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#### **RESEARCH ARTICLE**

## EMR European Manageme The Journal of the European Academ

## Revisiting the impact of families on family firm performance

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## **INTRODUCTION**

#### Abstract

Family owners monitor managers, attenuating principal-agent conflicts and improving firm performance. However, family owners also appropriate resources, creating principal-principal conflicts that harm firm performance. Although these effects occur simultaneously, research does not explain when one outweighs the other. We theorize that agency costs are minimized when the family's involvement on the board of directors is proportional to its ownership; too little board involvement fuels principal-agent conflicts, and too much fuels principal-principal conflicts. Consistent with our theorizing, evidence from French panel data shows firm performance increases as family board involvement and family ownership jointly increase, and performance is maximized when family board involvement and family ownership are proportional.

#### **KEYWORDS**

agency theory, family board involvement, family business, family ownership, firm performance

The impact of families on family firm performance remains in dispute (O'Boyle et al., 2012; Taras et al., 2018; Villalonga & Amit, 2006; Wagner et al., 2015). What we know is that family ownership helps mitigate principalagent conflicts because large ownership stakes provide an incentive to be involved in decisions, actively monitor and maximize firm managers, performance (e.g., Anderson & Reeb, 2003; McConaughy et al., 1998). We also know, however, that family owners foster principal-principal conflicts wherein families use the firm's resources to pursue family goals at a cost to minority shareholders and firm performance (e.g., Claessens et al., 2002; Santulli et al., 2019; Taras et al., 2018; Villalonga & Amit, 2006). Although we know much separately about principal-agent and principal-principal agency conflicts in family firms (Dyer, 2018), what we do not know (i.e., the gap) is what happens when both sources of conflict are considered simultaneously. It is worth investigating when family owners' ability to reduce principal-agent problems gives way to their incentive to exacerbate principal-principal problems because such knowledge helps explain why family firms are "a breed of extremes" where some wildly outperform and others drastically underperform (Miller & le Breton-Miller, 2021). In this paper, we propose filling this gap with a theoretical account and empirical assessment of how the positive performance effects of reduced principal-agent conflicts interact with the negative performance effects of principalprincipal conflicts in family firms.

Principal-agent conflicts occur between shareholders and managers because these actors have different interests, and widely dispersed shareholders lack the incentive and information to actively monitor managers (Fama & Jensen, 1983). However, principal-agent conflicts can be greatly reduced by a board of directors composed of knowledgeable directors who ensure managers act in shareholders' interests (Daspit et al., 2021; Monks & Minow, 2011; Santulli et al., 2019). Such conflicts can be further reduced when board members have large ownership shares that give them both the incentive and voting power to monitor managers and quickly replace managers who do not serve shareholder interests (Maury, 2006). As large owners, family members can provide such oversight primarily through their roles as board members. Although

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many family firms have family members on the board and in management, our focus is on the board as the ultimate fiduciary. Family members serving as managers, but who are not on the board, might lack the power to materially reallocate resources, whereas those on the board can use their position to push their policy objectives (de Miguel et al., 2004; Pindado et al., 2014; Yeh & Woidtke, 2005).

However, family ownership is also known to give rise to principal-principal conflicts that occur between majority and minority shareholders (Kabbach de Castro et al., 2017; Villalonga & Amit, 2006). Families gain non-financial benefits, such as the ability to employ family members, enjoy corporate resources, and protect the family's control across generations. Often described under the label "socioemotional wealth" (SEW), the actions that families take to preserve SEW often conflict with other shareholders' focus on wealth maximization (Gomez-Mejia et al., 2007, 2011; Kabbach de Castro et al., 2017). At low levels of (the percent of) family ownership, more of the cost of such actions can be shifted to nonfamily shareholders, but as the family's percent of ownership grows, so too does the cost to the family of actions that do not enhance firm performance.

Overall, while active family involvement in the board enhances the family's *ability* to monitor and shape strategic decision-making (Anderson & Reeb, 2003, 2004; Pittino et al., 2019), family ownership provides the incentive to direct such ability toward either shareholder goals or the family's non-financial goals (Boyd & Solarino, 2016; Hamadi, 2010; Kumar & Zattoni, 2016; Morck & Yeung, 2004). What is not known is how the competing agency conflicts interact in family firms. Our contributing insight is that firm performance increases as family board involvement and family ownership jointly increase and that the effects are proportional such that firm performance is maximized when family board involvement is balanced with family ownership. Too little family board involvement reduces the family's ability to direct and monitor hired managers and thus exposes the principal-agent conflicts (Anderson firm to & Reeb, 2003; Block et al., 2011; Madison et al., 2016). At the other extreme, too much family board involvement relative to family ownership provides both the incentive and ability to divert resources toward non-financial family goals that exacerbate principal-principal conflicts (Gomez-Mejia et al., 2007; Villalonga & Amit, 2006). While it might seem obvious that out-of-balance power might lead to bad outcomes, we are first to describe how such balance is best maintained in family firms, and we provide supportive evidence from a 4-year panel of 438 publicly-listed family firms in France.

The theoretical contribution of our work is to develop the novel insight that agency costs are minimized when family board involvement and family ownership are proportional. At each level of family ownership, too little family board involvement fuels principal–agent conflicts, and too much fuels principal–principal conflicts. Consistent with these theoretical insights, the first empirical contribution of our work is to provide evidence that firm performance rises jointly with family board involvement and family ownership, and firm performance is maximized when the proportion of family board involvement is about equal to the proportion of family ownership. Our theorizing and evidence are important because they provide balance to the negative view that family ownership harms performance through conservative decision-making motivated by the family's desire to preserve SEW (Debicki et al., 2017; Hu et al., 2022). Too much family board influence relative to ownership leads to poor firm performance as theory about SEW anticipates, but the family's incentive to focus on SEW declines as ownership grows and the family's *ability* to focus on SEW declines when they lack board seats. Our theory explains that only when ownership incentives are matched with the family's ability to act through its board influence will the focus on SEW diminish and the focus on firm performance increase. A second empirical contribution is introducing the ratio of family board involvement to family ownership as a new measure of family influence that better captures the heterogeneity of family business control. This new measure reveals information that cannot be recognized by studies that measure family board involvement or family ownership alone.

## BOARD INVOLVEMENT, OWNERSHIP, AND FAMILY-FIRM PERFORMANCE

In the family business context, family owners are large blockholders who can strengthen corporate governance and thereby reduce principal-agent conflicts (Maury, 2006). They have strong incentives to effectively monitor hired managers (Anderson & Reeb, 2004; Kabbach de Castro et al., 2017). Gomez-Mejia et al. (2001), for instance, show that following family firm underperformance, nonfamily managers are sacked, providing evidence that family owners care about financial performance and act accordingly when the firm underperforms. There is also evidence that family owners use their influence to align nonfamily CEOs incentive compensation with firm performance, further reducing principal-agent conflict (Jaskiewicz et al., 2017).

However, while family owners can improve performance by eliminating principal-agent conflicts, the evidence regarding the effect of family ownership on firm performance is mixed (Dyer, 2018; Taras et al., 2018). There is no clear direct effect of family ownership on firm performance (Chrisman et al., 2004). One reason is that while family ownership gives family members the power and incentive to monitor and limit principal-agent conflicts, they do not always exercise this power and, in fact, introduce a second well-known agency conflict, called the principal-principal problem, wherein a controlling owner uses their power to direct resources toward personal objectives at the expense of minority shareholders (Kumar & Zattoni, 2016; Santulli et al., 2019). This can involve directly tunneling funds into other entities controlled by the family (Claessens et al., 2000; Claessens et al., 2002; Morck & Yeung, 2004), loans on favorable terms to family members (Romano et al., 2001), nepotism (Perez-Gonzalez, 2006), and making corporate resources available to support family members' lavish lifestyle (Demsetz & Lehn, 1985; Miller et al., 2007; Peng & Jiang, 2010). The satisfaction of family needs with scarce firm resources has led to many scandals. For example, Enriques and Volpin (2007) describe a major corporate scandal at Parmalat in which the controlling family deceived and expropriated minority shareholders for years until the company was eventually bankrupt.

One specific source of principal-principal conflict that has received a great deal of empirical support (Gomez-Mejia et al., 2011) is that family firms tend to underinvest in important strategic decisions such as diversification (Gomez-Mejia et al., 2010), R&D (Chrisman & Patel, 2012), internationalization (Santulli et al., 2019), and acquisitions (Gomez-Mejia et al., 2018). According to behavioral agency theory, the reason for this underinvestment is that family owners have an endowment of socioemotional wealth (SEW) (Gomez-Mejia et al., 2007) that they seek to protect, and such strategic actions put the family's SEW at risk by bringing in external human and financial capital that might dilute the family's control (Gomez-Mejia et al., 2011). SEW is an umbrella term for affective, non-financial goals such as dynastic firm control, increased family firm identification, and emotional ties with family members (Gomez-Mejia et al., 2011). While not all aspects of SEW are harmful to minority shareholders (Debicki et al., 2017; Kellermanns et al., 2012; Ng et al., 2019; Schepers et al., 2014)-SEW can include a focus on the long term (Miller & le Breton-Miller, 2005), deep concern for corporate reputation (Deephouse & Jaskiewicz, 2013), or deliver "SEW resources" (Combs et al., 2023; Naldi et al., 2013)—the literature agrees that family firms protect their stock of SEW in general and their control of the family business in particular (Santulli et al., 2019). The overriding concern for maintaining family control has been consistently related to underinvestment in important strategic actions; family firms take fewer potentially performance enhancing actions than do nonfamily firms (Gomez-Mejia et al., 2011).

When family members serve on the board or as top managers (typically the same people on both), principal– agent conflicts are largely absent because the ownerfamily members and agent-managers are the same people and thus cannot, by definition, be in conflict. However, having family members in control of the board and in key top management positions also gives the family the most control over pursuing SEW, potentially exacerbating principal–principal conflicts due to the overarching SEW goal of continued family control. As the ultimate legal fiduciary, our focus is on family members on the

board while controlling for any marginal additional influence they might have as family managers. The reason is that the discretion of family managers who are not also on the board is limited to that which does not require board approval (i.e., such lower level managers have little influence over the pursuit of SEW goals), and family managers who also sit on the board (e.g., a family member CEO/board chair) influence strategic direction and major resource allocations through their influence over the board, leaving little to be explained at the margin by their additional power over day-to-day operations. Our focus on board involvement is consistent with evidence that many of the actions that family firms take to enhance and/or protect SEW-and the negative as well as positive consequences of such actions-have been linked to family members' direct involvement in the board (e.g., Anderson & Reeb, 2004; Bammens et al., 2011; Daspit et al., 2021; Gomez-Mejia et al., 2011). As the proportion of family members on the board grows, so too does the power of the family to set the agenda and direct the firm's resources. This involvement can be used to limit principal-agent conflicts by directing managers' actions toward maximizing firm performance, but it can also be used to aggravate principalprincipal agency conflicts by enabling families to pursue their SEW goals. What is unknown is when family members have the correct incentives and ability to limit principal-agent and principal-principal conflicts.

#### HYPOTHESES DEVELOPMENT

We submit that an answer can be found in the different and interactive effects that family members have on family firms as active participants on the board versus as owners. Prior research investigating the performance implications of family firms often uses (1) percentage ownership (e.g., Maury, 2006), (2) involvement in management and/or the board (e.g., Wagner et al., 2015), or (3) both (e.g., Anderson & Reeb, 2003) to identify family firms. Findings have largely been mixed (O'Boyle et al., 2012; Taras et al., 2018; Wagner et al., 2015), and one reason might be that these different sources of family involvement generate different outcomes. The impact of family ownership and involvement in the board and/or management have both been well researched, but their potentially interactive effects are yet to be investigated.

Ownership gives families an *incentive* to limit principal–agent conflicts with nonfamily managers, but their *ability* to do so requires active involvement to reduce the information asymmetries all outside investors confront (Baysinger & Hoskisson, 1990). Without active involvement in governance, the family only has what Barnett and Kellermanns (2006) call "dormant family influence," opening the potential for hired nonfamily managers to act in their own interests at shareholders' expense. However, active involvement through board membership (often also accompanied by involvement as managers) gives family owners the ability to tilt the firm's goals and resource allocations toward SEW goals at the expense of other shareholders. That is, the same influence that limits principal–agent conflict can aggravate principal–principal conflicts. As the number of family members on the board grows, nonfamily leaders are more easily controlled by the family (Burkart et al., 1997; Pagano & Roell, 1998), limiting nonfamily board members' ability to expose or sanction family members for diverting resources toward family goals (Anderson & Reeb, 2004). Indeed, Chrisman et al. (2003) argue that when families are the dominant coalition, they imbue their goals on firms and pursue them with few, if any, constraints.

When such dominating family involvement is combined with low family ownership, the family has strong incentives to use their board involvement to expropriate resources in support of projects, investments, or other organizations (e.g., by tunneling resources to other entities controlled by the family; Morck & Yeung, 2004) that disproportionately benefit the family (Boyd & Solarino, 2016). The family's small ownership share means that the family bears only a small proportion of the cost of shifting resources away from actions that maximize firm performance.<sup>1</sup> Only when family ownership also grows large does the incentive to divert resources decline (Kabbach de Castro et al., 2017). Tunneling has been found to decline at very high ownership levels because more of what is extracted from the firm comes from the family's share of financial returns, making such opportunistic behavior less lucrative (Morck et al., 1988). Thus, in cases where the family's ownership is large, having a dominant proportion of family members on the board is less of a threat because the family's incentives are such that they gain more from maximizing firm performance than they do from diverting resources toward the family's SEW goals.

Taken together, this theorizing implies that agency conflicts should diminish and thus firm performance should increase as family board involvement and family ownership jointly increase. When both are low, the firm is more like a nonfamily firm and subject to the principal-agent conflicts that typify nonfamily firms. High levels of family ownership without board involvement similarly subjects the family, as outside observers, to principal-agent conflicts. High levels of family board involvement without comparable family ownership fosters principal-principal conflicts by giving the family the ability to pursue low value projects that enhance the family and its control while passing the costs to other shareholders (Villalonga & Amit, 2006). Only when the two rise together can both conflicts be minimized through close observation by family members on the board with less risk that those family members will use their

influence to protect the family's SEW at other shareholders expense. Accordingly, we expect that

> **Hypothesis 1.** There is a positive interaction between family board involvement and family ownership such that firm performance increases as family board involvement and family ownership jointly increase.

Our theorizing also implies that the relationship between ownership and board membership is proportional. That is, when family board involvement is high relative to family ownership, there is a strong incentive for the family's board members to use their influence to protect the family's SEW, even if it harms firm performance. This is because any harm to firm performance is largely born by nonfamily shareholders. When family ownership is high relative to family board involvement, the family has a strong incentive to maximize firm performance but is unable to do so because they are essentially outsiders with only "dormant family influence" (Barontini & Caprio, 2006). Thus, we expect that agency conflicts are minimized and firm performance maximized in family firms when family board involvement is proportional to family ownership. Stated formally,

**Hypothesis 2.** The relationship between family board involvement relative to family ownership and firm performance is inverted U-shaped that peaks as the ratio of family board involvement to family ownership reaches one (i.e., becomes proportional).

## METHODOLOGY

## Sample and data collection

To test our hypotheses, we collected data on publicly listed firms in France. We chose France because it offers an ideal study context: It has the largest capital market in Continental Europe, and most publicly listed firms have large family owners (Barontini & Caprio, 2006; Maury, 2006). Also, while the French Corporate Governance Codex recommends that 50% of board seats are given to independent directors (and less than 50% are family owners), there are no legal restrictions for family owners' board membership, and the Codex's recommendation is often ignored. For example, Beji et al. (2021) show that board independence among public firms in France only amounts to 52%, on average. The lack of legal constrains is important because it allows us to investigate the full range of family board influence relative to family ownership.

We began with all public companies in the regulated stock market at the beginning of the year 2004. Annual ownership, corporate board, and accounting data come from the Amadeus and the Orbis databases of the data

<sup>&</sup>lt;sup>1</sup>Analog to our approach, Villalonga and Amit (2009) find control rights exceeding cash flow rights as a source of principal–principal agency costs.

company Bureau Van Dijk for the 4-year time span from 2004 to 2007. Whenever possible, we used data from Thomson Financial's Worldscope and Datastream databases to fill in missing data from Amadeus and/or Orbis.

Our theory only pertains to family firms so identifying such firms was the next step. The amount of ownership necessary to control a public firm varies depending on institutional context (La Porta et al., 1999). In contrast to Anglo-American countries, ownership of publicly listed firms is significantly more concentrated in Continental Europe and Asia (Hamadi, 2010; la Porta et al., 1999). With respect to France, Barontini and Caprio (2006) report that large owners hold on average 46.5% of ownership in public firms and that families are the most common type of large owner. We define family firms as those in which family owners hold at least 33% of voting rights. Studies have used lower thresholds, but these studies focused on family firms in governance systems with more dispersed ownership structures (e.g., the United States). Importantly, 33% or more of voting rights provide family owners with the ability to veto strategic decisions in France. This threshold has been used in other studies in France (e.g., Mtanios & Paquerot, 1999) and elsewhere (Barth et al., 2005) and aligns with our goal to investigate whether families use their ownership power to contribute to or diminish firm performance (Hamadi, 2010). Our final sample consists of 438 family firms and 1,311 firm-year observations.

#### Variables in analysis

## Dependent variables

We measure the dependent variable, firm performance, with Return on Equity (ROE) and Return on Assets (ROA). The former is calculated as pre-tax profits divided by shareholder equity (e.g., Minichilli et al., 2010), and the latter is calculated as EBITDA/ Total assets (e.g., Anderson & Reeb, 2003). We deduct the mean ROE and ROA, respectively, for each sector (based on two-digit SIC codes) from each firm's ROE and ROA in each year to calculate the industry-adjusted ROE and ROA. Industry-adjusted ROE and ROA are commonly used performance measures in management research (Combs et al., 2005). Moreover, monitoring managers to prevent the use of scarce resources for nonperformance enhancing projects (e.g., SEW and private benefits of control) should be revealed in accounting returns (e.g., Anderson & Reeb, 2003; Mazzola et al., 2013). By using industry-adjusted performance measures, we follow prior research controlling for systematic differences in these measures across industries (e.g., Hao et al., 2011; Zhang & Rajagopalan, 2003). As a robustness test, we also ran our results with unadjusted ROA and ROE and controlled for industry membership using indicator variables. The results are similar.

### Independent variables

Our hypotheses anticipate relationships with firm performance and (1) an interaction between family board involvement and family ownership and (2) a curvilinear relationship with the ratio of family board involvement relative to family ownership. To measure Family board involvement, one author and a French-speaking research assistant reviewed the history, website, annual reports, and newspaper articles for each firm. Most French firms use a one-tier board system in which membership on the board of directors and the management team overlap. We therefore had to identify whether each person was a member of the top management team or the board. When a family member was part of the top management team (TMT), that information was used in the control variable, Family management involvement, as described below. When a family member was part of the board, this information was used to assess family board involvement, which was calculated as the percentage of family members serving on the board. To measure Family ownership, we sum family members' direct voting rights for ordinary shares with indirect voting rights through pyramidal ownership structures involving other legal entities, (la Porta et al., 1999; le Breton-Miller et al., 2011). To test Hypothesis H1, we calculated the interaction term as the product of family board involvement and family ownership. To test Hypothesis H2, we calculated Family board involvement/Family ownership as the proportion of family board involvement [0; 1] divided by the proportion of family ownership [0.33; 1]. The ratio can assume any value between zero and three.

### **Control variables**

## Direct family influence

Our theory is about family firms who exercise influence through the board, so it was important to empirically partial out other sources of influence, especially direct participation of family members in the TMT. Thus, we control for family members in the top management team with the variable, Family management involvement, defined as the number of family managers divided by the number of all managers (Bauweraerts et al., 2020). Direct involvement in management is also indicated in France when managers and board members sit on a single board, so we controlled for the presence of a two-tier board structure with an indicator variable set at one if there are separate and non-overlapping boards for management and directors. Removing variance due to direct family involvement in management restricts the coefficients in our empirical results to match our theorizing about family owners' influence through the board of directors.

#### Governance controls

We accounted for Total board members calculated as the natural logarithm of each firm's board size. We also added an indicator variable depicting when a family member served as the Family chairman, zero otherwise. Next, we control for the Number of owning families to account for the possibility that firms with multiple unrelated family owners suffer from more severe agency conflicts than firms with owners from a single family. We used an indicator variable depicting whether there was a Financial blockholder that held more than 10% of ownership. Financial blockholders, such as banks, investment funds, or private equity investors monitor family owners and hence reduce potential principal-agent and principalprincipal agency problems (Gomez-Mejia et al., 2003; Hamadi, 2010; Miller et al., 2007). Due to significant state ownership in some French firms, we also included an indicator variable depicting *State blockholders* with more than 10% ownership. State blockholders can pursue noneconomic goals such as high employment or grant perks to the politically connected (Claessens et al., 2002), which potentially heightens principal-principal agency conflicts and reduces firm performance. The indicator variable, Founder owner-that is, the presence of individuals who started the firm-was included because founder monitoring can mitigate both principal-agent and principalprincipal conflicts (Miller et al., 2007; Miller et al., 2010; Villalonga & Amit, 2006). Though most French firms have a one-tier board structure, some opt for a two-tier board structure with a separate management board and board of directors. We therefore included a dummy variable that takes the value of one in case of a Two-tier board, zero otherwise. This is an important control because in companies with a two-tier board, the same family members cannot sit simultaneously on the board and in management. Finally, we use an indicator variable depicting Separation of voting and cashflow rights to account for pyramidal ownership structures and/or cross-ownership holdings. The separation of voting and cash flow rights can deepen principal-principal agency conflicts because it increases the power of family owners (due to high voting rights) while lowering their financial risks (due to lower cashflow rights) (Villalonga & Amit, 2006). Such situations incentivize family owners to expropriate nonfamily reducing shareholders. thereby firm performance (e.g., Peng & Jiang, 2010).

### Firm control variables

To account for sample heterogeneity, we use firm control variables that have been used in prior studies (Anderson & Reeb, 2003; Villalonga & Amit, 2006). *Firm size* is measured as the natural logarithm of total assets. Larger firms that use their assets efficiently benefit financially from economies of scale (Minichilli et al., 2010). *Firm age* is

measured as the natural logarithm of the years since a firm was founded and accounts for life cycle effects (Anderson & Reeb, 2003; Villalonga & Amit, 2006). Firm *leverage* is measured as total debt divided by total assets; lower leverage provides more potential for expropriation of resources because higher cash flows are available once interest payments are made (Short & Keasey, 1999). We control for Firm growth with annual sales growth (Bauweraerts et al., 2020; Short & Keasey, 1999); agency conflicts are more common in firms where resources can be used for "pet" projects rather than growth opportunities (Miller et al., 2007, 2010). We control for Firm risk by calculating the natural logarithm of a firm's annual stock price variance (Himmelberg et al., 1999). Family owners' undiversified, unsystematic risk can lead to investment priorities that differ from those of more diversified shareholders, exasperating principal-principal agency conflicts (Anderson & Reeb, 2004). We include an indicator variable, Main stock market segment, to account for firms quoted in France's primary stock market segment (i.e., Premier Marché). Firms listed in prestigious stock markets are more visible and must comply with more rigorous accounting standards.

#### Analytical approach

We assessed all variables for skewness and kurtosis, and where necessary, either log transformed variables or winsorized outliers at the 99th percentile (e.g., Miller et al., 2010). All independent and control variables are lagged by 1 year. Our data form an unbalanced panel. To test the hypotheses, we ran fixed effects regression to account for time and individual firm-fixed effects.

## RESULTS

The variables show expected correlations in Table 1. For instance, firm size is significantly negatively correlated with family board involvement and family ownership (p < 0.01) (Barca & Becht, 2002). Tables 2a and 3a show the results for industry-adjusted ROE, and Tables 2b and 3b show the results for industry-adjusted ROA as dependent variables. Because we use a fixed effects design that controls for all unique attributes of each firm, the remaining variance that can be explained is moderate, resulting in moderate R-square values. However, all estimated models show highly significant F values (p < 0.01). Moreover, Variance Inflation Factors (VIFs) do not surpass the critical value of five in any model.

In Table 2a,b, Model 1 is a baseline model that includes all control variables. Model 2 adds the independent variables family board involvement and family ownership. Finally, Model 3 adds the interaction term family board involvement\*family ownership. Control variables show expected performance effects: Firm leverage and

<b>TABLE 1</b> Descriptive statistics.																					
	MearSD Min	Max	1	2	3	4	5	9	7	8	1	0 1	1 1	. 13	14	15	16	17	18	19	0 21
1 ROE (industry adjusted)	0.020.23-0.98	1.56																			
2 ROA (industry adjusted)	0.000.07 - 0.32	0.25	0.52																		
3 Family ownership	0.620.16 0.33	1.00	0.06	0.07																	
4 Family management involvement	0.390.30 0.00	1.00	0.03	0.05	0.09																
5 Family board involvement	0.690.41 $0.00$	1.00	-0.01	0.01	0.13	0.38															
6 Family board involvement/Family ownership	1.170.78 0.00	3.03	-0.04	-0.04	-0.28	0.31	0.87														
7 (Family board involvement/Family ownership) <sup>2</sup>	1.961.97 0.00	9.18	-0.06	-0.08	-0.43	0.21	0.67	0.93													
8 Total board members	0.450.68 $0.00$	3.00	0.02	0.04	-0.13	-0.18	-0.42	-0.35	-0.35												
9 Family chairman	0.720.45 0.00	1.00	-0.01	-0.03	0.12	0.18	0.54	0.44	0.3	-0.32											
10 Number of owning families	1.470.90 0.00	13.00	-0.04	-0.02	-0.04	0.06	0.01	0.03	0.04	-0.02 -	-0.02										
11 Financial block holder	0.280.45 0.00	1.00	-0.01	-0.01	-0.03	-0.03	-0.03	-0.01	0.01	0.03 -	-0.01 -	-0.02									
12 State block holder	0.000.03 0.00	1.00	-0.01	0.01	-0.01	-0.01	0.02	0.02	0.02	-0.02	0.02 -	-0.01	0.04								
13 Founder owner	0.530.50 0.00	1.00	0.11	0.08	0	0.19	0.2	0.19	0.14	-0.05	0.15	- 0	-0.07	0.03							
14 Two-tier board	0.570.50 0.00	1.00	0.03	-0.01	-0.07	0.19	0.08	0.11	0.09	0.06 -	-0.05 -	-0.04	0.02	0.02	0.01						
15 Separation of voting and cashflow rights	0.440.50 0.00	1.00	-0.04	-0.08	-0.05	-0.08	-0.14	-0.1	-0.05	0.01 -	-0.11 -	-0.03	0.21 -	0.02 -(	0.26 –(	0.03					
16 Firm size	11.441.96 6.16	18.04	0.11	0.1	-0.06	-0.25	-0.19	-0.17	-0.14	0.26 -	-0.1 -	-0.16	0.16	0.02 –(	0.23 (	0 60.(	.18				
17 Firm age	3.380.92 0.00	5.92	-0.03	-0.02	0.05	-0.02	-0.06	-0.06	-0.03	- 90.0	-0.02 -	-0.17	0.15	) - 0	0.51 (	0.08 0	.2 0.3′	4			
18 Firm leverage	0.610.21 0.00	1.39	0.17	-0.07	-0.02	-0.09	-0.05	-0.04	-0.02	0.02	0	0.01 -	-0.01 -	0.01 (	0.11 (	).06 –0	0.04 0.19	) -0.1			
19 Firm growth	0.070.22-0.51	1.72	0.17	0.14	-0.02	0.06	0.02	0.03	0.03	0.05	0	0.02 -	-0.01	0.01	0.15 –(	0.01 -0	0.0 0.0	l -0.18	0.06		
20 Firm risk	5.862.81-3.22	14.33	0.16	0.21	-0.09	-0.09	-0.1	-0.06	-0.05	0.16 -	-0.08 -	-0.12	0.08	0.02 -(	0.13 (	0.06 0	0.09 0.5	2 0.27	-0.09	0.14	
21 Main stock market segment	0.680.47 0.00	1.00	0.08	0.05	-0.09	-0.08	-0.11	-0.07	-0.05	0.24 -	- 60.0-	-0.05	0.02	0.02	0.01 (	0.1 0	0.05 0.42	2 0.11	0.06	0.07 (	.21

#### TABLE 2 Dependent variable.

(a) Industry-adjusted ROE			
Variables	Model 1	Model 2	Model 3
Family ownership		0.0435	-0.1244
		(0.0682)	(0.1059)
Family board involvement		0.0292	-0.1161
		(0.0236)	(0.0746)
Family board involvement*Family ownership			0.2454**
			(0.1077)
Family management involvement		0.0414	0.0382
		(0.0296)	(0.0292)
Total board members	-0.0105	-0.0047	-0.0060
	(0.0080)	(0.0083)	(0.0085)
Family chairman	-0.0149	-0.0271	-0.0302
	(0.0161)	(0.0189)	(0.0185)
Number of owning families	-0.0075	-0.0098	-0.0128
	(0.0214)	(0.0211)	(0.0204)
Financial block holder	-0.0124	-0.0140	-0.0157
	(0.0143)	(0.0143)	(0.0141)
State block holder	0.0203	0.0248	0.0329
	(0.0234)	(0.0248)	(0.0252)
Founder owner	0.1480	0.1351	0.1407
	(0.1398)	(0.1393)	(0.1348)
Two tier board structure	0.0239	0.0144	0.0156
	(0.0149)	(0.0151)	(0.0151)
Separation of voting and cashflow rights	-0.0480	-0.0491*	-0.0491*
	(0.0300)	(0.0298)	(0.0297)
Firm size	-0.0877**	-0.0898**	-0.0890**
	(0.0386)	(0.0390)	(0.0383)
Firm age	0.0087	0.0138	0.0151
	(0.0598)	(0.0593)	(0.0597)
Firm leverage	0.4247***	0.4286***	0.4405***
	(0.1332)	(0.1327)	(0.1329)
Firm growth	0.0846**	0.0825**	0.0812**
C	(0.0341)	(0.0332)	(0.0330)
Firm risk	0.0046	0.0049	0.0054
	(0.0052)	(0.0052)	(0.0053)
Main stock market segment	-0.0039	-0.0050	-0.0041
	(0.0234)	(0.0232)	(0.0231)
Constant	0.6447	0.6038	0.6839
	(0.4786)	(0.4814)	(0.4683)
Observations	1.311	1.311	1.311
$R^2$	0.0644	0.0697	0.0751
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
(b) Industry-adjusted ROA		<b></b>	100
Variables	Model 1	Model 2	Model 3
Family ownership		0.0152	0.0136
r anny ownersmp		(0.0210)	(0.0261)
		(0.0210)	(Continues)
			(Continues)

#### TABLE 2 (Continued)

(b) Industry-adjusted ROA			
Variables	Model 1	Model 2	Model 3
Family board involvement		0.0073	0.0059
		(0.0048)	(0.0144)
Family board involvement*Family ownership			0.0023
			(0.0242)
Family management involvement		0.0062	0.0062
		(0.0081)	(0.0082)
Total board members	-0.0011	0.0002	0.0002
	(0.0027)	(0.0029)	(0.0029)
Family chairman	-0.0082	-0.0111*	-0.0112*
	(0.0065)	(0.0066)	(0.0066)
Number of owning families	0.0032	0.0026	0.0026
	(0.0041)	(0.0040)	(0.0040)
Financial block holder	0.0037	0.0034	0.0034
	(0.0044)	(0.0044)	(0.0044)
State block holder	-0.0298***	$-0.0284^{***}$	-0.0283***
	(0.0064)	(0.0068)	(0.0068)
Founder owner	0.0274	0.0251	0.0251
	(0.0167)	(0.0172)	(0.0172)
Two tier board structure	-0.0025	-0.0043	-0.0042
	(0.0048)	(0.0047)	(0.0047)
Separation of voting and cashflow rights	-0.0243***	-0.0244***	$-0.0244^{***}$
	(0.0082)	(0.0082)	(0.0082)
Firm size	-0.0093	-0.0096	-0.0096
	(0.0106)	(0.0105)	(0.0105)
Firm age	0.0162	0.0172	0.0172
	(0.0210)	(0.0211)	(0.0212)
Firm leverage	0.0234	0.0242	0.0243
	(0.0402)	(0.0401)	(0.0401)
Firm growth	0.0148	0.0146	0.0146
	(0.0110)	(0.0110)	(0.0110)
Firm risk	-0.0007	-0.0006	-0.0006
	(0.0014)	(0.0014)	(0.0014)
Main stock market segment	0.0071	0.0068	0.0068
	(0.0056)	(0.0056)	(0.0057)
Constant	0.0459	0.0332	0.0340
	(0.1360)	(0.1357)	(0.1351)
Observations	1,311	1,311	1,311
R <sup>2</sup>	0.0355	0.0395	0.0395
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes

Note: Robust standard errors in parentheses.

p < 0.1, p < 0.05, and p < 0.01.

firm growth increase industry-adjusted ROE while firm size reduces industry-adjusted ROE. Concerning the family variables, we note that neither family board involvement nor family ownership have a significant main effect on industry-adjusted ROE or ROA (see Model 2 in Table 2a,b).

Hypothesis H1 predicts that firm performance rises as family board involvement and family ownership jointly

increase. We find that the interaction effect between family board involvement and family ownership has as significant effect on the industry-adjusted ROE (Table 2a, Model 3;  $\beta = 0.2454$ ; p < 0.05) but not industry-adjusted ROA (Table 2b, Model 3;  $\beta = 0.0023$ ; p > 0.10), providing partial support for Hypothesis H1.

Hypothesis H2 predicts that the ratio of family board involvement/family ownership has an inverted U-shaped relationship with firm performance. In Table 3a,b, Model 4 shows a significant positive performance effect for family board involvement/family ownership for both industry-adjusted ROE ( $\beta = 0.0739$ ; p < 0.01) and industry-adjusted ROA ( $\beta = 0.0171$ ; p < 0.01), respectively. Model 4 also shows a significant negative performance effect for family board involvement/family ownership squared for both industry-adjusted ROE  $(\beta = -0.0322; p < 0.01)$  and industry-adjusted ROA  $(\beta = -0.0066; p < 0.01)$ , respectively. We then tested the significance of the quadratic relationship via Lind and Mehlum's (2010) Fieller approach. The results confirm the significance of the quadratic relationship. Jointly, these findings provide strong support for Hypothesis H2 (see also Tables A1 and A2). Figure 1 shows that the inflection point of the inverted U-curve at which the level of the family board involvement/family ownership maximizes firm performance lies at about 1.14 for industryadjusted ROE and 1.3 for industry-adjusted ROA.

## **Robustness tests**

To test the robustness of our results and to account for alternative explanations, we ran additional analyses. First, by using industry-adjusted ROE and industryadjusted ROA as dependent variables, we added the linear and squared term for family ownership to test the possibility that results are influenced by a non-linear relationship between family ownership and firm performance (de Miguel et al., 2004; Morck et al., 1988). However, the linear and squared terms were not significant. We also tested for a potential curvilinear relationship between family board involvement and firm performance (Anderson & Reeb, 2004) but found no support.

Second, we ran our main analyses with unadjusted ROA and ROE, controlling for industry membership. Results remain the same (see Tables B1–B4). We also reran the longitudinal panel on three cross-sections (for 2004–2005, 2005–2006, and 2006–2007) with 1-year lags. The coefficients for the linear and squared terms are as expected for both industry-adjusted ROE and ROA, though significance levels drop to p < 0.10 for seven of the 12 coefficients (linear and squared terms across 3 years and two measures). The reduced significance is likely due to the lower statistical power in each cross-sectional analysis and year-specific variance that only panel analyses can control.

Third, while our theorizing and empirical tests focus on the performance effect of the proportion of family members on the board relative to family ownership after controlling for family management involvement, we investigated the possibility that our theorizing might also apply to the proportion of family members in management relative to family ownership. After removing the control for family management involvement due to very high multicollinearity, the reduced regression model for that includes both the linear and squared terms for *family* management involvement/family ownership shows that our theoretical predictions regarding family board involvementlfamily ownership remain for both industry-adjusted ROA and ROE, but the coefficients pertaining to both the linear and squared terms for family management involvement/family ownership, while in the expected direction, are not significant (Tables B3 and B4), which is consistent with our theoretical focus on boards as the owning family's central source of influence.

Fourth, an alternative idea is that only dominant family management involvement might be particularly detrimental to firm performance. We therefore added a dummy variable, dominant family management, which takes the value of one when family members occupy at least half of all management positions, zero otherwise (see Tables B3 and B4, Models 2 and 3). Although the coefficient for the new variable is in the expected direction (negative), it is not significant. Moreover, our main results remain the same. Taken together, the results are consistent with the idea that family owners' ability to influence agency conflicts is driven by their board membership while their *incentives* to attenuate or exasperate agency conflicts are largely influenced by their ownership. Thus, it is the proportionality of family board involvement relative to ownership that maximizes firm performance and reduces agency conflicts. Moreover, the family's influence via management only seems to add marginally to the family's performance effects after accounting for the influence of the family board involvement/family ownership ratio. Overall, robustness tests thus provide additional support for our main analyses and exclude alternative explanations.

## DISCUSSION

Although families control most large public firms worldwide (Claessens et al., 2002; Gedajlovic & Shapiro, 1998; la Porta et al., 1999), theory and empirical results differ regarding the impact of family influence on firm performance (Dyer, 2018; Taras et al., 2018). Although we know much about principal–agent and principal– principal agency conflicts in family firms, what we did not know (i.e., the gap) is what happens when the sources of both conflicts are considered simultaneously. We therefore investigated the joint influence of the family's incentive (via ownership) versus its ability (via board

#### TABLE 3 Dependent variable.

(a) Industry-adjusted ROE				
Variables	Model 1	Model 2	Model 3	Model 4
Family ownership		0.0467	0.0435	-0.0121
		(0.0682)	(0.0682)	(0.0735)
Family board involvement			0.0292	
			(0.0236)	
Family board involvement/Family ownership				0.0739***
				(0.0262)
(Family board involvement/Family ownership) <sup>2</sup>				-0.0322***
				(0.0116)
Family management involvement		0.0516*	0.0414	0.0376
		(0.0279)	(0.0296)	(0.0289)
Total board members	-0.0105	-0.0082	-0.0047	-0.0138
	(0.0080)	(0.0080)	(0.0083)	(0.0090)
Family chairman	-0.0149	-0.0172	-0.0271	-0.0263
	(0.0161)	(0.0165)	(0.0189)	(0.0183)
Number of owning families	-0.0075	-0.0098	-0.0098	-0.0119
	(0.0214)	(0.0213)	(0.0211)	(0.0203)
Financial block holder	-0.0124	-0.0125	-0.0140	-0.0139
	(0.0143)	(0.0144)	(0.0143)	(0.0143)
State block holder	0.0203	0.0242	0.0248	0.0279
	(0.0234)	(0.0250)	(0.0248)	(0.0250)
Founder owner	0.1480	0.1319	0.1351	0.1314
	(0.1398)	(0.1375)	(0.1393)	(0.1369)
Two tier board structure	0.0239	0.0171	0.0144	0.0130
	(0.0149)	(0.0150)	(0.0151)	(0.0153)
Separation of voting and cashflow rights	-0.0480	-0.0492	-0.0491*	-0.0514*
1 0 0	(0.0300)	(0.0301)	(0.0298)	(0.0285)
Firm size	-0.0877**	-0.0871**	-0.0898**	-0.0872**
	(0.0386)	(0.0382)	(0.0390)	(0.0384)
Firm age	0.0087	0.0101	0.0138	0.0102
	(0.0598)	(0.0592)	(0.0593)	(0.0599)
Firm leverage	0.4247***	0.4283***	0.4286***	0.4267***
	(0.1332)	(0.1328)	(0.1327)	(0.1314)
Firm growth	0.0846**	0.0818**	0.0825**	0.0797**
	(0.0341)	(0.0333)	(0.0332)	(0.0334)
Firm risk	0.0046	0.0042	0.0049	0.0047
	(0.0052)	(0, 0052)	(0.0052)	(0.0052)
Main stock market segment	-0.0039	-0.0031	-0.0050	-0.0040
wan stock market segment	(0.0234)	(0.0232)	(0.0232)	(0.0231)
Constant	0.6447	0 5976	0.6038	0.6313
Constant	(0.4786)	(0.4748)	(0.4814)	(0.4708)
Observations	1 311	1 311	1 311	1 311
$B^2$	0.0644	0.0679	0.0697	0.0730
Firm FF	Ves	Ves	Ves	Ves
Vear EE	Ves	Ves	Ves	Ves
I VAL I E	105	105	105	105

#### TABLE 3 (Continued)

(b) Industry-adjusted ROA				
Variables	Model 1	Model 2	Model 3	Model 4
Family ownership		0.0160	0.0152	0.0072
		(0.0210)	(0.0210)	(0.0220)
Family board involvement			0.0073	
			(0.0048)	
Family board involvement/Family ownership			· · ·	0.0171**
				(0.0074)
(Family board involvement/Family ownership) <sup>2</sup>				-0.0066**
				(0.0031)
Family management involvement		0.0087	0.0062	0.0048
		(0.0079)	(0.0081)	(0.0082)
Total board members	-0.0011	-0.0007	0.0002	-0.0014
	(0.0027)	(0.0027)	(0.0029)	(0.0030)
Family chairman	-0.0082	-0.0087	-0.0111*	-0.0117*
	(0.0065)	(0.0065)	(0.0066)	(0.0067)
Number of owning families	0.0032	0.0026	0.0026	0.0023
	(0.0041)	(0,0041)	(0.0040)	(0, 0039)
Financial block holder	0.0037	0.0038	0.0034	0.0033
	(0,0044)	(0.0044)	(0.0044)	(0.0044)
State block holder	-0.0298***	-0.0285***	-0.0284***	-0.0279***
State block librer	(0.00298	(0.0068)	(0.0068)	(0.0068)
Founder owner	0.0274	0.0243	0.0251	0.0244
i ounder owner	(0.0167)	(0.0166)	(0.0172)	(0.0173)
Two tier board structure	(0.0107)	(0.0100)	0.0043	0.0048
Two tier board structure	-0.0023	-0.0030	-0.0043	-0.0048
Separation of voting and eachflow rights	0.0242***	0.0244***	(0.0047)	0.0248***
Separation of voting and casinow rights	(0.00243)	-0.0244	-0.0244	-0.0248
Firm size	(0.0082)	(0.0083)	0.0006	(0.0079)
T IIII Size	-0.0093	-0.0090	-0.0090	-0.0093
Eirma e ze	(0.0100)	(0.0104)	(0.0103)	(0.0103)
Film age	(0.0210)	(0.0211)	(0.0211)	0.0107
Pierre lauren an	(0.0210)	(0.0211)	(0.0211)	(0.0213)
Firm leverage	0.0234	0.0241	0.0242	0.0233
	(0.0402)	(0.0401)	(0.0401)	(0.0399)
Firm growth	0.0148	0.0145	0.0146	0.0141
	(0.0110)	(0.0110)	(0.0110)	(0.0109)
Firm risk	-0.0007	-0.0008	-0.0006	-0.0006
	(0.0014)	(0.0014)	(0.0014)	(0.0014)
Main stock market segment	0.0071	0.0072	0.0068	0.0068
	(0.0056)	(0.0056)	(0.0056)	(0.0056)
Constant	0.0459	0.0317	0.0332	0.0373
	(0.1360)	(0.1350)	(0.1357)	(0.1345)
Observations	1,311	1,311	1,311	1,311
R <sup>2</sup>	0.0355	0.0377	0.0395	0.0424
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

*Note:* Robust standard errors in parentheses. \*p < 0.1, \*\*p < 0.05, and \*\*\*p < 0.01.



**FIGURE 1** Quadratic relationship between family board involvement/family ownership and industry-adjusted ROE and industry-adjusted ROA (based on Table 3a,b, Models 4).

membership) to influence agency conflicts and firm performance. Family members involved in the firm's governance have the ability and family ownership provides the incentive to either monitor nonfamily managers to minimize principal-agent conflicts or push for SEW goals that exacerbate principal-principal conflicts (Kabbach de Castro et al., 2017). It is worth investigating when family owners' ability to reduce principal-agent problems gives way to their incentive to exacerbate principal-principal problems because doing so answers calls to disentangle the heterogeneity of governance arrangements among family firms (Chrisman et al., 2012; Chrisman & Patel, 2012) and reconcile prior findings that claim either family firms outperform (because of reduced principalagent conflicts) or underperform (because of heightened principal-principal conflicts) Anderson (e.g., & Reeb, 2003; Gedajlovic & Shapiro, 1998; Villalonga & Amit, 2006).

The theoretical contribution of our work is the insight that family board involvement and family ownership jointly influence which agency conflict prevails and when they are minimized. Ownership not balanced with board involvement creates principal-manager agency problems and board membership not balanced with ownership creates principal–principal agency problems, both of which harm firm performance. While it might seem obvious that out-of-balance power might lead to bad outcomes, we are first to describe how such balance is best maintained in family firms and to provide supportive evidence. Prior research shows that ownership and board membership both influence agency costs and thus firm performance (Madison et al., 2016; Pindado & Requejo, 2014; Villalonga & Amit, 2009), but their combined effects had not been studied previously. We theorized and found that firm performance is maximized when family members are active in the board in proportion to their incentives as owners.

Our theory is that family board involvement and family ownership work together to influence the balance of agency conflicts. However, corporate governance does not take place in a vacuum, and there are likely many other internal and external mechanisms that interact with family board involvement, family ownership, and the ratio between them. Research might therefore advance by investigating the extent to which other governance mechanisms act as substitutes versus complements to the family board involvement/family ownership ratio (Rediker & Seth, 1995). For instance, at high levels of family board involvement relative to ownership, to what extent does incentive compensation (Jaskiewicz et al., 2017), monitoring by institutional shareholders (Shleifer & Vishny, 1997), or a combination of these mechanisms limit families from using their board positions to extract value for the family?

Our work contributes empirically first by providing evidence that firm performance increases as family board involvement and family ownership jointly rise. We found that family board involvement and family ownership jointly increase ROE and that the ratio of family board involvement to family ownership-that is, their level of proportionality-matters for both ROE and ROA. We did not find evidence that ROA is jointly influenced by family board involvement and family ownership, and the inverted U-curve for the ratio of family board involvement to family ownership depicted in Figure 1 is less pronounced. A likely explanation is that because ROE is strongly influenced by firms' debt levels, and too little and too much debt are signs of agency problems (Kim & Sorensen, 1986; Mao, 2003), ROE is more directly affected by the competing agency problems in our theorizing and the factors that influence them-i.e., family board involvement, family ownership, and their proportionality.

Overall, firm performance increases as family members are added to the board, but only to the point where the family's representation on the board matches its ownership. After that point, performance declines. Our theorizing suggests that the reason is because family members initially use their board involvement to monitor nonfamily managers, but when their involvement exceeds their ownership interests, they push for conservative strategies that protect their SEW (Gomez-Mejia et al., 2010) and divert resources toward family members (e.g., hiring less competent family members and supporting lavish lifestyles). By investigating the impact of family board involvement and family ownership together, our results help clarify previous findings that were based on only one source of family influence or did not account for the proportionality of family board involvement and family ownership (Anderson & Reeb, 2003, 2004; O'Boyle et al., 2012; Villalonga & Amit, 2006; Wagner et al., 2015). Importantly, behavioral agency theory anticipates that family owners' preservation of SEW has negative consequences for firm performance (Gomez-Mejia et al., 2007; Hu et al., 2022), but our theorizing and results temper such claims by pointing out that family owners' focus on SEW declines as their ownership grows; ownership increases their incentive to focus on firm value. Even when their ownership is low, incentivizing a focus on SEW, the family needs sufficient board influence to act on such incentives.

Our focus was on the consequences of proportionality between family board involvement and family ownership, suggesting there might be merit to investigating the antecedents of family board involvement. Institutional norms and legal restrictions provide one set of constraints that might limit family board involvement, but family members have choices about how involved they are and why, and these choices might influence how the family ownership/ family board involvement ratio, in turn, impacts firm performance. For example, the family might have excessive board involvement when it adds younger generation members so that they can learn about the family firm (Anderson & Reeb, 2004; Umans et al., 2020). However, these young board members might not exercise much actual power. Alternatively, family dynamics such as intergenerational conflict might reduce the number of youngergeneration family members who are willing to participate.

Another research area where our theory and evidence might have implications is in the context of Initial Public Offerings (IPO) among family firms. Studies investigating the impact of family influence on IPO underpricing-a measure of the risk premium demanded by early investors-are mixed. Whereas Leitterstorf and Rau (2014) found that family firms face higher IPO underpricing, which is consistent with the idea that family influence heightens investor concerns about principalprincipal conflicts, Kotlar et al. (2018) found the opposite and suggested it was because family owners would not sell their shares and give up SEW without a premium. Our theorizing and results suggest that the impact of family influence on IPO underpricing might depend on the level of family board involvement relative to the ownership they maintain post IPO. Concerns over principalprincipal problems-and the concomitant demand for an underpricing premium (Leitterstorf & Rau, 2014)-may emerge when the family sells a significant share of their ownership in the IPO while solidifying their board involvement. Thus, there is merit in investigating changes in the family board involvement/family ownership ratio following an IPO.

Finally, our work contributes empirically by introducing the family board involvement/family ownership ratio as a new measure of family involvement that better captures the heterogeneity of family businesses and by demonstrating the measure's empirical consistency with theory. While studies of the independent effects of family involvement and family ownership on firm performance yield important insights (Block et al., 2013; van Essen et al., 2015; Villalonga & Amit, 2006), board involvement and ownership are *not* equivalent measures of family influence. In our regression models, no significant relationship emerged between family ownership and firm performance. The linear and squared terms for the family board involvement/family ownership ratio suggest, however, that changes in the ratio can carry significant positive or negative consequences for family firm performance. For instance, in a firm with three out of five board positions being held by family members and 40% of the firms' voting rights held by the same family (i.e., family board involvement /family ownership ratio of 3/5 divided by 40% = 1.5), replacing a nonfamily board

with а family member family member (i.e., board involvement/ownership ratio of 4/5 divided by 40% = 2) relates to a decrease in industry-adjusted ROE from 3.9% to 1.9%. This effect would not be detected by studies measuring family board involvement or ownership alone. We thus propose that one explanation for prior conflicting findings is the failure to consider the joint effects of family board involvement and family ownership. Although some studies use combinations of ownership and board involvement to define family firms (Anderson & Reeb, 2003; Gomez-Mejia et al., 2010), they do not account for the ratio between the two.

### Limitations

As with all research, our study has limitations that future research could overcome. First, we focused on France where firms with major family owners are common among publicly listed firms and family owners' board involvement is not legally restricted. Therefore, our results might not generalize to countries with different governance regulations. For example, principal-principal agency conflicts are more prevalent in Asian countries where legal protections for minority shareholders are relatively weaker than in France (e.g., Claessens et al., 2002). Weaker legal protections for minority shareholders increase the incentives for family owners to expropriate nonfamily shareholders. The inverted U-curve depicted in Figure 1 might therefore shift to the left—that is, the best performance might be reached for ratio values of less than one-in countries with less developed governance systems. Conversely, the curve might shift to the right in the United States and United Kingdom where ownership is more dispersed and shareholder protections are strong.

Second, our findings might not generalize to privately-held family firms where outside investors, when they exist, operate without the protections provided by the government oversight offered by public equity markets (Campopiano et al., 2020; Jaskiewicz et al., 2021). In such cases, the inverted U-curve might peak for ratio values of less than one because non-family board members more frequently rubber-stamp decisions, and their decisions are not publicly scrutinized.

#### **Practical implications**

Our results also offer practical implications. First, from the perspective of firm performance maximization, our findings indicate that regulators and nonfamily shareholders should be less skeptical regarding moderate family involvement on boards if the family is also a major owner because a reduction in the number of family board members might increase principal–agent conflicts without a compensating reduction in principal–principal conflicts. Second, if family owners are underrepresented due to legal or other efforts that restrict family board participation, such restrictions might have negative consequences for firm performance. On the other hand, as family ownership declines (e.g., following an IPO or an issue of new shares), nonfamily shareholders' vigilance should increase if family owners intend to keep or increase their board involvement.

## CONCLUSION

Researchers have known that ownership gives families the ability to monitor managers and day-to-day operations, thereby limiting principal-agent conflicts. However, family ownership also fosters efforts to build and preserve SEW, thereby generating principal-principal conflicts. We juxtapose these competing agency conflicts and theorize that they are jointly minimized when the family's board involvement is proportional to its ownership. Consistent with our theory, results show that firm performance is maximized when family board involvement is balanced with family ownership. We believe that this study provides an important explanation for prior mixed findings regarding the performance effects of family influence and might form a foundation for theory explaining factors that shift the optimal mix of family directors and family ownership. Ultimately, the goal is for shareholders and other stakeholders to benefit from the best that family influence has to offer while minimizing its potential costs.

#### **AUTHOR CONTRIBUTIONS**

The authors contributed as indicated by the author listing above.

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#### **CONFLICT OF INTEREST STATEMENT** The authors declare no conflict of interest.

#### DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from Bureau Van Dijk and Refinitiv. Restrictions apply to the availability of some of these data, which were used under license for this study. Data are available from https://login.bvdinfo.com/R0/AmadeusNeo, https://www. bvdinfo.com/en-us/our-products/data/international/orbis? gclid=EAIaIQobChMI6K\_655v6gAMVuzStBh1DoA7C EAAYASAAEgIWT\_D\_BwE, https://www.refinitiv. com/en/financial-data/company-data/fundamentals-data/ worldscope-fundamentals, and https://www.refinitiv.com/ en/products/datastream-macroeconomic-analysis/ with the permission of these parties.

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**TABLEA2** Lind and Mehlum's (2010) Fieller test for the quadratic relationship between family board involvement/family ownership and industry-adjusted ROA (Table 3b, Model 4).

## APPENDIX

TABLE A1	Lind and Mehlum's (2010) Fieller test for the
quadratic relatio	nship between family board involvement/family
ownership and in	ndustry-adjusted ROE (Table 3a, Model 4).

Specification: f(	x) = x^2		Specification: f(	x) = x^2	
Extreme point:	1.14835		Extreme point: 1	1.30050	
Test			Test		
H1: Inverse U s	hape		H1: Inverse U sl	hape	
vs. H0: monoto	ne or U shape		vs. H0: Monoto	one or U shape	
	Lower bound	Upper bound		Lower Bound	Upper Bound
Interval	0	3.030303	Interval	0	3.030303
Slope	0.073893	-0.1211	Slope	0.017145	-0.0228
t value	2.825503	-2.47228	t value	2.312952	-1.8852
$P >  \mathbf{t} $	0.002469	0.001048	$P >  \mathbf{t} $	0.010594	0.030033
Overall test of p	presence of an inverse U sl	nape	Overall test of p	presence of an inverse U sh	ape
t value	2.47		t value	1.89	
P >  t	0.0069		P >  t	0.03	

## APPENDIX

#### TABLE B1 Dependent variable: ROE (unadjusted).

Fundly oversethip         0.0467         0.0435         -0.0121           Emily board involvement         0.00663)         0.00604)         0.0701)           Family board involvement/Family ownership?         0.0739**         0.0252           (fmuly board involvement/Family ownership?         0.0516*         0.0414         0.0376           (fmuly board involvement/Family ownership?         0.0516*         0.0414         0.0376           (fmuly board involvement/Family ownership?         0.0516*         0.04051         0.0252)         (0.0257)           Family management involvement         0.0516*         0.00431         0.00353         0.00451         0.0179           Total board members         -0.016         -0.0052         -0.0171         -0.0138           (fmuly board involvement         -0.0149         -0.0172         -0.0171         -0.0253           (fmuly board involvement         -0.0149         -0.0172         -0.0179         (0.0179)           (fmuly board involvement/Family ownership?         0.00535         0.01791         (0.0179)           (fmuly board involvement/Family ownership         -0.0172         -0.0171         -0.0184           (fmuly board involvement/Family ownership         -0.0075         -0.0179         (0.0179)           (fmuly board inv	Variables	Model 1	Model 2	Model 3	Model 4
Ranily board involvement/ Family board involvement/Family ownership?(0.0863)(0.0051)Family board involvement/Family ownership?0.0719** (12mily board involvement/Family ownership?0.0719** (12mily board involvement/Family ownership?0.0516* (0.01410.0516* (0.01410.0516* (0.0141)0.0517* (0.0051)Family management involvement-0.015 (0.0051)-0.0052 (0.0053)-0.0072 (0.0051)-0.0072 (0.0051)-0.0072 (0.0051)-0.0072 (0.0051)-0.0072 (0.0071)-0.0172 (0.0071)-0.0172 (0.0071)-0.0172 (0.0071)-0.0172 (0.0071)-0.0172 (0.0171)-0.0172 (0.0171)-0.0172 (0.0171)-0.0172 (0.0171)-0.0171 (0.0181) <td< td=""><td>Family ownership</td><td></td><td>0.0467</td><td>0.0435</td><td>-0.0121</td></td<>	Family ownership		0.0467	0.0435	-0.0121
Fauly hand involvement/Fauly ownership0.032 (0.037)Fauly hourd involvement/Fauly ownership?0.031(Fauly hand involvement/Fauly ownership?0.051Fauly management involvement0.015(0.000)0.0014(0.000)0.0014(0.000)0.0014(0.000)0.0014(0.000)0.0014(0.000)0.0014(0.001)0.0014(0.001)0.0014(0.001)0.0014(0.002)0.0014(0.001)0.0015(0.002)0.0014(0.002)0.0014(0.002)0.0014(0.002)0.0014(0.002)0.0014(0.001)0.0151(0.001)0.0151(0.001)0.0151(0.001)0.0161(0.001)0.0161(0.001)0.0161(0.002)0.0171(0.002)0.0171(0.001)0.0181(0.002)0.0191(0.001)0.0191(0.002)0.0191(0.001)0.0191(0.002)0.0214(0.002)0.0214(0.003)0.0214(0.003)0.0214(0.001)0.0114(0.002)0.0214(0.002)0.0214(0.003)0.0214(0.003)0.0214(0.004)0.0214(0.005)0.0214(0.001)0.0214(0.002)0.0214(0.002)0.0214(0.003)0.0214 </td <td></td> <td></td> <td>(0.0663)</td> <td>(0.0664)</td> <td>(0.0701)</td>			(0.0663)	(0.0664)	(0.0701)
Fanily board involvement/Fanily ownership?         0.0237           (Fanily board involvement/Fanily ownership?         0.0251           (Fanily board involvement/Fanily ownership?         0.0351           (Fanily board involvement/Fanily ownership?         0.0351           (Fanily board involvement/Fanily ownership?         0.0351           (Fanily board involvement)         0.0051           (Fanily chairman         -0.015           -0.012         -0.0271           0.0030         0.0080           Number of owning families         -0.012           -0.012         -0.0172           0.0030         0.00170           0.0030         0.00180           0.0031         -0.0172           0.0032         0.0030           0.0031         -0.0172           0.0031         -0.0184           0.0032         0.0030           0.0131         -0.0184           0.0132         0.0140           0.0133         0.0141           0.0141         0.0141           0.0142         0.0141           0.0141         0.0141           0.0141         0.0141           0.0141         0.0141           0.0141         0.0141	Family board involvement			0.0292	
Family board involvement/Family ownership?0.0031*(family board involvement/Family ownership?0.0051*(family board involvement/Family ownership?0.0051*Family management involvement0.0016*0.0027*0.0025*10 alboard members-0.01050.0010*0.0083*0.0010*0.0083*0.0010*0.0017*10 alboard members-0.01050.0012*0.0017*0.0012*0.0017*0.0012*0.0017*0.0012*0.0017*0.0012*0.0017*0.0012*0.0017*0.0012*0.0017*0.0012*0.0017*0.0012*0.0017*0.0014*0.0015*0.0014*0.0015*0.0014*0.0101*0.0014*0.0101*0.0014*0.011*0.0014*0.011*0.0014*0.011*0.0014*0.011*0.0014*0.012*0.0014*0.012*0.0014*0.013*0.0014*0.013*0.0014*0.014*0.0014*0.014*0.0014*0.014*0.0014**0.014*0.0014**0.014*0.0014**0.014*0.0014**0.014*0.0014**0.014*0.0014***0.014*0.0014***0.014*0.0014***0.014*0.0014****0.014*0.0014****0.014*0.0014*****0.014* <trr>0.0014****************************</trr>				(0.0237)	
(Family nanagement involvement/Eamily ownership) <sup>2</sup> 0.0021           Family management involvement         0.0516*         0.0414         0.0027           Total hoard members         0.0015         0.0003         0.0003         0.0003           Family management involvement         0.0015         0.0017         0.0021           Total hoard members         0.0015         0.0017         0.0003           Mamber of owning families         0.0027         0.0028         0.0017           Namber of owning families         0.0027         0.0028         0.0019         0.0119           Financial block holder         0.0020         0.0028         0.0019         0.0119           Financial block holder         0.0023         0.0222         0.0208         0.0129         0.0119           State block holder         0.0129         0.0139         0.0131         0.0141         0.0131           State block holder         0.0203         0.0212         0.0231         0.0131         0.0141         0.0131           State block holder         0.0171         0.0143         0.0141         0.0141         0.0141         0.0141         0.0141         0.0141         0.0141         0.0141         0.0141         0.0141         0.0141         0.0141	Family board involvement/Family ownership				0.0739**
(Family board involvement/amily ownership?     -0.032**       Family management involvement     0.0516*     0.0414     0.0075       Total board members     -0.0105     -0.0082     -0.007     -0.0181       Family chairman     -0.0129     -0.0271     -0.0271     -0.0271       Family chairman     -0.0129     -0.0172     -0.0271     -0.0271       Number of owning families     -0.0129     -0.0198     -0.0198       Family chairman     -0.0124     -0.0201     -0.0198       Number of owning families     -0.0124     -0.0125     -0.0149       State block holder     -0.0124     -0.0123     -0.0149       State block holder     -0.0124     -0.0125     -0.0149       State block holder     -0.0124     -0.0125     -0.0149       State block holder     -0.0124     -0.0125     -0.0149       State block holder     -0.0123     0.0171     0.0149       State block holder     -0.0212     -0.0212     -0.0211       State block holder     -0.0231     0.0171     0.0141       State block holder     -0.0231     0.0171     0.0141       State block holder     -0.0231     0.0171     0.0141       State block holder     -0.0271     -0.0212     -0.0212       <					(0.0292)
Family nangement involvement(0.027)(0.014)(0.027)Total board members-0.0105-0.0082-0.0047-0.0138-0.0105-0.0082-0.0071-0.0271-0.0171Family chainman-0.0172-0.0271-0.0171-0.0171Number of owning families-0.0172-0.0201-0.0171-0.0171Financial block holder-0.0121-0.0125-0.0140-0.0171Financial block holder-0.0124-0.0125-0.0140-0.0171Financial block holder-0.0124-0.0155-0.0140-0.0171Financial block holder-0.01230.014370.014310.01431Financial block holder-0.0123-0.0140-0.0151-0.0140-0.0151Financial block holder-0.01230.01710.01430.01410.0141Financial block holder-0.01310.01410.01310.01410.0141Financial block holder-0.0141-0.0151-0.0141-0.01510.01410.0141Financial block holder-0.01510.01710.01440.01510.01410.01410.0141Financian of voting and cashflow rights-0.0672-0.0712-0.0814-0.08140.02510.02210.0272Firm ase-0.0874-0.08714-0.0894-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.0874-0.087	(Family board involvement/Family ownership) <sup>2</sup>				-0.0322**
Family management involvement0.0516'0.00140.0075Total board members-0.0105-0.0062-0.007-0.0180Intropoly chairman-0.0149-0.0172-0.0211-0.0261Mumber of owning families-0.0075-0.0095-0.0095-0.0095Mumber of owning families-0.0170-0.0193-0.0191Intropoly-0.0192-0.0193-0.0194-0.0193Financial block holder-0.0203-0.0293-0.0193-0.0193State block holder-0.0203-0.0212-0.0243-0.0193State block holder-0.0203-0.0242-0.0243-0.0193Founder owner-0.0203-0.025-0.0735-0.0731Founder owner-0.0203-0.0171-0.0141-0.0151Tow tier board structure-0.023-0.0171-0.0141-0.0151Tim rise-0.0471-0.0142-0.0171-0.0141Firm rise-0.0871-0.0142-0.0171-0.0141Firm rise-0.0871-0.0141-0.0172-0.0171Firm rise-0.0871-0.0181-0.0172-0.0171Firm rise-0.0871-0.0181-0.0172-0.0171Firm rise-0.0871-0.0181-0.0172-0.0171Firm rise-0.0171-0.0181-0.0172-0.0171Firm rise-0.0171-0.0181-0.0171-0.0171Firm rise-0.0171-0.0181-0.0171-0.0171Firm rise-0.0192 <t< td=""><td></td><td></td><td></td><td></td><td>(0.0127)</td></t<>					(0.0127)
Total back members0.00150.002500.004750.00390Tamily chairman-0.0140-0.0122-0.0075-0.0075-0.0078-0.0179Number of owning families-0.0170-0.0125-0.0170-0.0179-0.0179Financial block holder-0.0124-0.0125-0.0140-0.0138Financial block holder-0.0124-0.0125-0.0140-0.0139State block holder-0.00705-0.0098-0.0140-0.0139Financial block holder-0.0124-0.0125-0.0140-0.0139State block holder-0.007080.007300.007300.00731Founder owner0.10800.01590.01490.0161Two tier board structure0.01490.01640.01470.0147Pounder owning families-0.0480*-0.0492*-0.0491*-0.051*Firm size-0.0480*-0.0492*-0.0491*-0.051*Firm size-0.0677*-0.0675*-0.0692*-0.0691*-0.051*Firm age0.00870.01010.01380.01020.0231Firm size-0.0674*-0.0671*-0.0692*-0.0691*-0.051*Firm age0.00870.0110.01380.01020.0231Firm size-0.0674*0.0110.01380.0120Firm size0.0264*0.0031*0.02310.0231Firm size0.03600.0318*0.0320*0.0318Firm size0.0364*0.0181*0.0221*0.0231	Family management involvement		0.0516*	0.0414	0.0376
Total board members         -0.0105         -0.0082         -0.0047         -0.0138           M00083         (0.0085)         (0.0086)         (0.0090)           Family chairman         -0.0149         -0.0175         (0.0155)         (0.0179)         (0.0179)           Number of owning families         -0.0075         -0.0098         -0.0098         -0.0119           (0.0202)         (0.0109)         (0.0149)         (0.0149)         (0.0149)           Financial block holder         -0.0124         -0.0125         -0.0140         -0.0139           Financial block holder         -0.0263         0.0242         0.0248         0.0279           Founder owner         0.01490         (0.0153)         (0.0143)         (0.0171)           Founder owner         0.01480         0.1131         0.1141         (0.0143)           Separation of voting and cashflow rights         -0.0480*         -0.0492*         -0.0491*         -0.0514*           Firm size         -0.0480*         -0.0492*         -0.0491*         -0.0514*           Firm size         -0.0480*         -0.0492*         -0.0491*         -0.0514*           Firm size         -0.0480*         -0.0492*         -0.0491*         -0.0514*           Firm si			(0.0276)	(0.0295)	(0.0291)
0.0083)         0.0083)         0.0086)         0.0090)           Family chairman         -0.0149         -0.0172         -0.0271         -0.0250           Number of owning families         -0.0150         -0.0190         -0.0190         -0.0191           10.02021         0.02000         (0.0198)         -0.0191         -0.0191           Financial block holder         -0.0124         -0.0125         -0.0140         -0.0139           10.0203         0.0240         0.0248         0.0273         (0.0735)         (0.0735)           State block holder         0.0203         0.0242         0.0248         0.0273           10.07080         0.0171         0.0143         0.0131         0.1151           Four owner         0.0239         0.0171         0.0144         0.0139           10.0147         (0.0145)         (0.0147)         (0.0147)         (0.0147)           10.0147         (0.0147)         (0.0147)         (0.0147)         (0.0147)           10.0147         (0.0145)         (0.0147)         (0.0147)         (0.0147)           10.0147         (0.0145)         (0.0147)         (0.0147)         (0.0147)           10.0147         (0.0145)         (0.0147)         (0.0147)	Total board members	-0.0105	-0.0082	-0.0047	-0.0138
Family chairman         -0.0149         -0.0172         -0.0271         -0.0281           Number of owning families         -0.0152         -0.0155         -0.0198         -0.0179           Number of owning families         -0.0075         -0.0098         -0.0198         -0.0198           Financial block holder         -0.0124         -0.0120         -0.0140         -0.0139           State block holder         -0.0123         0.0203         0.0242         0.0248         0.0279           Founder owner         0.0480         0.1319         0.1351         0.1314           Two tier board structure         0.01471         0.01451         0.01471         0.01471           Sparation of voting and cashflow rights         -0.0871*         -0.0492*         -0.0491*         -0.0872*           Firm size         -0.0877*         -0.0871*         -0.0825*         0.0120         0.0121           Firm size         -0.0871**         -0.0871*         -0.0872*         0.0124         0.0261         0.0052         0.0124         0.0261         0.00561         0.00521         0.0124         0.0261         0.00561         0.0521         0.0213         0.0121         0.0213         0.0121         0.0213         0.01213         0.01213         0.01213 <td></td> <td>(0.0083)</td> <td>(0.0083)</td> <td>(0.0086)</td> <td>(0.0090)</td>		(0.0083)	(0.0083)	(0.0086)	(0.0090)
Number of owning families         0.0152)         0.0155)         0.0179)         0.0179           Financial block holder         0.0202)         0.0200)         0.0198)         0.0139           Financial block holder         0.0203         0.0214         -0.0125         -0.0140         -0.0139           State block holder         0.0203         0.0242         0.0248         0.0273           Founder owner         0.01830         0.0150         0.0149         0.0131           Founder owner         0.0231         0.0171         0.0148         0.0131           Two tier board structure         0.0239         0.0171         0.0144         0.0130           Sparation of voting and cashflow rights         -0.0480*         -0.0497*         -0.087**         -0.087**           G0.02501         0.02531         0.02581         0.0282         0.027**           Firm size         -0.087**         -0.087**         -0.087**         -0.087**           G0.02501         0.02581         0.0284         0.025***         -0.087***           Firm age         0.0257         0.0101         0.0138         0.0120****           G0.02501         0.02591         0.0259***         0.027***         0.027***         0.027**** <t< td=""><td>Family chairman</td><td>-0.0149</td><td>-0.0172</td><td>-0.0271</td><td>-0.0263</td></t<>	Family chairman	-0.0149	-0.0172	-0.0271	-0.0263
Number of owning families-0.0075-0.0098-0.0098-0.019[0.022)(0.020)(0.0198)(0.0194)Financial block holder-0.0124-0.0125-0.0140)[0.0149)(0.0149)(0.0148)State block holder0.02030.02420.0278[0.0708)(0.0752)(0.0736)(0.0731)Founder owner0.14800.11910.1181[0.0170](0.0145)(0.0147)(0.0147)[0.0171](0.0147)(0.0147)(0.0147)[0.0239]0.0271(0.0147)(0.0147)[0.0239](0.0259)(0.0147)(0.0147)[0.0239](0.0253)(0.0283)(0.0275)[0.0230](0.0285)(0.0283)(0.0275)[0.0230](0.0285)(0.0364)(0.0275)[0.0230](0.0285)(0.0364)(0.0275)[0.0230](0.0285)(0.0364)(0.0275)[0.0263)(0.0285)(0.0364)(0.0376)[0.0263)(0.0275)(0.0374)(0.0275)[1111] age(0.0366)(0.0592)(0.0594)(0.0275)[1111] age(0.0252)(0.0371)(0.0271)(0.0271)[1111] age(0.0251)(0.0321)(0.0271)(0.0271)[1111] age(0.021)(0.021)(0.0211)(0.0221)[1111] age(0.021)(0.021)(0.0221)(0.021)[1111] age(0.021)(0.0221)(0.0221)(0.0221)[1111] age(0.021)(0.0221) <td< td=""><td></td><td>(0.0152)</td><td>(0.0155)</td><td>(0.0179)</td><td>(0.0176)</td></td<>		(0.0152)	(0.0155)	(0.0179)	(0.0176)
$(0.020)$ $(0.020)$ $(0.0198)$ $(0.019)$ Financial block holder $-0.0124$ $-0.0125$ $-0.0140$ $-0.0139$ $(0.0149)$ $(0.0150)$ $(0.0149)$ $(0.0148)$ State block holder $(0.0203)$ $(0.0732)$ $(0.0736)$ $(0.0731)$ Founder owner $0.1480$ $0.1319$ $0.1351$ $0.1314$ $(0.0147)$ $(0.0147)$ $(0.0147)$ $(0.0147)$ $(0.0147)$ State block holder $(0.0147)$ $(0.0145)$ $(0.0147)$ $(0.0147)$ Two tier board structure $(0.0283)$ $(0.0285)$ $(0.0282)$ $(0.0275)$ $(0.0283)$ $(0.0285)$ $(0.0282)$ $(0.0275)$ $(0.0275)$ Separation of voting and cashflow rights $-0.0871^{**}$ $-0.0871^{**}$ $-0.0871^{**}$ $(0.0283)$ $(0.0285)$ $(0.0282)$ $(0.0275)$ Firm size $(0.0877)$ $0.0101$ $0.0138$ $0.0121$ $(0.0283)$ $(0.0285)$ $(0.0384)$ $(0.0361)$ Firm age $0.0087$ $0.0101$ $0.0138$ $0.0121$ $(0.0275)$ $(0.0271)$ $(0.0281)$ $(0.0389)$ $(0.0389)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.0271)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.021)$ $(0.022)$ $(0.0021)$ $(0.022)$ $(0.021)$ <td>Number of owning families</td> <td>-0.0075</td> <td>-0.0098</td> <td>-0.0098</td> <td>-0.0119</td>	Number of owning families	-0.0075	-0.0098	-0.0098	-0.0119
Financial block holder $-0.0124$ $-0.0125$ $-0.0140$ $-0.0139$ State block holder $0.0149$ $0.0150$ $0.0149$ $0.0149$ State block holder $0.0203$ $0.0242$ $0.0248$ $0.0279$ Founder owner $0.01708$ $0.00730$ $0.00730$ $0.0171$ $0.0140$ $0.1151$ Two tier board structure $0.0229$ $0.0171$ $0.0144$ $0.0130$ Separation of voting and cashflow rights $-0.0492^*$ $-0.0491^*$ $-0.0491^*$ $-0.0491^*$ Firm size $-0.0877^*$ $-0.0871^*$ $-0.0898^*$ $-0.0872^*$ $(0.0283)$ $0.00283$ $0.0282)$ $0.0282$ $0.0371$ Firm size $-0.0877^*$ $-0.0871^*$ $-0.0898^*$ $-0.0872^*$ $(0.0283)$ $0.00283$ $0.0364$ $0.0361$ $0.0381$ $0.0325$ Firm size $-0.0877^*$ $-0.0871^*$ $0.0887^*$ $0.428^* * * * * * * * * * * * * * * * * * * $		(0.0202)	(0.0200)	(0.0198)	(0.0194)
$(0.0149)$ $(0.0150)$ $(0.0149)$ $(0.0148)$ State block holder $0.0203$ $0.0242$ $0.0248$ $0.0279$ $(0.0708)$ $0.0752)$ $(0.0756)$ $(0.0731)$ Founder owner $(1.0708)$ $0.1151$ $0.1311$ Two tier board structure $0.0239$ $0.0171$ $0.0144$ $0.0130$ $(0.0147)$ $(0.0145)$ $(0.0147)$ $(0.0147)$ $(0.0147)$ Separation of voting and cashflow rights $-0.0480^{\circ}$ $-0.0492^{\circ}$ $-0.0491^{\circ}$ $-0.0514^{\circ}$ $(0.0283)$ $(0.0285)$ $(0.0282)$ $(0.0275)^{\circ}$ Firm size $-0.0671^{\circ}$ $-0.0871^{\circ}$ $-0.0874^{\circ}$ $-0.0871^{\circ}$ $(0.0360)$ $(0.0550)$ $(0.0364)$ $(0.0361)^{\circ}$ $(0.0364)$ $(0.0361)^{\circ}$ Firm age $0.0087$ $0.0101$ $0.0138$ $0.0121^{\circ}$ $(0.0591)^{\circ}$ $(0.0591)^{\circ}$ Firm leverage $0.424^{***}$ $0.4283^{***}$ $0.4286^{***}$ $0.4287^{***}$ $(0.0251)$ $(0.0521)$ $(0.0521)^{\circ}$ $(0.0521)^{\circ}$ $(0.0521)^{\circ}$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047^{\circ}$ $(0.0221)$ $(0.0221)^{\circ}$ $(0.0221)^{\circ}$ $(0.0221)^{\circ}$ $(0.0221)^{\circ}$ Main stock market segment $-0.039$ $-0.031$ $-0.059$ $-0.0041^{\circ}$ $(0.0221)$ $(0.0221)^{\circ}$ $(0.0221)^{\circ}$ $(0.0221)^{\circ}$ $(0.0221)^{\circ}$ $(0.021)$ $(0.0221)^{\circ}$ $(0.0221)^{\circ}$ $(0.0221)^{\circ}$ $(0.0221)^{\circ}$ $(0.0141)$ $($	Financial block holder	-0.0124	-0.0125	-0.0140	-0.0139
State block holder         0.0203         0.0242         0.0248         0.0279           Konder owner         0.0708)         (0.0752)         (0.0736)         (0.0731)           Founder owner         0.1480         0.1319         (0.1181)         (0.1180)         (0.1180)           Two tier board structure         0.0239         (0.0147)         (0.0147)         (0.0147)         (0.0147)           Separation of voting and cashflow rights         -0.0480*         -0.0492*         -0.0491*         -0.0514*           (0.0283)         (0.0285)         (0.0282)         (0.0275)           Firm size         -0.0877**         -0.0871**         -0.0898**         -0.0872**           (0.0360)         (0.0358)         (0.0283)         (0.0275)           Firm age         -0.0877**         -0.0871**         -0.0898**         -0.0872**           (0.0360)         (0.0358)         (0.028)         (0.0275)           Firm age         -0.0877**         -0.0871**         -0.0898**         -0.0872**           (0.0596)         (0.0592)         (0.0364)         (0.0598)         (0.0598)           Firm leverage         0.4247***         0.4283***         0.4286***         0.0427           (0.0592)         (0.0591)		(0.0149)	(0.0150)	(0.0149)	(0.0148)
$000708$ $000752$ $000736$ $00731$ Founder owner $0.1480$ $0.1319$ $0.1351$ $0.1314$ $0.118$ $(0.1183)$ $(0.1164)$ $(0.1180)$ $(0.1151)$ Two tier board structure $0.0239$ $0.0171$ $0.0144$ $0.0130$ $00147$ $(0.0147)$ $(0.0147)$ $(0.0147)$ $(0.0147)$ Separation of voting and cashflow rights $-0.0480^{*}$ $-0.0492^{*}$ $-0.0491^{*}$ $-0.0514^{*}$ $0.0283$ $(0.0285)$ $(0.0282)$ $(0.0275)$ $(0.0287)^{*}$ $-0.0877^{**}$ $-0.0871^{**}$ $-0.0878^{**}$ $-0.0872^{**}$ Firm size $-0.0877^{**}$ $-0.0871^{**}$ $-0.0871^{**}$ $-0.0872^{**}$ $-0.0872^{**}$ $0.0350$ $(0.0358)$ $(0.0364)$ $(0.0364)$ $(0.0364)$ $(0.0364)$ Firm ge $0.0087^{**}$ $0.0101$ $0.0138$ $0.0102$ Firm ge $0.0087^{**}$ $0.0101$ $0.0138$ $0.0121$ $0.0596$ $(0.0592)$ $(0.0594)$ $(0.0379)^{**}$ $0.011^{**}$ $0.0245^{***}$ $0.0275^{**}$ $0.077^{**}$ $0.021^{**}$ $0.0221^{**}$ $0.0281^{***}$ $0.0047^{**}$ $0.0325^{**}$ $0.0052^{**}$ $0.0052^{**}$ $0.0052^{**}$ $0.031^{**}$ $0.0021^{**}$ $0.0052^{**}$ $0.0042^{***}$ $0.0021^{**}$ $0.0046^{**}$ $0.0052^{**}$ $0.0042^{**}$ $0.0021^{**}$ $0.0052^{**}$ $0.0052^{**}$ $0.0042^{***}$ $0.0021^{**}$ $0.0052^{**}$ $0.0052^{**}$ $0.$	State block holder	0.0203	0.0242	0.0248	0.0279
Founder owner         0.1480         0.1319         0.1311         0.1311           You tier board structure         0.0239         0.0171         0.0144         0.0130           Separation of voting and cashflow rights         -0.0480*         -0.0492*         -0.0491*         -0.0514*           Separation of voting and cashflow rights         -0.0480*         -0.0492*         -0.0491*         -0.0514*           Firm size         -0.0877**         -0.0871**         -0.0898**         -0.0872**           Mon360         0.0358)         0.00283         0.00285         0.00285           Firm size         -0.0877**         -0.0871**         -0.0898**         -0.0872**           Mon360         0.0358         0.0028         0.0028         0.0028           Firm age         0.0087         0.0101         0.0138         0.0102           Firm age         0.0087         0.0101         0.0138         0.0120           Firm growth         0.0484***         0.0426***         0.0426***         0.0379           Firm risk         0.0046         0.0042         0.0049         0.0047           Mon521         0.00521         0.00521         0.00521         0.00521           Mon521         0.00211 <td< td=""><td></td><td>(0.0708)</td><td>(0.0752)</td><td>(0.0736)</td><td>(0.0731)</td></td<>		(0.0708)	(0.0752)	(0.0736)	(0.0731)
$0.1183$ $(0.1164)$ $(0.1180)$ $(0.1151)$ Two tier board structure $0.0239$ $0.0171$ $0.0144$ $0.0130$ $(0.0147)$ $(0.0147)$ $(0.0147)$ $(0.0149)$ $-0.0514^{\circ}$ Separation of voting and cashflow rights $-0.0480^{\circ}$ $-0.0492^{\circ}$ $-0.0491^{\circ}$ $-0.0514^{\circ}$ $(0.0283)$ $(0.0285)$ $(0.0282)$ $(0.0275)$ Firm size $-0.0871^{\circ}$ $-0.0891^{\circ}$ $-0.0892^{\circ}$ $-0.0872^{\circ}$ $(0.0360)$ $(0.0358)$ $(0.0364)$ $(0.0364)$ $(0.0364)$ Firm age $0.0087$ $0.0101$ $0.0138$ $0.0102$ $(0.0596)$ $(0.0592)$ $(0.0594)$ $(0.598)$ Firm leverage $0.4247^{\circ\circ\circ}$ $0.4285^{\circ\circ\circ}$ $0.4286^{\circ\circ\circ}$ $(0.1245)$ $(0.1240)$ $(0.1240)$ $(0.1231)$ Firm growth $0.0846^{\circ\circ\circ}$ $0.0818^{\circ\circ}$ $0.0825^{\circ\circ\circ}$ $(0.0252)$ $(0.051)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0047$ $(0.0052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ Main stock market segment $-0.0039$ $-0.0050$ $-0.0050$ $(0.5021)$ $(0.522)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.569)$ $(0.4993)$ Observations $1.311$ $1.311$ $1.311$ $1.311$ $R^2$ $0.702$ $0.7053$ $0.7059$ $0.7072$ Industry FEYes<	Founder owner	0.1480	0.1319	0.1351	0.1314
Two tier board structure         0.0239         0.0171         0.0144         0.0130           (0.0147)         (0.0145)         (0.0147)         (0.0149)         -0.0491*         -0.0514*           Separation of voting and cashflow rights         -0.0480*         -0.0492*         -0.0491*         -0.0514*           (0.0283)         (0.0285)         (0.0282)         (0.0275)           Firm size         -0.0877**         -0.0871**         -0.0898**         -0.0872**           (0.0360)         (0.0358)         (0.0364)         (0.0361)           Firm age         0.0087         0.0101         0.0138         0.0102           (0.0596)         (0.0592)         (0.0594)         (0.0283)           Firm growth         0.0846***         0.0818*         0.0426***         0.4247***           (0.01245)         (0.1240)         (0.1240)         (0.1231)           Firm growth         0.0846***         0.0818*         0.00325         (0.0318)         (0.0320)           Firm risk         0.0046         0.0042         0.0049         0.0047         (0.0221)         (0.0221)         (0.0221)           Main stock market segment         -0.0039         -0.0031         -0.0050         -0.0040         (0.0221)         (0		(0.1183)	(0.1164)	(0.1180)	(0.1151)
$(0.0147)$ $(0.0145)$ $(0.0147)$ $(0.0149)$ Separation of voting and cashflow rights $-0.0480^{\circ}$ $-0.0492^{\circ}$ $-0.0491^{\circ}$ $-0.0514^{\circ}$ $(0.0283)$ $(0.0285)$ $(0.0282)$ $(0.0275)$ Firm size $-0.0877^{\circ*}$ $-0.0871^{\circ*}$ $-0.0898^{\circ*}$ $-0.0872^{\circ*}$ $(0.0360)$ $(0.0358)$ $(0.0364)$ $(0.0361)$ Firm age $0.0087$ $0.0101$ $0.0138$ $0.0102$ $(0.0596)$ $(0.0592)$ $(0.0594)$ $(0.0598)$ Firm leverage $0.4247^{\circ**}$ $0.4283^{\circ**}$ $0.4286^{\circ**}$ $(0.1245)$ $(0.1240)$ $(0.1231)$ $(0.1231)$ Firm growth $0.0846^{\circ**}$ $0.0818^{\circ*}$ $0.0825^{\circ**}$ $0.0797^{\circ*}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.052)$ $(0.052)$ $(0.052)$ $(0.052)$ $(0.052)$ Main stock market segment $-0.039$ $-0.031$ $-0.050$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Observations $1.311$ $1.311$ $1.311$ $1.311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesYear, FEYesYesYesYes	Two tier board structure	0.0239	0.0171	0.0144	0.0130
Separation of voting and cashflow rights $-0.0480^{*}$ $-0.0492^{*}$ $-0.0491^{*}$ $-0.0514^{*}$ Firm size $-0.0877^{**}$ $-0.0871^{**}$ $-0.0898^{**}$ $-0.0872^{**}$ Image $0.0360$ $(0.0358)$ $(0.0364)$ $(0.0361)$ Firm age $0.0087$ $0.0101$ $0.0138$ $0.0102$ Image $0.02596$ $(0.0592)$ $(0.0594)$ $(0.0598)$ Firm growth $0.0846^{***}$ $0.4283^{***}$ $0.4286^{***}$ $0.4267^{***}$ Image $0.0225$ $(0.0318)$ $(0.0329)$ $(0.0329)$ Firm growth $0.0846^{***}$ $0.0818^{**}$ $0.0825^{***}$ $0.079^{**}$ Image $0.0046$ $0.0042$ $0.0049$ $0.0047$ Image $0.0046$ $0.0052$ $0.0049$ $0.0041$		(0.0147)	(0.0145)	(0.0147)	(0.0149)
$(0.0283)$ $(0.0285)$ $(0.028)$ $(0.0275)$ Firm size $-0.0877^{**}$ $-0.0871^{**}$ $-0.0898^{**}$ $-0.0872^{**}$ $(0.0360)$ $(0.0358)$ $(0.0364)$ $(0.0361)$ Firm age $0.0087$ $0.0101$ $0.0138$ $0.0102$ $(0.0596)$ $(0.0592)$ $(0.0594)$ $(0.0598)$ Firm leverage $0.4247^{***}$ $0.4283^{***}$ $0.4286^{***}$ $0.4267^{***}$ $(0.1245)$ $(0.1240)$ $(0.1240)$ $(0.1231)$ Firm growth $0.0846^{***}$ $0.0818^{**}$ $0.0825^{***}$ $0.0797^{**}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.052)$ $(0.052)$ $(0.052)$ $(0.052)$ Main stock market segment $-0.0039$ $-0.0031$ $-0.0050$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesYesFirm FEYesYesYesYesYesYear FEYesYesYesYesYes	Separation of voting and cashflow rights	-0.0480*	-0.0492*	-0.0491*	-0.0514*
Firm size $-0.0877^{**}$ $-0.0871^{**}$ $-0.0898^{**}$ $-0.0872^{**}$ $(0.0360)$ $(0.0358)$ $(0.0364)$ $(0.0361)$ Firm age $0.0087$ $0.0101$ $0.0138$ $0.0102$ $(0.0596)$ $(0.0592)$ $(0.0594)$ $(0.598)$ Firm leverage $0.4247^{***}$ $0.4285^{***}$ $0.4286^{***}$ $0.4267^{***}$ $(0.1245)$ $(0.1240)$ $(0.1240)$ $(0.1231)$ Firm growth $0.0846^{***}$ $0.0818^{**}$ $0.0825^{***}$ $0.0797^{**}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.0052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ Main stock market segment $-0.003$ $-0.0031$ $-0.0040$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $(0.502)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ $(0.502)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ $(0.502)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ $(0.502)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ $(0.502)$ $(0.4993)$ $(0.7053)$ $(0.705)$ $(0.0051)$ $(0.7053)$ $(0.7059)$ $(0.7072)$ $(0.0051)$ $(0.7053)$ $(0.7059)$ $(0.7072)$ $(0.0051)$ $(0.7053)$ $(0.7059)$ $(0.7072)$ $(0.0051)$ $(0.505)$ $(0.505)$ $(0.705)$ $(0.0051)$ $(0.7053)$ $(0.705$		(0.0283)	(0.0285)	(0.0282)	(0.0275)
$(0.0360)$ $(0.0358)$ $(0.0364)$ $(0.0361)$ Firm age $0.0087$ $0.0101$ $0.0138$ $0.0102$ $(0.0596)$ $(0.0592)$ $(0.0594)$ $(0.0598)$ Firm leverage $0.4247^{***}$ $0.4283^{***}$ $0.4286^{***}$ $0.4267^{***}$ $(0.1245)$ $(0.1240)$ $(0.1240)$ $(0.1231)$ Firm growth $0.0846^{***}$ $0.0818^{**}$ $0.0825^{***}$ $0.077^{**}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0047$ $(0.052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ Main stock market segment $-0.0031$ $-0.0050$ $-0.0031$ $-0.0031$ $-0.0050$ $(0.0221)$ $(0.0221)$ Observations $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ Industry FEYesYesYesFirm FEYesYesYesYear FEYesYesYes	Firm size	-0.0877**	-0.0871**	-0.0898**	-0.0872**
Firm age $0.0087$ $0.0101$ $0.0138$ $0.0102$ $(0.0596)$ $(0.0592)$ $(0.0594)$ $(0.0598)$ Firm leverage $0.4247^{***}$ $0.4283^{***}$ $0.4286^{***}$ $0.4267^{***}$ $(0.1245)$ $(0.1240)$ $(0.1240)$ $(0.1231)$ Firm growth $0.0846^{***}$ $0.0818^{**}$ $0.0825^{***}$ $0.0797^{**}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ Main stock market segment $-0.0039$ $-0.0031$ $-0.0050$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $0.5902$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesYear FEYesYesYesYes		(0.0360)	(0.0358)	(0.0364)	(0.0361)
$ (0.0596)$ $(0.0592)$ $(0.0594)$ $(0.0598)$ Firm leverage $0.4227^{***}$ $0.4283^{***}$ $0.4286^{***}$ $0.4267^{***}$ $(0.1245)$ $(0.1240)$ $(0.1240)$ $(0.1231)$ Firm growth $0.0846^{***}$ $0.0818^{**}$ $0.0825^{***}$ $0.0797^{**}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.0052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ Main stock market segment $-0.0039$ $-0.0031$ $-0.0050$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesYesYear FEYesYesYesYesYes	Firm age	0.0087	0.0101	0.0138	0.0102
Firm leverage $0.4247^{***}$ $0.4283^{***}$ $0.4286^{***}$ $0.4267^{***}$ $(0.1245)$ $(0.1240)$ $(0.1240)$ $(0.1231)$ Firm growth $0.0846^{***}$ $0.0818^{**}$ $0.0825^{***}$ $0.0797^{**}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.0052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ Main stock market segment $-0.0039$ $-0.0031$ $-0.0050$ $-0.0040$ $(0.021)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesYesYear FEYesYesYesYesYes		(0.0596)	(0.0592)	(0.0594)	(0.0598)
$(0.1245)$ $(0.1240)$ $(0.1240)$ $(0.1231)$ Firm growth $0.0846^{***}$ $0.0818^{**}$ $0.0825^{***}$ $0.0797^{**}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.052)$ $(0.052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ Main stock market segment $-0.0039$ $-0.0031$ $-0.0050$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesYesYear FEYesYesYesYesYes	Firm leverage	0.4247***	0.4283***	0.4286***	0.4267***
Firm growth $0.0846^{***}$ $0.0818^{**}$ $0.0825^{***}$ $0.0797^{**}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ Main stock market segment $-0.0039$ $-0.0031$ $-0.0050$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesYesYear FEYesYesYesYesYes		(0.1245)	(0.1240)	(0.1240)	(0.1231)
$I_{irrr}$ $(0.0325)$ $(0.0319)$ $(0.0318)$ $(0.0320)$ Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.052)$ $(0.052)$ $(0.052)$ $(0.052)$ $(0.052)$ Main stock market segment $-0.0039$ $-0.0031$ $-0.0050$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesFirm FEYesYesYesYesYear FEYesYesYesYes	Firm growth	0.0846***	0.0818**	0.0825***	0.0797**
Firm risk $0.0046$ $0.0042$ $0.0049$ $0.0047$ $(0.0052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ $(0.0052)$ Main stock market segment $-0.0039$ $-0.0031$ $-0.0050$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesFirm FEYesYesYesYesYear FEYesYesYesYes	2	(0.0325)	(0.0319)	(0.0318)	(0.0320)
	Firm risk	0.0046	0.0042	0.0049	0.0047
Main stock market segment $-0.0039$ $-0.0031$ $-0.0050$ $-0.0040$ $(0.0221)$ $(0.0221)$ $(0.0221)$ $(0.0221)$ Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ R <sup>2</sup> $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesFirm FEYesYesYesYesYear FEYesYesYesYesYear FEYesYesYesYes		(0.0052)	(0.0052)	(0.0052)	(0.0052)
$ \begin{array}{c cccc} & (0.0221) & (0.0221) & (0.0221) & (0.0221) \\ \hline Constant & 0.6044 & 0.5825 & 0.5905 & 0.6023 \\ \hline (0.5022) & (0.4993) & (0.5069) & (0.4959) \\ \hline Observations & 1,311 & 1,311 & 1,311 & 1,311 \\ R^2 & 0.7042 & 0.7053 & 0.7059 & 0.7072 \\ \hline Industry FE & Yes & Yes & Yes & Yes \\ \hline Firm FE & Yes & Yes & Yes & Yes & Yes \\ \hline Year FE & Yes & Yes & Yes & Yes & Yes \\ \hline \end{array} $	Main stock market segment	-0.0039	-0.0031	-0.0050	-0.0040
Constant $0.6044$ $0.5825$ $0.5905$ $0.6023$ $(0.5022)$ $(0.4993)$ $(0.5069)$ $(0.4959)$ Observations $1,311$ $1,311$ $1,311$ $1,311$ $R^2$ $0.7042$ $0.7053$ $0.7059$ $0.7072$ Industry FEYesYesYesYesFirm FEYesYesYesYesYear FEYesYesYesYes	C	(0.0221)	(0.0221)	(0.0221)	(0.0221)
	Constant	0.6044	0.5825	0.5905	0.6023
Observations         1,311         1,311         1,311         1,311           R <sup>2</sup> 0.7042         0.7053         0.7059         0.7072           Industry FE         Yes         Yes         Yes         Yes           Firm FE         Yes         Yes         Yes         Yes           Year FE         Yes         Yes         Yes         Yes		(0.5022)	(0.4993)	(0.5069)	(0.4959)
R20.70420.70530.70590.7072Industry FEYesYesYesYesYesFirm FEYesYesYesYesYesYear FEYesYesYesYesYes	Observations	1,311	1,311	1,311	1,311
Industry FEYesYesYesFirm FEYesYesYesYesYear FEYesYesYesYes	$R^2$	0.7042	0.7053	0.7059	0.7072
Firm FEYesYesYesYear FEYesYesYes	Industry FE	Yes	Yes	Yes	Yes
Year FE Yes Yes Yes Yes	Firm FE	Yes	Yes	Yes	Yes
	Year FE	Yes	Yes	Yes	Yes

*Note:* Robust standard errors in parentheses. \*p < 0.1, \*\*p < 0.05, and \*\*\*p < 0.01.

TABLE B2	Dependent variable:	ROA (unadjuste	ed).
	Dependent (analoie)	reorr (anadjaou	

Variables	Model 1	Model 2	Model 3	Model 4
Family ownership		0.0160	0.0152	0.0072
		(0.0207)	(0.0207)	(0.0222)
Family board involvement			0.0073	
			(0.0052)	
Family board involvement/Family ownership				0.0171**
				(0.0075)
(Family board involvement/Family ownership) <sup>2</sup>				-0.0066**
				(0.0032)
Family management involvement		0.0087	0.0062	0.0048
		(0.0084)	(0.0088)	(0.0088)
Total board members	-0.0011	-0.0007	0.0002	-0.0014
	(0.0029)	(0.0029)	(0.0029)	(0.0030)
Family chairman	-0.0082	-0.0087	-0.0111*	-0.0117*
	(0.0063)	(0.0064)	(0.0066)	(0.0067)
Number of owning families	0.0032	0.0026	0.0026	0.0023
	(0.0046)	(0.0045)	(0.0045)	(0.0044)
Financial block holder	0.0037	0.0038	0.0034	0.0033
	(0.0046)	(0.0046)	(0.0046)	(0.0046)
State block holder	-0.0298**	-0.0285 **	$-0.0284^{**}$	-0.0279**
	(0.0126)	(0.0140)	(0.0136)	(0.0133)
Founder owner	0.0274	0.0243	0.0251	0.0244
	(0.0167)	(0.0165)	(0.0169)	(0.0169)
Two tier board structure	-0.0025	-0.0036	-0.0043	-0.0048
	(0.0045)	(0.0044)	(0.0044)	(0.0044)
Separation of voting and cashflow rights	-0.0243***	-0.0244***	-0.0244***	-0.0248***
	(0.0081)	(0.0082)	(0.0082)	(0.0079)
Firm size	-0.0093	-0.0090	-0.0096	-0.0093
	(0.0101)	(0.0099)	(0.0100)	(0.0100)
Firm age	0.0162	0.0163	0.0172	0.0167
	(0.0195)	(0.0196)	(0.0196)	(0.0197)
Firm leverage	0.0234	0.0241	0.0242	0.0235
	(0.0361)	(0.0361)	(0.0361)	(0.0359)
Firm growth	0.0148	0.0145	0.0146	0.0141
	(0.0108)	(0.0108)	(0.0107)	(0.0107)
Firm risk	-0.0007	-0.0008	-0.0006	-0.0006
	(0.0015)	(0.0015)	(0.0015)	(0.0015)
Main stock market segment	0.0071	0.0072	0.0068	0.0068
	(0.0057)	(0.0057)	(0.0057)	(0.0058)
Constant	0.0848	0.0752	0.0772	0.0785
	(0.1343)	(0.1328)	(0.1335)	(0.1327)
Observations	1,311	1,311	1,311	1,311
R <sup>2</sup>	0.8303	0.8307	0.8310	0.8315
Industry FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

*Note:* Robust standard errors in parentheses. \*p < 0.1, \*\*p < 0.05, and \*\*\*p < 0.01.

#### TABLE B3 Dependent variable: Industry-adjusted ROE.

Variables	Model 1	Model 2	Model 3
Family ownership	0.0084	-0.0122	0.0269
	(0.0757)	(0.0734)	(0.0781)
Family management involvement/Family	0.0608		0.0803
ownership	(0.0458)		(0.0515)
(Family management involvement/Family	-0.0195		-0.0217
ownership) <sup>2</sup>	(0.0187)		(0.0190)
Dominant family management		-0.0049	-0.0227
		(0.0142)	(0.0188)
Family board involvement/Family ownership	0.0670**	0.0819***	0.0656**
	(0.0268)	(0.0261)	(0.0269)
(Family board involvement/Family ownership) <sup>2</sup>	-0.0301***	-0.0347***	-0.0299**
	(0.0116)	(0.0117)	(0.0116)
Total board members	-0.0116	-0.0151*	-0.0109
	(0.0089)	(0.0091)	(0.0090)
Family chairman	-0.0236	-0.0277	-0.0216
	(0.0184)	(0.0182)	(0.0184)
Number of owning families	-0.0128	-0.0115	-0.0120
	(0.0202)	(0.0205)	(0.0201)
Financial block holder	-0.0146	-0.0139	-0.0148
	(0.0144)	(0.0143)	(0.0143)
State block holder	0.0255	0.0295	0.0184
	(0.0247)	(0.0270)	(0.0266)
Founder owner	0.1218	0.1393	0.1214
	(0.1334)	(0.1395)	(0.1328)
Two tier board structure	0.0095	0.0165	0.0084
	(0.0152)	(0.0152)	(0.0154)
Separation of voting and cashflow rights	-0.0522*	-0.0505*	-0.0517*
	(0.0286)	(0.0283)	(0.0287)
Firm size	$-0.0862^{**}$	-0.0871**	$-0.0870^{**}$
	(0.0382)	(0.0386)	(0.0382)
Firm age	0.0095	0.0101	0.0066
	(0.0598)	(0.0599)	(0.0598)
Firm leverage	0.4274***	0.4238***	0.4289***
	(0.1316)	(0.1305)	(0.1319)
Firm growth	0.0798**	0.0817**	0.0798**
	(0.0334)	(0.0339)	(0.0334)
Firm risk	0.0046	0.0050	0.0046
	(0.0052)	(0.0052)	(0.0052)
Main stock market segment	-0.0035	-0.0045	-0.0049
	(0.0231)	(0.0230)	(0.0230)
Constant	0.6080	0.6395	0.6112
	(0.4694)	(0.4739)	(0.4683)
Observations	1,311	1,311	1,311
$R^2$	0.0755	.0725	0.0766
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes

*Note:* Robust standard errors in parentheses. \*p < 0.1, \*\*p < 0.05, and \*\*\*p < 0.01.

Variables	Model 1	Model 2	Model 3
Family ownership	0.0105	0.0075	0.0163
	(0.0214)	(0.0220)	(0.0221)
Family management involvement/Family	0.0066		0.0127
ownership	(0.0109)		(0.0115)
(Family management involvement/Family	-0.0016		-0.0023
ownership) <sup>2</sup>	(0.0048)		(0.0048)
Dominant family management		-0.0015	-0.0071
		(0.0043)	(0.0053)
Family board involvement/Family ownership	0.0164**	0.0186**	0.0160**
	(0.0075)	(0.0073)	(0.0074)
(Family board involvement/Family ownership) <sup>2</sup>	-0.0064**	-0.0071**	-0.0063**
	(0.0031)	(0.0031)	(0.0031)
Total board members	-0.0012	-0.0016	-0.0010
	(0.0029)	(0.0030)	(0.0029)
Family chairman	-0.0114*	-0.0118*	-0.0108
	(0.0066)	(0.0067)	(0.0066)
Number of owning families	0.0022	0.0024	0.0024
	(0.0038)	(0.0039)	(0.0038)
Financial block holder	0.0032	0.0033	0.0032
	(0.0044)	(0.0044)	(0.0044)
State block holder	-0.0281***	-0.0283***	-0.0303***
	(0.0069)	(0.0067)	(0.0069)
Founder owner	0.0232	0.0262	0.0231
	(0.0171)	(0.0178)	(0.0173)
Two tier board structure	-0.0052	-0.0041	-0.0056
	(0.0045)	(0.0047)	(0.0045)
Separation of voting and cashflow rights	-0.0249***	-0.0245***	-0.0248***
	(0.0079)	(0.0079)	(0.0080)
Firm size	-0.0093	-0.0094	-0.0095
	(0.0105)	(0.0105)	(0.0104)
Firm age	0.0168	0.0163	0.0159
	(0.0213)	(0.0213)	(0.0213)
Firm leverage	0.0234	0.0233	0.0239
	(0.0397)	(0.0399)	(0.0396)
Firm growth	0.0141	0.0146	0.0141
	(0.0109)	(0.0109)	(0.0109)
Firm risk	-0.0006	-0.0006	-0.0006
	(0.0014)	(0.0014)	(0.0014)
Main stock market segment	0.0068	0.0065	0.0064
	(0.0057)	(0.0056)	(0.0056)
Constant	0.0342	0.0395	0.0352
	(0.1348)	(0.1344)	(0.1343)
Observations	1,311	1,311	1,311
$R^2$	0.0429	0.0422	0.0445
Firm FE	Yes	Yes	Yes
Time FE	Yes	Yes	Yes

*Note*: Robust standard errors in parentheses. \*p < 0.1, \*\*p < 0.05, and \*\*\*p < 0.01.