \quad (2)$$

3.2. Research data

The data was collected from listed enterprises between 2011 and 2019, and it met Shyu (2011)'s family business criterion: its overall family ownership rate exceeds 10%, family members join the board of directors, or more than 50% of the board members are family members. Furthermore, banks, insurance companies, financial institutions, and securities firms are excluded from the sample due to their distinct financial structures.

The information comes from annual reports of publicly traded companies and databases maintained by CafeF, Vietstock, and Cophieu68. It includes financial statements, information about the board of directors, family relationships, insider transaction reports, major shareholder transaction reports, and prospectuses used to calculate family holdings.

As a result, data were collected from 31 HOSE-listed companies over nine years (2011 to 2019), totaling 279 observations. Fourteen were manufacturers, eight were in construction and real estate, five were in wholesale, and two were in agriculture. Information technology and transportation/warehousing each have one enterprise.

The percentage of these enterprises owned by a family range from 8.78% to 81.03%, with an average of 35.08%. At 19.35% of these businesses, family ownership is 51% or more. Enterprises with a family ownership rate of 30% or more account for 52.04% of these businesses.

The highest Tobin's Q is 13.15, with a minimum of 0.152 and an average of 1.9630. Companies' stock value varies greatly after the recession in 2012 and is rebounding, therefore, Tobin's Q has a value of less than 1, accounting for 41.12% of the sample observed. Meanwhile, ROA(EBITDA) has a maximum of 0.9393 and a minimum of -0.1051, with a mean of 0.0948. ROA(NI) has a maximum of 0.7219 and a minimum of -0.1188, with an average of 0.0555. Table 2 contains further information.

After establishing the absence of multicollinearity, we conduct the necessary tests to determine the most appropriate research model, whether pooled ordinary least squares (OLS) regression, fixed effects model (FEM) or random effects model (REM). Based on the findings with the Hausman test, the REM model is deemed the most suitable. The model, however, encounters variable variance and error autocorrelation. To overcome this, we use the panel-corrected standard errors (PCSE) method. Table 3 shows the results of regression analysis using the PCSE method.

4. Results and discussion

Thus, the variables for the family ownership rate (Own) and the family ownership rate squared (Own2) are statistically significant at the 1% level in the regression model (Table 3) with the dependent variable Tobin's Q. The variables Own and Own2 are both statistically significant at the 5% level in the regression model with the dependent variable ROA(EBITDA). The regression model's relationship with the dependent variable ROA(NI) is linear.

Table 4 shows the regression analysis results after the measurement model adjusts the dependent variable ROA(NI) for the linear model.

When firm performance is measured by Tobin's Q and ROA(EBITDA), the regression coefficient of the variable for the family ownership rate is negative, whereas that of the variable for the family ownership rate squared is positive. This result indicates that, as the family ownership ratio increases, the firm performance decreases initially and then improves as it approaches the minimum value. This indicates that the relationship between family ownership and firm performance is not linear. This nonlinear relationship is explained by the following regression equation:

$$\text{Tobin'sQ} = -14.2454 - 4.9835\text{Own} + 5.859\text{Own}^2 - 1.3138\text{Longdebt} + 0.0145\text{InstOwn} + 0.5843\text{Size} \quad (3)$$

$$\text{ROA(EBITDA)} = -0.1773\text{Own} + 0.2457\text{Own}^2 - 0.1381\text{Longdebt} + 0.3671\text{DIV} \quad (4)$$

In equation (3), the calculated mean values are substituted for the variables Longdebt (0.1466), InstOwn (23.7831), and Size (28.6109); in equation (4), the calculated mean values are substituted for the variables Longdebt (0.1466) and DIV (0.0828). After the addition of the variable Own, both equations become quadratic. Calculation of the extremes of both equations reveals that, when the family ownership rate is at 42.53% (in equation (3)) and 65.89% (in equation (4)), respectively, firm performance rebounds from the lowest point and progressively improves.

Table 1. Definition of variables		
Items	Expected sign	Measurement
Firm performance (Perf)		From an accounting standpoint: $ROA(EBITDA) = \frac{\text{Earning before interest, taxes, depreciation \& amortization}}{\text{Total assets}}$ $ROA(NI) = \frac{\text{Net Income}}{\text{Total assets}}$
Family ownership ratio (Own)	(+)	From a market standpoint: $Tobin's Q = \frac{\text{Market value of the enterprise}}{\text{Book value of total assets}}$
Family ownership ratio squared (Own) ²	(-)	Percentage of total family ownership in the enterprise squared
Enterprise size (Size)	(+)	Ln (Book value of total assets)
Long-term debt ratio (Longdebt)	(-)	$\frac{\text{Long-term debt}}{\text{Total assets}}$
Cash dividend payout ratio (DIV)	(+)	Percentage of cash dividend payment
Institutional ownership ratio (InstOwn)	(+)	Percentage of institutional ownership
Intangible fixed assets to total assets ratio (Intang)	(-)	$\frac{\text{Intangible fixed assets}}{\text{Total assets}}$

Table 2. Descriptive statistics

Items	N	Mean	Standard Deviation	Min	Max
Own	279	0.3508	0.1898	0.0878	0.8103
Tobin's Q	279	1.9630	2.0693	0.1520	13.15
ROA(EBITDA)	279	0.0948	0.1019	-0.1052	0.9393
ROA(NI)	279	0.0555	0.0729	-0.1188	0.7219
Longdebt	279	0.1466	0.1420	0	0.6282
Intang	279	0.0180	0.0259	0	0.1943
InstOwn	279	23.78	20.23	0.0180	81.06
DIV	279	0.0828	0.1594	0	2.14
Size	279	28.6109	1.4543	26.0523	33.6318

Table 3. The results of regression analysis with the PCSE method

Items	Tobin's Q	ROA(EBITDA)	ROA(NI)
(Constant)	-14.2454***	0.0045	-0.0030
Own	-4.9853***	-0.1773**	-0.0645
Own2	5.8590***	0.2457**	0.1088
Longdebt	-1.3138*	-0.1381***	-0.1126***
DIV	0.2570	0.3671***	0.2942***
Instown	0.0145**	0.0003	0.0000
Size	0.5843***	0.0032	0.0019
Intang	0.7880	-0.1806	-0.1590
Adjusted R squared	32.9%	64.82%	64.2%

Note: *** $p < 0.01$, ** 0.05, * 0.1

This study's findings are consistent with those of Filatotchev et al. (2005), Miller et al. (2007), Sciascia and Mazzola (2008), and Shyu (2011). When the family ownership rate is low, initially an internal struggle occurs between groups of shareholders, possibly including another group of families with divergent views, for the right to run the business. As a result, the business is inefficient and incurs unnecessary agency costs for business operations (costs of hiring more supervisors, costs of handling adverse information). When family ownership reaches 42.53 percent (as measured by Tobin's Q) or 65.89 percent (as measured by ROA(EBITDA)), it indicates that family ownership is sufficient to dominate all business activities, so firm performance (by medium-size firms) improves.

This finding, however, contradicts previous research by Block et al. (2011), Chu (2011), and Poutziouris et al. (2015) on the existence of an "inverted-U-shaped" effect of family ownership on firm performance. Poutziouris et al. (2015) argue that firm performance increases as the family ownership ratio approaches 42 percent (with Tobin's Q) or 31 percent (with ROA (EBITDA)), and that if this threshold is exceeded, performance declines. Because family-owned businesses are conservative, authoritarian, and may infringe on minority shareholders' interests, they can prioritize nonmonetary gains and divert resources from profitable endeavors.

When ROA(NI) is used as a performance indicator, firm performance is positively correlated and linearly related to the family ownership ratio. Calculating the family ownership ratio in order to maximize firm performance is not possible because the variable for the family ownership ratio squared is statistically insignificant. The increasing percentage of family-owned businesses

Table 4. Results of the effect of family ownership ratio on firm performance with the PCSE method

Items	Tobin's Q	ROA(EBITDA)	ROA(NI)
(Constant)	−14.2454***	0.0045	0.0135***
Own	−4.9853***	−0.1773**	0.0255*
Own ²	5.8590***	0.2457**	
Longdebt	−1.3138*	−0.1381***	−0.1161
DIV	0.2570	0.3671***	0.2948***
InstOwn	0.0145**	0.0003	0.0000
Size	0.5843***	0.0032	0.0009
Intang	0.7880	−0.1806	−0.1314
Adjusted R squared	32.9%	64.82%	63.65%

*** $p < 0.01$, ** 0.05, * 0.1.

contributes to the success of businesses. This research finding corroborates the assertion by Chen et al. (2003) of a linear relationship between firm performance and family ownership. The primary reason is that family businesses have been in operation for a long time, which means they have a wealth of experience and sensitivity in operation. Especially, after the economic crisis that occurred before to 2012, almost all firms are on the trend of recovery and growth.

Some additional factors also affect firm performance. First, the long-term debt ratio is statistically significant and has a negative correlation with firm performance from a market perspective (significant at 10%) and an accounting perspective (ROA(EBITDA), significant at 1%). The regression results indicate that the hypothesis that long-term debt has a negative effect on the performance of enterprises listed on the HOSE is confirmed. Chen et al. (2003), Kowalewski et al. (2010), and Shyu (2011) all concur with this research finding, stating that enterprises are increasingly borrowing. Borrowing without management and using debt effectively create significant pressure on enterprises, increasing the likelihood of bankruptcy. Debt is one of the current tools employed by businesses in Vietnam, but each business's strategy varies according to its conditions, model, and type of production. Family businesses rarely use financial leverage (debt) because the average long-term debt ratio in the capital structure is only about 14.65%, which indicates the absence of an appetite for debt.

Second, the rate of cash dividend payment is positively correlated with the business's performance in the ROA(EBITDA) and ROA(NI) models at the 1% level of significance, but not in the model containing Tobin's Q. Dividend payments are between 0% and 10%, with 209 observations (74.91%) indicating that the majority of family businesses do not pay dividends or pay them at a low rate. Chen and Steiner (1999), who hold a similar view, demonstrate that increasing cash dividend payments can reduce agency costs, thereby improving firm performance. In Vietnam, investors might not be concerned about this cash dividend payment when they participate in the stock market. They anticipate profiting from stock price fluctuations, rather than cash dividends.

Third, although institutional shareholder ownership has a positive correlation with business performance in the model containing Tobin's Q (with a significance level of 5%), it is not statistically significant in the other two models. This demonstrates that the market highly values the supervisory role of institutional shareholders in family businesses, as institutional shareholders own an average of 23.78% of family businesses, whereas family businesses own 35.08%. The institutional shareholder ownership ratio improves business performance. Chen et al. (2003); Chu (2011) use institutional shareholder ownership ratios as an indication of internal corporate monitoring in order to help reduce agency costs. At the moment, when preparing to invest in a listed company, investors use the portfolios of investment funds as a reference point because

institutions combine the strength of many people in order to have more financial resources and a significant enhancement in making investment decisions (Ha & Hiep, 2019). Additionally, because it is impossible to predict how enterprises operate, the fact that investment funds invest in them contributes to investor confidence in family firm performance.

Fourth, the size of the enterprise has a beneficial effect on its performance; however, it is not statistically significant from an accounting standpoint, only from a market standpoint (at a 1% significance level). The regression results indicate that the hypothesis that firm size has a positive effect on the performance of family businesses listed on the HOSE is confirmed. This result is similar to several studies, including those by Barontini and Caprio (2006), Kowalewski et al. (2010), and Poutziouris et al. (2015). It demonstrates that, due to economies of scale, larger firms are more appreciated by the market in terms of operational efficiency than smaller enterprises. All enterprises in Vietnam place a high priority on their development. However, 96.7% of businesses in Vietnam are small and medium size (Thanh Hải, 2019). These enterprises provide the Vietnamese economy with vital energy. But they are insufficiently large to have access to social resources that support production and business, such as the ability to attract highly skilled workers, obtain land, acquire credit from banks or investment funds, or apply advances in science and technology to company activities.

Finally, the ratio of intangible fixed assets to total assets is positively correlated with family business performance, but it is not statistically significant from both the market and accounting perspectives. The reason is that the enterprise's average ratio of intangible fixed assets to total assets is only 1.8%, which means that this variable has no effect on the firm performance. Vietnamese family businesses have not made significant investments in this resource, particularly in research and development. This is one of the major shortcomings that contributes to the fact that Vietnamese enterprises remain dormant and wait for technology transfer from elsewhere.

5. Conclusions and policy recommendations

Our results indicate that, when measured from a market perspective using Tobin's Q and an accounting perspective using the ROA variable (EBITDA), family ownership has a U-shaped effect on a business's performance. This is an inverse and nonlinear relationship. In other words, there is a point at which family ownership ratios are too low, and business performance suffers. Additionally, from an accounting perspective, the linear equation using the variable ROA (NI) indicates a positive relationship.

The research findings also indicate that the minimum family ownership ratio required to maintain firm performance is the lowest at 42.53% and 65.89%, respectively, corresponding to the variable market perspective with Tobin's Q and accounting perspective via ROA(EBITDA). Among the sample enterprises, the share of family ownership averages 35.08%. At present, family enterprises perform quite well. Thus, the ownership ratio should be kept as close as possible to the value calculated here to prevent the lowest business performance.

Additionally, all control variables produced the expected results. The research findings for family businesses listed on the HOSE are not contradictory, from either a market or accounting perspective. The research findings indicate that, regardless of the perspective, family ownership has an effect on business activities.

Apart from adjusting family members' ownership ratios, the study makes the following four recommendations for maximizing firm performance.

First, the long-term debt ratio should be kept within the parameters of the enterprise's development strategy. The ratio of long-term debt to equity has a negative correlation with firm performance, indicating that, the higher the ratio of long-term debt is, the worse the business performance. The reason is that enterprises with long-term debt may be unable to utilize financial leverage and tax shelters effectively, resulting in costs other than interest and putting the

enterprise at risk of bankruptcy. Restructuring the long-term debt portfolio to align with the business strategy and orientation of each family enterprise is a critical issue. The average long-term debt ratio of family businesses is 14.66%, and the beta variable for corporate performance as measured by Tobin's Q and ROA(EBITDA) is -1.3138 and -0.1381 , respectively. This is a remarkable point in terms of market-based performance measures. Although the long-term debt structure varies across industries, the majority of family businesses should keep this ratio as low as possible. Investors consider investing in enterprises with the lowest possible long-term debt ratio and based on the average long-term debt ratio in the industry. Family enterprises must take this into account.

Second, institutional shareholders' inspection and supervision activities should be bolstered. Institutional shareholders can include enterprises with idle capital, other businesses owned by these family members, and, most notably, investment funds. External investors may be unable to comprehend the performance of family enterprises properly. However, the fact that other firms and organizations invest in family businesses is a signal for them to consider since they believe in institutional investors' expertise, knowledge, and understanding. This is demonstrated by the fact that this ratio is positively correlated with firm performance. Perhaps some enterprises have recognized this issue and adjusted their family ownership ratio to reduce or increase the percentage of institutional shareholders to signal to the market that their business is not run for their own or their family's benefit but, rather, for the benefit of shareholders. Although increasing the percentage of shareholders is desirable, it is necessary to keep the ownership ratio of family business members as far from the two ratios as possible in order to avoid having the least-effective business: 42.53% and 65.89% (in terms of market perspective Tobin's Q and accounting perspective ROA(EBITDA), respectively).

Third, the enterprise's size is the most critical factor to improve in family businesses. Among positive variables that affect firm performance, firm size has the highest beta coefficient (0.5843). Before evaluating a business's performance, an investor considers its size. As a result, this is an issue that owners of a family business should consider. Although the size of the business varies by industry, the larger the family business is, the better, because larger businesses can generate more surplus cash flow. The larger the business is, the more transparent its information will be, making bankruptcy less likely. This gives them peace of mind, which makes it easier to access capital for productive investment, and preferential interest rates are among the advantages they have over other small-scale enterprises.

Finally, cash dividends entice family enterprises. The fact that family enterprises operate solely on their own principles and directions can result in the polar opposite of what investors desire. The fact that the enterprise pays cash dividends demonstrates that it is operating effectively and has a surplus cash flow (especially meaningful from an accounting perspective, ROA(EBITDA)) and thus dispels concerns about the enterprise benefiting only the owner's family. Additionally, this demonstrates that investors are more concerned with cash dividend payments than with stock price fluctuations.

6. Limitations and future search

Although numerous results were found, the study does contain the following limitations. First, the research sample is not extremely representative, as family businesses account for slightly more than 9% of all enterprises listed on HOSE. Furthermore, there are numerous large-scale family businesses that have not yet been listed on the HOSE. Second, information about the ownership ratio of the company's family members is gathered solely through annual management reports. However, in other cases, family members possess these shares indirectly through another company they own. In essence, this number of shares remains in the hands of family members. As a result, the percentage of family members owning such businesses may be more than what is reported.

Based on the limitations listed above, further study can be conducted in the following areas:

To begin, the sample size might be increased by including companies listed on the Hanoi Stock Exchange (HNX). Furthermore, because the variable of family member ownership is difficult to gather correctly, it is possible to concentrate on examining the performance of enterprises with or

without family management. Second, one of the research directions worth investigating is the study of the second and third generation of entrepreneurs on the firm performance. Third, the corporate governance element was not examined in the study. Future research can incorporate particular variables relating to corporate governance factors into the research model. Finally, different industries have different levels of competition, allowing family members to reconsider their conservative views on corporate ownership. This indicates that the industry's competitive criteria should be assessed for inclusion in the research model.

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