LARGE SHAREHOLDERS' COMBINATIONS IN FAMILY FIRMS. PREVALENCE AND PERFORMANCE EFFECTS

Sacristán-Navarro, María[1]
Rey Juan Carlos University
Pª Artilleros s/n, 28032 Madrid, Spain
Phone: 00 34 91 4887541
Fax: 0034914887780
e-mail: maria.sacristan@urjc.es

Gómez-Ansón, Silvia
University of Oviedo
Avda. del Cristo s/n, 33071 Oviedo, Spain
Phone: 00 34 98 5102825
e-mail: sgomez@uniovi.es

Cabeza-García, Laura
University of León
Campus de Vegazana S/n, 2407 León, Spain
Phone: 00 34 987 291000 (extensión 5479)
Fax: 00 34 987291454
e-mail: laura.cabeza@unileon.es

Key words: multiple large shareholders' combinations, family firms, corporate governance

Abstract

When families are large firm's owners, different shareholders' combinations may appear. This paper describes Spanish family firms' shareholder structures and explains which first-second largest shareholders' combinations are most common. The paper shows that the most common combination within our sample is families and individuals as first shareholders plus families and individuals as second largest shareholders, but that other combinations also exist: families and individuals plus banks, families and individuals and non financial firms and even two non-financial firms as largest shareholders. In addition, the paper analyses the impact of different shareholders combinations on firm performance. The results do not support that any shareholders' combination influences significantly family firm performance.

---

[1] Corresponding author.

1. Introduction

Family ownership is relatively common among publicly listed firms in different countries. Actually, many companies around the world are controlled by large shareholders usually individuals or their families. In fact, La Porta *et al.* (1999) document that family control is the most widespread form of organizational structure, except in countries with strong protection of minority shareholders. In the United States, more than one-third of S&P 500 corporations may be classified as family-controlled businesses (Anderson and Reeb, 2003). In East Asia, a small number of families control firms that make up a large percentage of the stock markets (Claessens *et al.*, 2000). In Western Europe, Faccio and Lang (2002) document that more than 44% of listed firms are family controlled. In some Western European countries, families firms make up more than 50% of the stock market, for example, in Spain (Sacristán-Navarro and Gómez-Ansón, 2007).

A firms' ownership structure may adopt various forms and combinations. Firms may have just a single large shareholder, more than one blockholder or no large shareholders. For instance, for Western economies, Leaven and Levine (2008), suggest that over 40% of the public firms with one large shareholder have also an additional large shareholder (or even more than one) who own more than 10% of the firms' shares. This is also the case for family firms (especially listed family firms). They frequently combine a large shareholder -the family- plus other large shareholders and minority shareholders. For instance, for Spain, families often coexist with other large shareholders that may limit families' private benefits of control (Sacristán-Navarro *et al.*, 2011).

The academic literature has focused on the possible conflicts of interests between large and minority shareholders (Maury, 2006), but not so much, with the exception of Maury and Pajuste (2005), Jara-Bertín *et al*. (2008) and Nieto *et al*. (2009), on the conflicts between families and other large shareholders. Besides, the empirical literature usually does not refer to the identity of the firms' large shareholders. Thus, very little is known, especially among family firms, about how large shareholders interact with each other, how they exercise their power and the control of the corporations, and how their mutual coexistence affects firm performance. As Jara-Bertín *et al*. (2008) point out more evidence about how large shareholders interact among themselves and their influence on firm performance is needed.

Our paper adds new empirical evidence about the different combinations of large shareholders in family firms. It contributes to the family firm's literature in several ways: first, it describes the nature or type of the first and the second largest shareholders within family firms; previous papers use samples of the whole universe of listed companies (López de Foronda *et al*., 2007; Nieto *et al.*, 2009) or are focused on closely-held firms (Bennedsen and Wolfenzon, 2000 or Gutierrez and Tribó, 2004). Second, we add new evidence about the role played by different large shareholders' combinations in family firms. Previous research has been focused on the nature and the effect of the family as a large shareholder, but not on how different shareholders combinations may interact with each other and affect family firm performance. Third, we analyse whether the impact on family firm performance of different shareholders' combinations is influenced by family presence in the firms' corporate governance structures.

Our empirical analysis is focused on a sample of 80 non-financial Spanish family listed companies over the period 2003-2008 (324 observations). Spain represents an example of a French civil law country that suffered a Civil War during the twentieth century. Its economy

ranks 93 among the 183 countries regarding investor protection (Doing Business, 2010), with listed firms presenting a high concentration of control rights and high diffusion of pyramidal structures. Thus, Spain represents an example of a country with fairly low investor protection and potential high benefits of control. Besides, banks have played in the past an important role in the economy both as shareholders and creditors of quoted companies and a large percentage of listed firms are controlled by families (Sacristán-Navarro and Gómez-Ansón, 2007) that tend to exercise their control not only through ownership, but also through an active involvement in firms' management and on the Board of Directors. Therefore, Spain represents a good laboratory to study the issues proposed in the paper. We are aware that analysing the firms of a single country could be considered a limitation of this study, as our results may not be transferable to other institutional environments, but single-country studies enable us to overcome a problem associated with multicountry studies: the use of samples composed of mainly large companies, and not by the whole universe of traded firms[2].

Our results, considering different performance measures, the influence on firm performance of families' control and using a pool regression clustered at firm level do not support that any shareholders' combination influence firm performance. What we find, as previously reported in the literature, is that how families exercise their control matters: non-family governed firms outperform family governed firms for all shareholders' combinations.

The paper is divided in five sections. Section 2 analyses the theoretical framework from an agency theory point of view and proposes the hypotheses to be tested. Section 3 describes the sample and variables used as well as the methodology employed. Section 4 refers to the

---

[2] Equally important, narrowing the focus to a single country provides homogeneity in accounting measures and avoids the possible weakness of multicountry data (due to variations in financial reporting standards, for instance).

results of the analyses. The main conclusions and implications of the paper, together with some suggestions for future research, are presented in Section 5.

2. Large shareholders in family firms: theoretical background and hypotheses

The agency studies of the 70s and 80s used to analyse the conflicts of interests between principals and agents assuming a world with diffuse ownership. In this scenario, small shareholders lack the incentives or contractual mechanisms to align the interests of managers with those of shareholders. Consequently, managers may exert substantial discretion over firm's decisions and divert corporate resources for private gain. This conflict of interest is the classic owner-manager conflict, described by Berle and Means (1932) and Jensen and Meckling (1976). Villalonga and Amit (2006) refer to it as agency problem I. Within this context, monitoring and disciplining managers may be prohibitively expensive for small shareholders (Grossman and Hart, 1980) and monitoring will only be effective if a single party becomes large enough to internalise the costs of control. Consequently, the presence of large shareholders may be considered a corporate governance mechanism that enhances firms' performance.

Nevertheless, this classical agency problem between owners and managers (Fama and Jensen, 1983) does not fit properly to a large proportion of family firms. In fact, families act as "principals" of the agency relation investing their wealth in companies and protecting their interests with governance systems intended to maximize utility and demand market returns; but they may also act as "agents". As dominant shareholders, they may dictate corporate policies, either by managing the firm directly or by appointing the management team while the remaining shareholders may lack either the power or the incentives to oppose the families' decisions (Bennedsen and Wolfenzon, 2000). For example, families may be oriented to maintain control of the companies they found or acquire, to make value-reducing acquisitions that benefit the dominant family and to see executive positions in the firm as a mean of providing high-paying jobs to the offspring, instead of selecting the best managers that the

market could provide; in this context, families as large investors may also harm firm performance. Thus, families may extract rents from the managers ex post and may expropriate wealth from minority investors (Shleifer and Vishny, 1997). This agency problem between large and minority shareholders has been named in the literature agency problem II. Consequently, as different studies report (De Miguel *et al.*, 2004; Schulze *et al.*, 2003; Sciascia *et al.*, 2010) there could exist an inverted U-shaped relationship between family shareholdings and firm performance (positive at low levels of ownership as a result of the preponderance of agency problem I, and negative at high levels of ownership because of agency problem II).

However, the conflicts of interests between shareholders may also exist among the large ones. In fact, listed family firms are characterised by a large owner -the family or an individual-, a set of minority shareholders, and sometimes other large shareholders. For instance, for Western Europe, Laeven and Levine (2008) report that other large shareholders are present in more than 40% of public companies, especially when the firms are family enterprises. These other large shareholders may monitor families as controlling shareholders (Pagano and Röell, 1998; La Porta *et al.*, 1999) and may moderate their influence and power limiting tunnelling or private rent seeking behaviours (Maury and Pajuste, 2005). Moreover, their presence may add professionalism and experience to the firm and contribute to a better decision taking. However, one has to consider that bargaining problems between the large shareholders may also result in corporate paralysis, reducing firm's efficiency and performance and minority shareholders' wealth (López de Foronda *et al.*, 2007). Moreover, large shareholders may form

coalitions and affect firm's policy (Tribó and Casasola, 2010) and their presence limits the liquidity of the firm's shares leading to lower firm performance (Randoy and Goel, 2003)[3].

Table 1 shows the scarce empirical evidence regarding the relation between the presence of multiple large shareholders and firm performance. For instance, Lehman and Weignand (2000) report that the presence of a second large shareholder enhances profitability in German listed companies; for European countries, López de Foronda *et al.* (2007) find that in civil-law countries, the second largest shareholder plays a critical role in contesting the control of the dominant shareholder, reducing the extraction of private benefits by the largest shareholder and improving firm performance whereas in common-law countries, capital structure and managerial ownership are the most effective mechanisms of control; Nieto *et al.* (2009) suggest that the existence of other blockholders moderates the relationship between family ownership and performance.

-Insert Table 1-

When analysing a firm's ownership structure one should not only consider the distribution of shares, but also the nature or type of large shareholders (Pedersen and Thomsen, 2003). In fact, the nature of a large shareholder determines its preferences and goals, while the amount of shares it holds determines its power and incentives. Thus, the influence of other large shareholders on family firm performance may vary depending on their nature and the coalitions they may establish with the controlling family. Family firms may have other large shareholders such as: other families or individuals, banks, non-financial and foreign companies, and other types of firms like other financial institutions (such as insurance companies and mutual funds or nominee funds) and the State.

---

[3] For Bennedsen and Wolfenzon (2000) the best ownership structure relies on a single large shareholder or a combination of shareholders of roughly the same size. They also relate the presence of different types of shareholders to different stages or needs in family firms.

Other *families or individuals as other large* shareholders may influence firm performance: for example, they may decrease firm value if the families have a higher propensity to seek private benefits of control (Jara-Bertín *et al.*, 2008). Actually, for Continental European countries the empirical evidence tends to support the negative influence on firm performance of the presence of families as second largest shareholders (Maury and Pajuste, 2005; Jara-Bertín *et al.,* 2008).

Banks as large shareholders may provide financial resources to the firms they invest in and may monitor managerial performance actively. Moreover, they are presumed to have a lower degree of asymmetric information and, valuing the security of their loans, they may impose wealth-constrains to the companies. Besides, banks may have a long term horizon and may help firms' decision making without having the purpose of controlling the firms. All these arguments favour a positive influence of banks as large shareholders on firm performance. In fact, different empirical papers tend to emphasize the beneficial role of banks as large shareholders suggesting that the ownership held by the dominant financial institutions is associated with an increase in firm value (Cable, 1985; Hoshi *et al.,* 1990; Thomsen and Pedersen, 2000; Casasola and Tribó, 2004) or with a positive effect on firm productivity (Nickel *et al.*, 1997). Specifically, for family-controlled firms, Maury and Pajuste (2005) report that financial institutions enhance firm value. Nevertheless, banks may also value other business relations with the company and their presence may decrease firm value. Accordingly, studies such as Tribó and Casasola (2010) report a negative effect on firm's returns when a bank buys the largest stake of a firm or when it forms coalitions with other banks.

Non-financial companies and *foreign companies* are often also large shareholders of listed firms. Both usually hold shares in other companies as part of cross-ownership structures that

may function as a takeover defence to protect managerial interests or as part of company group structures. Additionally, holding shares of other firms may facilitate their access to valuable technology and other specific resources. These large shareholders with business ties with the companies they participate in may be considered as insider-owners, being their cost of profit diversion smaller which should derive in increases in firms' performance (Pedersen and Thomsen, 2003). However, these blockholders may also use the companies, in which they invest as a part of their general strategy, looking for their own interests. Actually, the scarce empirical evidence regarding the relationship between non-financial and foreign companies and family firms' performance is contradictory: while Nieto *et al.* (2009) suggest that other companies as blockholders destroy value, Randoy and Goel (2003) report a positive effect of a low level of foreign ownership on family firms' performance.

Besides banks, *other financial institutions*, such as insurance companies, and mutual and nominee funds may also hold large equity stakes in family firms[4]. These large shareholders may monitor other large shareholders and avoid a possible discretional use of corporate resources and the extraction of private benefits. Besides, these investors are generally subject to special regulation and supervision; thus, their marginal cost of value diversion should be presumable high, which should also lead to a positive influence associated to their presence on firm performance. Accordingly, the empirical evidence suggests a positive influence on firm performance of institutional investors: as large shareholders (McConnell and Servaes, 1990; Chaganti and Damanpour, 1991; Acker and Athnassakos, 2003) and as second large shareholders (Jara-Bertín *et al.,* 2008). Specifically, for family firms, Nieto *et al*. (2009) also

---

[4] *The State* may also be an important large shareholder of listed firms. A common view is that State ownership tends to decrease firm value: politicians have a tendency to distort managerial objectives in order to satisfy political objectives, especially excess employment, as they do not internalise the costs of diverting the objectives of firms away from profit maximisation. Accordingly, Claessens *et al.* (1997) contend that if the State holds a majority ownership, a privatised firm is more likely to delay restructuring and maintain high levels of employment and Shleifer and Vishny (1996) argue that divested firms controlled by the State may not have incentives to assume risks, given their lesser degree of wealth diversification, and could pursue non-value-maximising objectives.

report a positive influence on firm performance of institutional investors, although for founders' small family firms, Randoy and Goel (2003) argue that foreign institutional owners, which typically hold shares only for short periods, may not provide much benefit in terms of reducing agency costs. On the contrary, they may impose additional costly reporting requirements.

According to these arguments, we propose the following hypothesis:

Hypothesis 1: *Within family firms, the nature or type of the second largest shareholder influences firm performance.*

Family involvement may affect ownership, corporate governance and succession (Chrisman *et al*., 2003). Actually, family firm's control may be carried out by controlling the firms' ownership (passive control) or by assuming also CEO posts or the Chair of the Board of Directors (active control). As reported by Burkart *et al.* (2003), patterns of separation of ownership and control may vary across countries. In the U.S., founders often hire professional managers early on and by the time the founder retires, his or her family retains only marginal ownership; while in Western Europe, significant stakes of shares typically stay with the family after the founder retires. This is also the case in Spain, where families tend to exercise control by assuming a high level of ownership concentration and by having an active family involvement in firms' management and on the Board of Directors.

When family involvement is characterised by ownership and management and by its presence on the Board of Directors (active control), a family governed firm emerges. When family members serve as the firm's CEO, fill other top management positions or occupy Board seats, the family can more readily align the firm's interests with those of the family, and therefore the negative effects of family ownership on firm performance may be potentially magnified (Anderson and Reeb, 2003). Also, families may limit executive management and Board

positions to family members restricting the labour pool from which to obtain qualified and capable talent (Anderson and Reeb, 2003). Thus, the influence of the presence of other large shareholders on family firm performance may differ depending on how the dominant family exercises control through the firms' corporate governance structures.

A factor that influences decisively the power of families in family firms is the identity of the CEO. In non-family-governed-firms, families may have more difficulties to induce managers to pursue family interests, especially in the presence of another large shareholder, and therefore a higher firm performance should be expected, but in family-governed firms, owners and managers (CEOs) belong to the same group -the family- and this may allow them to extract private benefits of control.

Besides, when ownership is shared among different owners, the Board of Directors may become an important governance device. The Board of Directors, for instance, may be used by families to retain firm's control or to obtain family-dominated decision making processes. Thus, its composition may play a key role within family firms and may help families achieving their control purposes or improving the decision making processes. For instance, Anderson and Reeb (2004) report that the most valuable family public firms are those whose independent directors balance family Board representation. Another issue that should be analysed is whether a family member holds the post of Chairman of the Board since this fact will presumably increase the potential control of families on firms' decisions. Moreover, when a family firm's Chairman is the same person as the CEO or a member of the same family (duality), families may extract on a larger extent private benefits of control that may harm minority shareholders' wealth.

As the effect on family firm performance of other large shareholders may be different depending on the control exercised by families, we propose our second hypothesis as follows:

Hypothesis 2: The *effect of different shareholders on family firm performance depends on the way in which an owning family exercises control over the firm's corporate governance structures.*

3. Sample, variables and methodology

The initial sample comprises the whole population of firms listed on the Spanish Stock Exchanges. From this initial sample, we excluded financial companies (SIC 6000-6999), companies that do not fill in a Corporate Governance Report, and non family firm companies. We also excluded from the sample those family firms with a second large shareholder that belongs to the same ownership group as the largest shareholder. After applying these filters, the final sample amounts to 80 family firms quoted on the Spanish Electronic Market (72 firms, 90% of the total sample) and on the outcry market of the four Spanish Stock Exchanges -Madrid, Valencia, Bilbao and Barcelona- (8 firms, 10% of the total sample) over the period 2003-2008. The total number of family firms' observations amounts to 324. As shown in Table 2, sample firms show a widespread industry distribution and belong mainly to the building construction industry (SIC Code 15, 26.2%), followed by the food and kindred products industry (SIC Code 20, 10.5%), communications industry (SIC Code 48, 6.8%) and paper and allied products (SIC Code 26, 4.9%).

-Insert Table 2-

The data underlying this research were collected manually and in two steps. Firstly, we gathered all the information about the firms' ownership and corporate governance structures and secondly, we gathered the economic and financial information for all sample firms. We obtained ownership and corporate governance data individually from the Annual Corporate Governance Report that each firm fills in the Spanish Supervisory Agency -CNMV- over the sample period (2003-2008). Financial and economic information for each company and each

year was obtained from different data sources: SABI database, the Madrid Stock Exchange and CNMV.

We identified the large and/or ultimate owners of each sample firm and the percentage of common shares held by them. For that purpose, we followed the standard methodology employed by La Porta *et al.* (1999), Claessens *et al.* (2000), Claessens *et al*. (2002) and Faccio and Lang (2002). Following La Porta *et al.* (1999), a large owner is a legal entity that directly or indirectly controls at least 10% of the voting rights. A shareholder was defined as "large", if his direct and indirect voting rights summed above 10%. If no shareholder held 10% of the firm's shares, the company was classified as widely-held. Since the large shareholders of corporations are sometimes corporations themselves, we identified, whenever it was possible, the large shareholders in these corporations. This indirect ownership chain was traced backwards through numerous corporations to identify the *ultimate vote holders*. Using this methodology, we identified all large shareholders of each sample firms: families and individuals, banks, non-financial firms, foreign firms, other financial firms and a category named miscellaneous (that includes some few cases like pension or mutual funds, nominee or the State). When a large and/or ultimate owner of a firm is an individual or a family, which holds more than 10% of the shares, the firm was classified as a family firm (FF)[5]. Due to the fact that sample's firms are all listed firms, a 10% threshold is large enough to justify a family control. The 10% cut-off has been widely used in the family business literature (La Porta e*t al.*, 1999; Maury, 2006; Pindado *et al*., 2008) and could be considered high enough for a family to exercise effective control.

---

[5] For families, we added the individual voting rights held by the different members of the family. Note that although the largest shareholder may be, for instance, a non financial firm, a bank, or a foreign firm, the firm may be classified as a family firm if an ultimate owner is a family or an individual.

In order to test the hypotheses proposed in the theoretical background we run a pool OLS. In the results Section, in Tables, we show the results of the estimations using a pooled OLS regressions clustered on the firm level. However, we also refer in the text to the results obtained with pooled OLS non-clustered regressions. It is also worth mentioning that, initially, we considered the possibility of employing a panel data methodology. However, as we did not have enough observations of consecutive years for the same firm, this methodology was not applied due to a significant reduction of the number of observations. The pool OLS regressions we run are as follows:

$$PERFORMANCE_i = a_0 + \beta X_i + \varepsilon_i$$

where PERFORMANCE is firm performance measured by industry adjusted[6] market value measure: AVALUE, being ratio VALUE defined as market value of common shares plus book value of total debt over total assets. X denotes the explanatory and control variables and ε_i is the error term[7]. Besides, we also employed as alternative measures of firm performance, accounting adjusted measures AROA and AROE. Ratio ROA is defined as firm return on assets and ratio ROE as the ratio of net profits over book value of equity. We refer to the results obtained when using these alternative measures of firm performance in the additional results sub-section.

The explanatory variables include dummy variables that relate to the most frequent shareholders' combinations attending to their nature; FAMGOV, a dummy variable that adopts value one when a family member occupies the post of CEO and/or Chairman of the

---

[6] As previous studies demonstrate that industry factors affect firm performance (King, 1966; Livingston, 1977), in order to take into account this fact, and in order to avoid multicollinearity problems that could arise if we included dummy variables representing firm's industry, we use industry-adjusted performance indicators. Such measures were computed by subtracting the industry median ratio from the company's ratio. In order to take account of the possible non-normality of the dependant variable, we also run the estimations, although not reported, using log values of the dependant variable. The results varied in some cases, but not significantly.

[7] We also repeated the estimations including annual dummy variables and the results did not vary significantly.

Board and zero otherwise, and FAMDUAL is a dummy variable that adopts value of one when the same person or another member of the same family occupies the post of CEO and of Chairman of the Board and zero otherwise. The dummy variables of the most frequent shareholders' combinations attending to their nature are: FAMFAM, a dummy variable that adopts value of one if the two largest shareholders are families or individuals and zero otherwise; FAMBANK, a dummy variable that adopts value of one if the two largest shareholder is a family or an individual and the other one is a bank and zero otherwise; FAMNFIN, a dummy variable that adopts value of one if one of the two largest shareholder is a family or an individual and the other one is a non financial firm and zero otherwise; NFINNFIN, a dummy variable that adopts value of one if the two largest shareholders are non financial firms and zero otherwise; FAMFOR, a dummy variable that adopts value of one if one of the two largest shareholders is a family or an individual and the other one is a foreign firm and zero otherwise. Besides, in order to test hypothesis 2, we included interaction variables of the shareholders' combinations and variables FAMGOV and FAMDUAL (see Table 3).

As control variables, we included the following ones: the logarithm of firm size (LSIZE), leverage (LEV), and the logarithm of firm age (LAGE). Finally, as different researches report that families often turn to control-enhancing mechanisms (Barontini and Caprio, 2006; Leaven and Levine, 2008) and as several studies have shown this is associated with lower firm performance (Claessens *et al.*, 2002; Lemmon and Lins, 2003; Gompers *et al.*, 2004), we also considered the possible influence of such mechanisms on firm performance. Specifically, considering that pyramids[8] are the most frequently used control-enhancing mechanism in Spain (Sacristán-Navarro and Gómez-Ansón, 2007), following La Porta *et al.* (1999),

---

[8] Pyramids separate cash flow from control rights and allow large shareholders to enhance their control rights, increasing their ability to divert corporate resources for private gain.

Claessens *et al.* (2000, 2002) and Faccio and Lang (2002) methodology, we defined a variable that measures the differences between control and cash flow rights held by the largest shareholder (WEDGE).

-Insert Table 3-

4. Results

4.1. Types of family firms' largest shareholders

Table 4 shows the nature or type of the largest shareholder and the amount of shares it holds. As expected, families and individuals are usually the largest shareholders in family firms (in 61% of the family-firm observations) with an average stake of 36.08% shares, followed by non-financial firms (in 25.27% of the cases, with an average stake of 46.23% shares). In fewer cases, the largest owners are other financial firms, like insurance companies (in 2.47% of the cases, with an average stake of 19.75%). Other categories that are barely present as largest shareholders of family firms are banks, 0.2% of the cases, although when present they hold a relevant percentage of the firms' shares, 22.51%.

-Insert Table 4-

Table 5 analyses the nature or type of the second largest shareholder and its stake. The number of family firms' observations with a second large shareholder drops to 165 and the number of family firms to 53 companies (in 52.81% of the cases, family firms have a second large shareholder)[9]. The nature of the second shareholder for family firms is more diverse than the nature of the largest one and, as should be expected, its average stake, is much smaller. Families and individuals are again the most frequent second largest shareholder (in 52.12% of the cases, with a mean average stake of 16.86%), followed by non-financial firms

---

[9] It is worth noting that larger firms seem to be less prone to have a second large shareholder.

(18.79% and a mean stake of 15.51%), banks (16.36% with an average stake of 13.45%), foreign firms (9.09% with an average stake of 13.19%), other financial firms (2.42% with an average stake of 15.41%), and the miscellaneous category, 1.21%, with an average stake of 13.57%. In this sense, our results differ from those reported by Nieto *et al.* (2009). For a sample of 15 European countries (Spain included), these authors find that the most common second shareholder in family firms is a non-financial firm (in 20.7% of the cases), whereas in our sample, the most common second largest shareholders are also families or individuals. Thus, in Western European Continental countries such as Spain, families seem to be more important shareholders -even as second large shareholders- than in the mean European country.

-Insert Table 5-

Next, we describe the most common family firms' shareholders combinations of the largest and second largest shareholder. As it can be seen in Table 6, the most frequent combination within our sample is families and individuals as first shareholders plus families and individuals as second largest shareholders (FAMFAM) -44.8% of the observations-. The second most common combination is families and individuals plus Banks (FAMBANK) (14.5% of the observations) followed in 9.1% of the cases by the combination families and individuals and non financial firms (FAMNFIN). In 8.5% of the cases, the first and second largest shareholders are both non financial firms (NFINNFIN), the same percentage holds for the combination of families and individuals and foreign firms (FAMFOR).

- Insert Table 6-

4.2. Summary statistics and correlations

Table 7 analyses the sample main statistics and correlations[10]. The mean industry adjusted value (AVALUE) amounts to .30[11]. Family firms' have a mean size (SIZE) of 1,350,915 euros of total assets, and a mean age (AGE) of about 42 years. Mean deviation between cash flow rights and control rights (WEDGE) amounts to 2.37. In 70.71% of the observations, a member of the family is either the CEO or/and the Chairman of the Board of Directors (FAMGOV) and in 55% of the observations, the same person or a member of the same family is the CEO and also the Chair of the Board of Directors (FAMDUAL).

Significant positive correlations (at .01 level) are shown between firm leverage (LEV) and size (LSIZE), variable WEDGE and firm size (LSIZE) and firm age (LAGE) and leverage (LEV). Negative significant correlations (at .01 level) are found between FAMGOV and LSIZE. Thus, families seem to exercise less power (through the firms' governance structures) in larger firms.

- Insert Table 7-

4.3. Shareholders' combinations and the effect of family involvement in corporate governance on family firm's performance

In order to test hypothesis 1, we analyse differences in performance of different family firms' shareholders' combinations: FAMFAM, FAMBANK, FAMNFIN, NFINNFIN and FAMFOR[12].

---

[10] Statistics refer to the sample of 53 Spanish non-financial family listed firms with a second large shareholder over the period 2003-2008, 165 observations. Excluding missing sampling variables the sample is reduced to 140 observations (53 firms).

[11] Although not shown, the mean industry adjusted ratio of operating income to total assets (AROA) amounts to .01 and the mean industry adjusted ratio of return on equity (AROE) stands at .04.

[12] Although not reported, we considered a linear and a possible curvilinear relationship between the ownership held by the largest shareholder, and specifically by families, and firm performance. No significant results were found. Besides, as Demsetz and Lehn (1985) point out, a firm's ownership structure depends on different factors, i.e., firm risk, size, or leverage; thus firm risk may determine the ownership held by large shareholders.

As shown in Table 8 (model 1), without clustering on the firm level, we find a negative significant effect on adjusted value (AVALUE) of the shareholders' combination families and foreign investors (FAMFOR) -just at a .10 level- and a positive significant effect (at .05 level) of the shareholders' combination families and individuals and a non-financial firm (FAMNFIN), being non significant the effect on firm industry-adjusted value of other shareholders' combinations. Besides, regarding the control variables, the results show a positive significant effect (at .01 level) of firm age (LAGE) on adjusted value (AVALUE)[13].

Nevertheless, when we repeated the estimation using pool regressions clustering on the firm level (Table 8, model 2), no shareholders' combination influences significantly firm performance when all the combinations are introduced at the same time in the model, and the only variable that turns out to influence significantly AVALUE is firm age (LAGE)[14]. Thus, considering the results of the pool regression clustering on the firm level our results do not seem to support hypothesis 1. These results contradict the findings of Maury and Pajuste (2005) who report, for Finnish companies, that the relation between multiple blockholders and firm value is significantly affected by the nature of the large shareholders[15].

- Insert Table 8 -

Next, we test hypothesis 2 by analysing whether the influence of different shareholders' combinations on firm performance is affected by family firms' corporate governance

---

Consequently, we checked whether firm risk (defined either as beta, volatility or specific risk), differs for family firms with and without a second largest shareholder. Firm risk presents larger values when family firms have a second significant shareholder although the difference is only statistically significant for the volatility measure and just at a .10 level. We have repeated the differences taking into account the different variables of risk adjusted to industry median, but the results were similar (significant differences existed for specific risk, but not for volatility).

[13] For AROA, the results reveal a negative significant effect (at a .01 level) of firm size (LSIZE) and leverage (LEV). No significant results were obtained for dependant variable AROE.

[14] When estimating the pool regression clustering on the firm level considering as independent variables each shareholders' combination independently and the control variables, the only shareholders' combination that presents a significant coefficient (and just at a .10 level) is FAMFOR.

[15] We tested possible differences in family firms' performances for the same shareholders' combinations with the non-parametric test U Mann Whitney, by repeating all the analyses year by year. The results were similar.

structures, in particular by the fact of having a family member acting as a CEO or as Chair of the Board of Directors (FAMGOV) or having a family member that holds simultaneously the posts of CEO and Chairman of the Board or the same person acting as CEO and as Chairman of the Board (FAMDUAL). For that purpose, we first run the estimations including each of the shareholders' combinations considered and alternatively variables FAMGOV (Table 9) and FAMDUAL (Table 10) and then, when repeat the estimations including the multiplicative variable of each shareholder's combination and variables FAMGOV or FAMDUAL.

The results of the estimations without clustering on the firm level suggest a negative effect of family governance (FAMGOV) on firm performance (AVALUE) for all shareholders' combinations -significant at a .01 level-, but the only shareholder combination that influences significantly firm performance is families and individuals plus non-financial firms - FAMNFIN- (significant at a .01 level). The results also show that the positive influence on firm performance of this combination is moderated by the effect of FAMGOV on firm performance (the coefficient of the combination variable FAMGOV*FAMNFIN is negative and statistically significant at a .05 level)[16]. These results would suggest that the positive effect of the combination FAMNFIN on firm value may be moderated when the family is present in the firm's governance structures (either by occupying the post of CEO or the Chair of the Board of Directors): family governance would reduce the positive influence of non financial firms as large shareholders. Nevertheless, these results do not hold when we repeat the estimations clustering on the firm level (see Table 9). For these estimations, variable FAMGOV continues presenting a negative and significant coefficient (models 1, 3, 5, 7 y 9), but variable FAMNFIN does not present a significant coefficient (model 5). Thus, considering

---

[16] We also tested the effect of family governance and different blockholders combinations on family firms' performance using the non-parametric test U Mann Whitney. These results suggest again, that family governance harm firm performance (for the combinations: families and individuals plus families and individuals, families and individuals plus banks, families and individuals plus with non financial firms, and non financial firms plus non-financial firms), while no differences are found for the combination of families and individuals plus foreign firms.

the non-significant of any shareholders' combinations after considering the possible influence on firm performance of FAMGOV and using pool estimations clustered on the firm level, we are just able to affirm that the presence of families in the firms' governance structures decreases firm value.

-Insert Table 9-

Finally, we test whether family duality may affect the influence on family firm performance of the considered shareholders combinations. The results of the estimations, whether clustering or not on the firm level, do not suggest in general a significant effect of family duality (FAMDUAL) for any blockholders' combinations (models 1, 3, 5, 7 and 9, although the coefficient of FAMDUAL is in all cases negative). Besides, although for the pool regressions, for the shareholders' combination families and individuals and non financial firms, the results suggest that family duality would moderate the positive influence of the shareholders' combination FAMNFIN on firm value, again, when clustering the estimations on the firm level, no significant results concerning an interaction between variable FAMDUAL and any shareholders' combination were obtained (see Table 10).

Thus, overall, these results do not support hypothesis 2 as we do not find, when using pool regressions and clustering the estimations on the firm level and once families' control in firms' governance structures is considered, that different shareholders' combinations influence significantly firm value (and therefore, their possible influence on firm value is not moderated by families' control). What we find is that, as previously reported in the literature, family control matters. Specifically, the results reveal a negative influence on firm value of families' presence as CEOs or Chairmen of the Boards of Directors.

-Insert Table 10-

22

4.3. Additional results

As additional analyses, we have repeated the estimations using as dependant variables accounting performance measures: industry adjusted ROA and ROE and we have considered the possible influence of generational effects on family firm performance.

In that which concerns to accounting performance measures, the results of the estimations clustering on the firm level do not reveal that any shareholders' combination influences significantly neither ratio ROA nor ratio ROE. Besides, FAMGOV turns out to be negative and significant in all the models when using as dependant variable ratio AROA, suggesting, similarly to what happens with ratio AVALUE, a negative effect of family control on firm profitability, but no shareholders' combination influences significantly ratio AROA. For ratio AROE, no model turns out to be statistically significant.

Family generations in charge of the family business may influence firm performance as the behaviour of founders and descendants may be different. For instance, professional managers are often thought to be more productive than family descendants, who are chosen from a restrictive labour pool, although hiring a professional manager may also lead to misalignment of interests (Burkart *et al.*, 2003). As a consequence there could exist a founder/descendant effect associated to family governance, but also to family ownership. Actually, different studies report that founders enhance firm performance (Adams *et al*., 2009; Barontini and Caprio, 2006; McConaughy *et al*., 1998; Villalonga and Amit, 2006). Thus, we considered the possible effect of family generation (both in ownership and in governance) on performance by defining the following variables: FSHFOUNDER (a variable that measures the percentage of shares in the hands of the largest shareholder-founder), FOUNDERCEO (a dummy variable that adopts value one if the family firm has a founder CEO and zero otherwise) and FOUNDERCHAIRMAN (a dummy variable that adopts value one if the firm Chairman is the

founder on the firm and zero otherwise). First, we have analysed the generational ownership related effect (variable FSHFOUNDER). Although not shown, the results of the pool regressions clustered at the firm level support that founders' ownership influences positively and significantly firm performance (at a .01 level ratio AVALUE and at a .05 level ratio AROA). Second, we have analysed possible generational governance related effects. In order to do that, we introduced in the regression models variables FOUNDERCEO and FOUNDERCHAIRMAN. Although not shown, neither values present any significant influence on firm performance when using pool regression estimations clustered at the firm level. Thirdly, as our family firm definition includes "families and individuals" we defined a dummy variable, FAMINDV, that adopts value one if the family firm has a family as owner or zero if its owner is an individual. We have included this variable in the regression models, and its coefficient, although negative, does not turn out to be statistically significant. Thus, whether the large shareholder is a family or an individual does not seem to influence the results obtained from the analyses.

5. Discussion

Our analyses show that the methodology employed may derive in different results and that the performance measure employed also influences the results. In particular, considering the results of the pool regression clustering on the firm level, our results do not seem to support hypothesis 1 as we do not find, for any performance measures (AVALUE, AROA or AROE) that any shareholders' combination influences significantly family firm performance.

These results contradict the findings of Maury and Pajuste (2005) who report, for Finnish companies, that the relation between multiple blockholders and firm value is significantly affected by the nature of the large shareholders. Specifically, they report a negative influence on Tobin's q ratio of the presence of families as second largest shareholders and a positive

influence of institutional investors. Likewise, Jara-Bertin et al. (2008), for data from 11 European countries, report a negative influence on firm performance of the presence of families as second largest shareholders and Nieto et al. (2009) find for a sample of listed firms from 15 European countries that while pension and mutual funds as blockholders increase family firm performance (a result also reported by Jara-Bertin et al., 2008), other blockholders destroy value.

The different results we obtain may be due, partly, to the institutional setting of the samples employed, the performance measures employed, the definition of variables and the methodologies employed. Nevertheless, as previously reported in the literature (see, for instance, Anderson and Reeb, 2003), our results point to the importance of considering not only the identity of the large shareholders, but also the control exercised by families within family firms. Specifically, we find that after considering the possible influence on firm performance of family control and using pool estimations clustered on the firm level, we are not able to affirm that different shareholders' combinations influence significantly firm value (and therefore, their possible influence on firm value is not moderated by families' control). What we find is that family control matters. Specifically, our results reveal a negative influence on firm value of families' presence as CEOs or Chairmen of the Boards of Directors. Moreover, our results also reinforce previous studies that point to the importance of founders in family firms (Adams *et al*., 2009; Barontini and Caprio, 2006; McConaughy *et al*., 1998; Villalonga and Amit, 2006). Specifically, we find, for family firms with other large shareholders, a positive founder-ownership effect, but that the post occupied by founders does not influence firm performance.

6. Conclusions

This paper describes the nature or typology of family firms' largest (first and second one) shareholders. For Spanish family listed firms, we describe the two largest shareholders and their most common combinations and analyse how different shareholder's combinations and governance structures may influence family firms' performance.

For a Western Continental European French civil law economy with a high ownership concentration, high percentage of pyramidal groups and a large proportion of family firms, we find that -as opposed to the general rule in Europe- in the particular case of Spain the most frequent combination of shareholders within family firms is a family or an individual as the largest shareholder plus another family or individual as the second large shareholder. Nevertheless, other common combinations like families and individuals plus banks, families and individuals plus non financial firms, families and individuals and foreign firms and non financial firms together with other non financial firms are also present. Considering the results obtained for market and accounting performance measures, the possible influence of families' control on firm performance and the pool estimations after clustering on firm level, no shareholders' combination influences consistently and significantly firm performance. These results contradict previous findings for other markets (Maury and Pajuste, 2005).

Our results reinforce previous empirical findings that report that family firm's corporate governance structures play an important role in family firms. We find that non-family governed firms outperform family-governed firms. Our results also suggest that there may exist a positive founder-ownership effect.

Overall, this paper suggests that shareholders' combinations may not influence significantly family firm performance and that, as previously reported in the literature, the way family

firms design their corporate governance structures is particularly important (Anderson and Reeb) and should be taken into account in family firms' performance related studies.

Limitations and Future research

Future studies in this line should take into account the gap or difference between the ownership held by the largest and the second large shareholder within family firms. This relation could be balanced or very unbalanced and it may influence firm performance. To include in the analyses more data or information about the large shareholders could also be interesting, i.e. its date of entry in the firm, how long it stays and why, etc. Moreover, as family involvement in firm corporate governance structures seems to influence family firm performance, future studies should analyse more corporate governance related variables, i.e. the number of family directors on the Board of Directors, the presence of the different combinations of large shareholders on the Board, etc. Besides, in addition of employing panel data methodologies and considering the endogeneity of ownership (the different results obtained when employing different methodologies prove that the methodology employed matters), we should also study whether other large shareholders (the third, the fourth, etc.) alter families influence on firms' corporate governance structures and generational effects could be measured in a more precise way and for all the large shareholders that are families. Moreover, as pointed out in the Discussion Section, the geographic and institutional setting may also influence the analyses. More international and cross-cultural research into this subject, would enhance our understanding of the importance of different shareholders within family firms. But not only more empirical studies are needed; theoretical models that analyse these issues will enhance our understanding and contribute greatly to the family firms' literature.

In summary, the role of different shareholders' combinations on family firms' corporate governance structures and performance may constitute an interesting topic that should be the object of further analyses.

ACKNOWLEDGMENTS

REFERENCES

Acker, L., & Athnassakos, A. (2003). A simultaneous equation analysis of analyst' forecast bias and institutional ownership. *Journal of Business, Finance and Accounting*, 30, 1017-1041.

Adams, R.B., Almeida, H. & Ferreira, D. (2009). Understanding the relationship between Founder-CEOs and firm performance. *Journal of Empirical Finance*, 16 (1), 136-150.

Andres, C. (2008). Large shareholders and firm performance –an empirical examination of founding-family ownership. *Journal of Corporate Finance*, 14, 431-445.

Anderson, R. C., & Reeb, D.M. (2003). Founding-family ownership and firm performance. Evidence from the S&P 300. *The Journal of Finance*, 58 (3), 1301-1328.

Anderson, R.C., & Reeb, D. (2004). Board composition: Balancing Family Influence in S&P 500 Firms. *Administrative Science Quarterly*, 49 (2), 209-237.

Barontini, R. & Caprio, L. (2006). The effect of family control on firm value and performance: evidence from continental Europe. *European Financial Management*, 12 (5), 689-723.

Bennedsen, M., & Wolfenzon, D. (2000). The balance of power in closely-held corporations. *Journal of Financial Economics*, 58 (1-2), 113-139.

Berle, A., & Means, G. (1932). *The modern corporation and private property*. New York: McMillan.

Bebchuck, L.A. (1999). *A rent-protection theory of corporate ownership and control*. WP NBER, 7203.

Bukart M., Panunzi F., & Shleifer A. (2003). Family Firms. *Journal of Finance,* 58 (5), 2167-2201.

Block, J.H., Jaskiewicz, P., Miller, D. (2010). *Ownership versus management effects on performance in family and founder companies: a Bayesian analysis*. MPRA Paper No. 23526, (Online at http://mpra.ub.uni-muenchen.de/23526/ posted 26. June 2010 / 21:21).

Cable, J. (1985). Capital market information & Industrial performance: the role of West German banks. *The Economic Journal*, 95 (377), 118-132.

Casasola, M.J., & Tribó, J.A. (2004). *Banks as blockholders*. WP 04-01, Universidad Carlos III.

Chaganti, R., & Damanpour, F. (1991). Institutional ownership, capital structure and firm performance. *Strategic Management Review*, 12 (7), 479-492.

Chrisman, J.J., Chua, J.H., & Litz, R. (2003). A unified systems perspective of family firm performance: an extension and integration. *Journal of Business Venturing*, 18, 467-472.

Claessens, S., Djankov, S., & Pohl, G. (1997). Ownership and corporate governance: evidence from the Czech Republic, World Bank, WP 1737.

Claessens, S., Djankov, S., & Lang, L. (2000). The separation of ownership and control in East Asian Corporations. *The Journal of Financial Economics*, 58, 81-112.

Claessens, S., Djankov, S., Fan, J. & Lang, L. (2002). Disentangling the incentive and entrenchment effects of large shareholdings. *Journal of Finance*, 57 (6), 2741-2711.

De Miguel, A., Pindado, J. & De la Torre, Ch. (2004). Ownership structure and firm value: new evidence from Spain. *Strategic Management Journal*, 25, 1199-1207.

Demsetz, H., & Lehn, K. (1985). The structure of corporate ownership: causes and consequences. *Journal of Political Economy*, 93, 1155-1177.

Doing Business (2010). Doing business in Spain, comparing regulation in 183 economies. The World Bank and the International Finance Corporation.

Dyck, A., & Zingales, L. (2002). Private benefits of control: an international comparison, NBER WP, 8711.

Faccio, M., & Lang, L. (2002). The ultimate ownership of Western European corporations. *Journal of Financial Economics*, 65, 365-395.

Fama, E., & Jensen, M. (1983). Separation of ownership and control. *Journal of Law and Economics,* 26, 301-325.

Gompers, P.A., Ishi, J.L. & Metrick, A. (2004). Incentives versus control: An analysis of U.S. Dual Class companies, Working paper, Harvard University.

Grossman, S., & Hart, O. (1980). Takeover bids and the free-rider problem and the theory of the corporation. *Bell Journal of Economics*, 11, 42-64

Gutierrez, M., & Tribó, J. (2004). *Private benefits extraction in closely-held corporations: the case for multiple large shareholders*, ECGI Working paper Series, 53, October.

Hoshi, T., Kashyap, A., & Sharfstein, D. (1990). The role of banks in reducing the costs of financial distress in Japan. *Journal of Financial Economics*, 27 (1), 67-88.

Jara-Bertín, M., López-Iturriaga, F., & López de Foronda, O. (2008).The contest to the control in European Family Firms: How other shareholders affect firm value. *Corporate Governance: An International Review*, 16 (3), 146-159.

Jensen, M., & Meckling, W. (1976). Theory of the firm: managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics*, 3, 305-360.

King; B.F. (1966). Market and industry factors in stock price behaviour. *Journal of Business*, January, 139-90.

La Porta, R., López de Silanes, F., Shleifer, A., & Vishny, R. (1998). Law and Finance. *Journal of Political Economy*, 106, 1113-1155.

La Porta, R., López de Silanes, F. & Shleifer, A. (1999). Corporate ownership around the world. *The Journal of Finance*, 54 (2), 471-517.

La Porta, R., López de Silanes, F., Shleifer, A., & Vishny, R. (2000). Investor protection and corporate governance. *Journal of Financial Economics*, 58 (1-2), 3-27.

Laeven, L., & Levine, R. (2008). Complex ownership structures and corporate valuations. *The Review of Financial Studies,* 21 (2), 579-604.

Lehmann, E. & Weigand, J. (2000). Does the governed corporation perform better? Governance structures and corporate performance in Germany. *European Finance Review*, 4 (2), 157-95.

Lemmon, M. & Lins, K. (2003). Ownership structure, corporate governance and firm value: evidence from the East Asian financial crisis. *The Journal of Finance*, 58, 1445-1468.

Livingston, M. (1977). Industry movements of common stock. *The Journal of Finance*, June, 861-74.

López de Foronda, O., López-Iturriaga, F., & Santamaría Mariscal, M. (2007). Ownership structure, sharing of control and legal Framework: International evidence. *Corporate Governance: An International Review*, 15 (6), 1130-1143.

Maury, B., & Pajuste, A. (2005). Multiple large shareholders and firm value. *Journal of Banking and Finance*, 29, 1813-1834.

Maury, B. (2006). Family ownership and firm performance, Evidence from Western European Corporations. *Journal of Corporate Finance*, 12, 321-341.

McConaughy, D.L., Walker, M.C. Henderson, G. & Mishra, C. (1998). Founding family controlled firms: efficiency and value. *Review of Financial Economics*, 7 (1), 1-19.

McConnell, J.J., & Servaes, H. (1990). Additional evidence on equity ownership and corporate value. *Journal of Financial Economics*, 27, 595-612.

Nenova, T. (2003). The value of corporate voting rights and control: a cross-country analysis: A cross-country analysis. *Journal of Financial Economics*, 68, 325-351.

Nickel. S., Nicolistsas, D., & Dryden, N. (1997). What makes firms perform well?. *European Economic Review*, 41 (3), 783-796.

Nieto Sánchez, M.J., Fernández Rodríguez, Z., Casasola Martínez, Mª.J., & Usero Sánchez, B. (2009). Impacto de la implicación familiar de otros accionistas de referencia en la creación de valor. *Revista de Estudios Empresariales*, 2, 5-20.

Pagano, M. & Röell, A., (1998). 'The choice of stock ownership structure: agency costs, monitoring and the decision to go public. *Quarterly Journal of Economics*, 113, 187-225.

Pedersen, T., & Thomsen, S. (2003). Ownership structure and value of the largest European firms: the importance of owner identity. *Journal of Management and Governance*, 7, 27-55.

Randoy, T., & Goel, S. (2003). Ownership structure, founder leadership and performance in Norwegian SMEs: implications for financing entrepreneurial opportunities. *Journal of Business Venturing*, 18, 619-367.

Roe, M.J. (2000). Political preconditions to separating ownership from corporate control. *Standford Law Review*, 53, 539-606.

Sacristán-Navarro, M., & Gómez-Ansón, S. (2007). Family ownership and Pyramids in the Spanish Market. *Family Business Review*, 20 (3), 247-265.

Sacristán-Navarro, M.; Gómez-Ansón, S. & Cabeza-García, L. (2011). Family Ownership and Control, the Presence of Other Large Shareholders, and Firm Performance: Further Evidence. *Family Business Review*, 24 (1), 71-93.

Schulze, W., Lubatkin, M.H. & Dino, R.D. (2003). Exploring the agency consequences of ownership dispersion among the directors of private family firms. *Academy of Management Journal*, 48 (2), 174-194.

Sciascia, S., Mazzola, P., Astrachan, J. & Pieper, T. (2010). The role of family ownership in international entrepreneurship: exploring nonlinear effects. *Journal of Small Business Economy*, On Line, 10 March.

Shleifer, A., & Vishny, R.W. (1997). A Survey of corporate governance. *The Journal of Finance*, 52, 737-783.

Shleilfer, A., & Vinshy, R. (1996). A theory of privatization. *The Economic Journal*, 106, 309-319.

Tribó, J.A., & Casasola, Mª.J. (2010). Banks as firm's blockholders: a study in Spain. *Applied Financial Economics*, 20, 425-438.

Thomsen, S., & Pedersen, T. (2000). Ownership structure and economic performance in the largest European countries. *Strategic Management Journal*, 21, 689-705.

Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value?. *Journal of Financial Economics*, 80 (2), 385-417.

Table 1: Empirical literature review: Large shareholders' identity and firm performance

References	Sample	Focuses specifically on family firms	Performance measure	Results
Panel A: Role of the large shareholders				
Andres (2008)	275 German exchange-listed companies		Return on Assets (EBITDA), Return on Assets (EBIT), Tobin's Q	If families are large shareholders, the performance is not distinguishable from other firms. Other blockholders either affect firm performance adversely or have no detectable influence on performance measures.
Leaven and Levine (2006)	1657 publicly traded firms across 13 European countries, year 2000	Non specifically	Tobin's Q valuation	A negative association between valuations and the dispersion of cash flow rights that becomes more pronounced when the holders of the largest cash flow rights are of different types (family, financial institutions...). Large shareholders are less likely to cooperate when they are of different types.
Lehmand and Weigand (2000)	361 German listed companies, 1990-1996	Non specifically		The presence of a strong second largest shareholder enhances profitability. The presence of large shareholders does not necessarily enhance profitability...having financial institutions as largest shareholders improves corporate performance.
Pedersen and Thomsen (2003)	214 companies from 11 European countries	Non specifically	Market to book (market price * common shares/ common equity)	Ownership concentration has a positive effect on firm value when the largest shareholder is a *financial institution or another corporation. If the largest is a family or an individual no effect on firm value* and a negative effect if the largest is a government organization. Owner identity matters.
Panel B.2: Role of second largest shareholders				
Tribó and Casasola (2010)	Listed and unlisted firms over the period 1996-2000	Non specific	Return on Assets (ROA) and Tobin' Q	The effect on a firm's returns is negative when a bank buys the largest stake and forms coalitions with other banks.
Jara-Bertin *et al.* (2008)	Data from 11 European countries, 1996-2000	Non specifically	Market value (market to book)	In firms in which the largest shareholder is the family, *a second family shareholder reduces firm value.* Better legal protection of shareholders not members of the controlling coalition increases the value of family firms.
López de Foronda *et al.* (2007)	Data from 15 European countries, 1,216 firms	Non specifically	Market to book value ratio	The ownership of the second shareholder becomes positively related to the firm's value, especially in civil law countries.
Maury and Pajuste (2005)	Finnish listed companies 1993-2000	Non specifically	Tobin's Q (market value of shares and book value of debt over the book value of total assets)	Families are more prone to private benefit extraction if they are not monitored by another blockholder. –a higher voting stake by *another family* is negatively related to firm value for FF. A *financial institution* is positively related to firm value in FF. Firm value increases when voting power is distributed equally. The relation between multiple blockholders and firm value is significantly affected by the identity of these shareholders.
Nieto *et al.* (2009)	Listed firms from 15 European Union countries period 2004-05	Yes	Tobin's Q (market to book ratio adj. by sector, country and year)	The existence of other blockholders jointly with the family ownership moderates the relationship between family firm and performance: *mutual and pension funds* create value, other companies as the second blockholders destroy value.

Table 2: Sample industry and annual classification

The sample consists of 80 Spanish non-financial family listed firms over the period 2003-2008, 324 observations.

Panel A: Sample industry classification		
Industry (SIC Codes)	Number of observations	Percentage (%) of observations
1	2	.6
12	9	2.8
14	1	.3
15	85	26.2
16	12	3.7
20	34	10.5
22	6	1.8
23	12	3.7
26	16	4.9
28	6	1.8
31	3	.9
32	12	3.7
33	14	4.3
34	6	1.8
35	8	2.5
38	12	3.7
41	8	2.5
42	1	.3
48	22	6.8
49	8	2.5
51	3	.9
70	12	3.7
72	6	1.8
73	8	2.5
79	4	1.2
80	2	.6
87	12	3.7
Total	324	100%

Panel B: Sample annual distribution		
Year	Number of observations	Percentage (%) of observations
2003	44	13.5
2004	46	14.2
2005	48	14.8
2006	58	17.8
2007	67	20.6
2008	61	18.8
Total	324	100%

Table 3: Variables of the study

Variables	Description
FF	Family firms: when families and individuals are *either a large shareholder* of the firms or *the ultimate firm's* owners and own more than 10% of the voting rights of the firm
AVALUE	Adjusted market to book value of equity (MB- industry median each year)
FAMGOV	Dummy variable that equals one if the family firm has either any member of the family owner group acting as family CEO and/or as Family Chairman and zero otherwise.
FAMDUAL	Dummy variable that adopts value of one if a family CEO is the same person or a member of the same family as the Chairman of the Board of Directors and zero in other cases
FAMFAM	Dummy variable that adopts value 1 if the two largest shareholders are families and zero otherwise
FAMBANK	Dummy variable that adopts value 1 for the combination of the two largest shareholders: family plus bank and zero otherwise
FAMNFIN	Dummy variable that adopts value 1 for the combination of the two largest shareholders: family plus non-financial firms and zero otherwise.
NFINNFIN	Dummy variable that adopts value 1 for the combination of the two largest shareholders: non-financial firms plus non-financial firms and zero otherwise.
FAMFOR	Dummy variable that adopts value 1 for the combination of the two largest shareholders: family plus bank and zero otherwise.
FAMGOV X FAMFAM	Product of dummy variables FAMGOV and FAMFAM
FAMGOV X FAMBANK	Product of dummy variables FAMGOV and FAMBANK
FAMGOV X FAMNFIN	Product of dummy variables FAMGOV and FAMNFIN
FAMGOV X FAMNFOR	Product of dummy variables FAMGOV and FAMFOR
FAMGOV X NFINNFIN	Product of dummy variables FAMGOV and NFINNFIN
FAMDUAL X FAMFAM	Product of dummy variables FAMDUAL and FAMFAM
FAMDUAL X FAMBANK	Product of dummy variables FAMDUAL and FAMBANK
FAMDUAL X FAMNFIN	Product of dummy variables FAMDUAL and FAMNFIN
FAMDUAL X FAMNFOR	Product of dummy variables FAMDUAL and FAMFOR
FAMDUAL X NFINNFIN	Product of dummy variables FAMDUAL and NFINNFIN
(L) SIZE	(Natural logarithm of) book total sales in thousand Euros
LEV	Book value of total debt/book value of total assets
(L) AGE	(Natural logarithm of) firm age
WEDGE	Difference between control rights and cash flow rights following Claessens *et al.* (2000, 2002), Faccio and Lang (2002) and La Porta *et al.* (1999) methodology

Table 4: Type and percentage of shares held by the first largest shareholder of family firms

The sample consists of 80 Spanish non-financial family listed firms over the period 2003-2008, 324 observations.

	Number of observations	Frequency (%)	First largest shareholder ownership			
			Min.	Max.	Mean	St. Dev
Families and individuals	222	60.99	10.20	80.63	36.08	17.62
Non financial firms	92	25.27	10.02	97.72	46.23	24.40
Other financial firms	9	2.47	11.11	23.77	19.75	4.16
Banks	1	0.2	22.51	22.51	22.51	0
Total firm's Obs.	324	100				

Table 5: Percentage of shares held by the second largest shareholders

The sample consists of 53 Spanish non-financial listed family firms with a second large shareholder over the period 2003-2008, 165 observations.

	Number of Observations	Frequency (%)	Second largest shareholders' ownership			
			Min.	Max.	Mean	Std. Dev
Families and individuals	86	52.12	10.17	36.14	16.86	5.15
Non financial firms	31	18.79	10	29.29	15.51	5.46
Banks	27	16.36	10	27.65	13.45	4.70
Foreign firm	15	9.09	10.09	23.94	13.19	3.93
Other financial firms	4	2.42	14.77	16.36	15.41	.71
Miscellaneous (Pensions, mutual funds, nominee and State)	2	1.21	10.15	16.99	13.57	4.84
Total firm's Obs.	165	100				

Table 6: Shareholders' combinations (first and second largest shareholders)

The sample consists of 53 Spanish non-financial listed family firms with a second large shareholder over the period 2003-2008, 165 observations.

FSH	SSH	Number of cases	Percentage
Families and Individuals	**Families and Individuals**	74	44.8
Families and Individuals	**Banks**	24	14.5
Families and Individuals	**Non financial firms**	15	9.1
Non financial firm	**Non financial firm**	14	8.5
Families and Individuals	**Foreign firm**	14	8.5
Other non financial firms	Families and Individuals	8	4.8
Non financial firm	Families and Individuals	5	3
Families and Individuals	Other financial firms	4	2.4
Non financial firm	Banks	3	1.8
Other combinations		4	4.4
Total cases		165	100%

Table 7: Descriptive statistics and correlations for family firms with a second large shareholder

The sample consists of 53 Spanish non-financial listed family firms with a second significant shareholder over the period 2003-2008, 165 observations. Without missing sampling variables, a necessary condition to run regression models, the sample is reduced to 140 observations (53 firms).

Variables	Mean [a]	Std. Dev.	AVALUE	SIZE	LEV	AGE	WEDGE	FAMGOV
AVALUE	.30	.86						
SIZE	1,350,915	3,077,347	.09					
LEV	.53	.24	-.12	.49***				
AGE	41.84	22.19	-.46***	.09	.36***			
WEDGE	2.37	5.96	-.05	.39***	.19**	-.08		
FAMGOV	70.71%		-.26***	-.36***	-.18**	-.21**	-.13	
FAMDUAL	55.00%		-.17**	-.085***	-.02	-.08	.03	.24***

[a] For dummy variables, the frequency is reported

* Statistically significant at .1 **Statistically significant at .05 ***Statistically significant at .01

Table 8: Shareholders' combinations and family firms' performance (AVALUE)

The sample consists of 53 Spanish non-financial family firms with a second shareholder over the period 2003-2008, 165 observations. Without missing sampling variables, a necessary condition to run regression models, the sample is reduced to 140 observations (53 firms). Robust Corrected Standards Errors are shown in brackets. Model 1 reports the estimations of a pool regression analysis and Model 2 reports the estimations of a pool regression analysis clustered on firm level.

Variable	Model 1	Model 2
FAMFAM	.13	.13
	(.16)	(.25)
FAMBANK	-.02	-.02
	(.14)	(.19)
FAMNFIN	.67**	.67
	(.29)	(.53)
NFINNFIN	-.11	-.11
	(.15)	(.20)
FAMFOR	-.31*	-.31
	(.17)	(.22)
LSIZE	-.05	-.05
	(.03)	(.05)
LEV	.02	.02
	(.40)	(.58)
LAGE	.64***	.64***
	(.17)	(.22)
WEDGE	7.65-03	7.65-03
	(9.21-03)	(.01)
F	4.00***	1.90*
R-squared	.30	.30
No. firms		53
No. observations	140	140

* Statistically significant at .1
**Statistically significant at .05
***Statistically significant at .01

Table 9: Shareholders' combinations, families' involvement in corporate governance and family firms' performance (AVALUE)

The sample consists of 53 Spanish non-financial family firms with a second large shareholder over the period 2003-2008, 165 observations. Without missing sampling variables, a necessary condition to run regression models, the sample is reduced to 140 observations (53 firms). Robust Corrected Standards Errors are shown in brackets. Pool regressions clustered on the firm level are reported in the Table.

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
FAMGOV	-.74** (.32)	-.66 (.41)	-.70** (.29)	-.69** (.32)	-.69*** (.25)	-.48** (.20)	-.69** (.29)	-.73** (.31)	-.66** (.29)	-.66*** (.29)
FAMFAM	-.17 (.24)	-.03 (.43)								
FAMBANK			.03 (.16)	.06 (.31)						
FAMNFIN					.65 (.41)	1.79** (.88)				
NFINNFIN							-.01 (.23)	-.28 (.30)		
FAMFOR									-.23 (.23)	-.24 (.23)
FAMGOVX FAMFAM		-.18 (.41)								
FAMGOVX FAMBANK				-.03 (.37)						
FAMGOVX FAMNFIN						-1.53* (0.89)				
FAMGOV X NFINNFIN								.40 (.44)		
FAMGOVX FAMFOR										-
LSIZE	-.00 (.05)	-.00 (.04)	-.00 (.06)	-.00 (.05)	-.01 (.04)	-.02 (.04)	-.01 (.05)	-.02 (.06)	-.01 (.05)	-.01 (.05)
LEV	.02 (.60)	-.05 (.58)	-.00 (.62)	-.00 (.42)	.14 (.55)	.28 (.51)	.00 (.62)	-.03 (.64)	-.02 (.62)	-.02 (.61)
LAGE	.83*** (.23)	.83*** (.23)	.83*** (.22)	.82*** (.23)	.76*** (.19)	.66*** (.18)	.82*** (.23)	.81*** (.23)	.82*** (.22)	.82*** (.22)
WEDGE	-.00 (.02)	-.00 (.01)	-.00 (.02)	-.00 (.02)	.00 (.01)	.00 (.01)	-.00 (.02)	-.00 (.02)	-.00 (.02)	-.00 (.02)
F	2.96**	3.42***	3.21**	3.25**	3.51***	5.96***	3.08**	2.63**	3.08**	3.08**
R-squared	.35	.35	.34	.34	.40	.46	.34	.35	.35	.35
No. firms	53	53	53	53	53	53	53	53	53	53
No. observations	140	140	140	140	140	140	140	140	140	140

* Statistically significant at .1
**Statistically significant at .05
***Statistically significant at .01

Table 10: Shareholders' combinations, family duality for the posts of CEO and Chairman of the Board and family firms' performance (AVALUE)

The sample consists of 53 Spanish non-financial family firms with a large shareholder over the period 2003-2008, 165 observations. Without missing sampling variables, a necessary condition to run regression models, the sample is reduced to 140 observations (53 firms). Robust Corrected Standards Errors are shown in brackets. Pool regressions clustered on the firm level are reported in the Table.

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
FAMDUAL	-.20 (.20)	-.00 (.26)	-.20 (.20)	-.33 (.23)	-.19 (.19)	-.06 (.19)	-.21 (.21)	-.26 (.23)	-.21 (.20)	-0.27*** (.21)
FAMFAM	.19 (.25)	.28 (.33)								
FAMBANK			-.16 (.24)	-.64 (.24)						
FAMNFIN					.64 (.48)	1.17 (.77)				
NFINFIN							-.16 (.22)	-.39 (.25)		
FAMFOR									-.44* (.25)	-.76 (0.37)
FAMDUAL X FAMFAM		-.49 (.41)								
FAMDUAL X FAMBANK				.94*** (.28)						
FAMDUAL X FAMNFIN						-1.51 (.89)				
FAMDUAL X NFINNFIN								.52 (.34)		
FAMDUAL X FAMFOR										.65 (.47)
LSIZE	-.06 (.06)	-.06 (.06)	-.06 (.07)	-.05 (.07)	-.03 (.04)	-.02 (.03)	-.06 (.06)	-.06 (.06)	-.05 (.06)	-.05 (.06)
LEV	.12 (.68)	-.13 (.69)	-.09 (.68)	-.08 (.67)	.02 (.52)	-.01 (.55)	-.11 (.68)	-.06 (.66)	-.14 (.68)	-.16 (.68)
LAGE	.69*** (.23)	.69** (.23)	.69*** (.23)	.70*** (.23)	.62*** (.22)	.67*** (.23)	.67*** (.23)	.69*** (.24)	.70*** (.24)	.69*** (.23)
WEDGE	-.00 (.01)	-.00 (.01)	-.00 (.02)	-.00 (.02)	.00 (.01)	.00 (.00)	-.00 (.01)	-.00 (.01)	-.00 (.02)	-.00 (.01)
F	2.17*	2.54**	1.96*	3.14***	2.04*	2.58**	2.72**	2.66**	1.96*	1.82
R-squared	.24	.26	.25	.28	.29	.33	.24	.25	.26	.27
No. firms	53	53	53	53	53	53	53	53	53	53
No. observations	140	140	140	140	140	140	140	140	140	140

* Statistically significant at .1
**Statistically significant at .05
***Statistically significant at .01