Determinants of Firm Performance in Family Businesses

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ABSTRACT: A family business is a predominant form of a business, causing around half of a countries GDP. Nevertheless, the research towards family businesses have long been seen as irrelevant. This study contributes to the information regarding family businesses. Aim of the research is to provide a general definition of family businesses and to explain how the determinants of family businesses are influencing the firm's financial performance. Three determinants will be investigated, namely ownership, governance, and management. Via linear regression the relationship will be analysed between the determinants and firm performance. Firm performance will be measured by using return on equity (ROE), return on assets (ROA), equity ratio, and liquidity ratio. For the research a sample of the fiftieth best performing Dutch family businesses are selected, measured by their annual turnovers. The results show that family ownership and governance is causing superior firm performance only if shareholders and supervisory board members from outside are present in the business. Meanwhile, when only family members serve in the board of directors/as CEO, the firm's financial performance is better compared to businesses were also nonfamily members are serving in the directors board in a family business.

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1. INTRODUCTION

According to Forbes[1], family businesses generate more than 50% of the US Gross National Product (GNP). The Nyenrode Business University has investigated that family businesses in the Netherlands cause 49% of all the employment. For an overview from the percentages of family businesses in the world's biggest economies, see the table compared by Roberto H. Flören in his Crown Princes in the Clay. From those facts, it means that there is a significant contribution from family businesses (FB) to the financial welfare of countries around the world.

In the literature, the family business has been seen as old fashioned and archaic, resulting in a lack of research done to FBs. A family business cannot be treated as a non-family business, for the simple reason that they react different in certain situations. But in the last few years, there is more attention to the uniqueness and valuableness of family businesses. For that reason, the Family Firm Institute (FFI) was found in 1986, to create and share knowledge about family firms (Sharma, Chrisman, & Gersick, 2012). Several studies have investigated that there is a positive relationship between family ownership/family management and firm performance (FP) (Daily & Dollinger, 1992; Anderson & Reeb, 2003; Lee, 2006; Allouche, Amann, Jaussaud, & Kurashina, 2008). However, Garcia-Castro et al (2014) have investigated different studies towards FB and FP, conducting three different relationships between FB and FP (positive, negative and neutral). But they concluded that the contradicting results emerged from empirical research, was plagued by the way the relationship between FB en FP was measured. But that family involvement has influence on the business is for sure. It only depends on the conditions how the family business is build. With a solid build structure of ownership and proper management, a family business is able to create unique competences to create superior financial firm performance. Therefore, it is important that the negative aspects of a family business are understood. In this way, a family business can become a success, where the existing literature is talking about.

Continuing, there are various factors positively related with firm performance in a family business. For example, the agency problem starts with the separation of ownership and management. This causes conflicting interests, between the principal (manager), who is leading the business, and the agent (owner), who is more interested in maximizing shareholders value (Thomsen & Conyon, 2012). In a family business, the family is blockholder. In other words, the principal and agent are the same person, so the agency problem does not occur in a family business, or at least, the impact is less compared to a public company. Likewise, by the loss of the agency problem, the governance in the business caused less conflicts and the agency costs will be lower (Anderson, Mansi, & Reeb, 2003). Another benefit for the family business is a family member as CEO. Such CEO is preferable for the performance of the business, because of the greater access to unique resources, like the view of wealth creation for the future generations of the business, his knowledge and experience and the broad social network (Liu, Yang, & Zhang, 2010).

In this literature research, I will study the causal connexion of the determinants of family businesses and the financial firm performance. Like the literature says, family ownership has some unique competitive advantages, which I call determinants, what causes the positive relationship compared to firm performance (Anderson & Reeb, 2003). The outcome of this research will be formed by answering the following research question: "*how affects the determinants, as a result of family involvement in a business, the firm's financial performance?*" Determinants affecting the firm performance depends on many aspects. For example, Shleifer, & Vishny (1986) found a positive link between ownership concentration and performance. Other literature argues that the legal system in each country has influence on the ownership concentration (La Porta, Lopez de Salinas, Shleifer, & Vishny, 1997). So some particular determinants of a family business, cause an increase in firm performance. Since 'determinants' is a broad concept, I will be focussing on four characteristic components of the family business. Those components seems to influence a FB the most. At the same time, the focus is also my framework, wherein the research will be carried out. So, the family business consist of four components, which are the determinants of the family business: *ownership*, *governance*, *management* and *succession* (Astrachan, Klein, & Smyrnios, 2002) & (Villalonga & Amit, 2006). Some studies uses different or extra components to characterize FBs, but that will creates fuzzy logic in the relationship between family involvement and FP. In general, most studies using the four classic components, so I will be focusing on those components too. In this way I create a theoretical framework to work with, to find the different relationships each component has towards firm performance.

The purpose of this research is to give insight in the effects of the influence of a family on the aforementioned components, and how these are related to firm performance. And at the same time, to determine a better picture of the ambiguously and inaccurate literature and results about family businesses. The ambiguously and inaccurate literature is largely caused by the various definitions which are used to describe a family business. Therefore, the results from different studies are not comparable, which is failing for the family business knowledge. The relevance of this research is to make clear a general definition of a family firm, because the literature about family businesses does still not provide a general definition (Mazzi, 2011; Garcia-Casto & Aguilera, 2014), what causes biases in interpreting the results of those researches. Further, in order to explain the determinants and their relationship, the competitive advantages, created by family ownership on the firm's financial performance, without the influence of biases caused by the way of perform the research (Garcia-Casto & Aguilera, 2014). Moreover, Sharma et al (2012) noted that the rigors of academic research did not accommodate the solutions needed by consultants in solving the problems which occur in family businesses. Those problems are unique, and need an appropriate solution. They say that 'more work is needed to understand the determinants of family firm performance ... and future research will need to take a more nuanced view of subjects such succession, … governance and performance owing to the heterogeneity of the nature of family involvement in a firm'. Via this research I want to provide a part of the missing information in the state of the art knowledge.

Finally, the structure of the research is as follows. Section two provides the explanation of what a family business exactly is and each of the four components will be studied in depth, based on a literature review, in order to find the determinants from each component. Next section, number three, is focusing on the methodology and how the hypothesises will be measured. Section four will present the data collected, the analysis of the data, and it will give the results of the analysis. Next, the discussion in section five will be discussed. Finally, in section six I will present the conclusion of the research.

2. CONDUCTING THE REVIEW: DEFINITION FB AND THE FOUR COMPONENTS

2.1 Definition of Family Business

Reading about family businesses can be very confusing, because what is considered as a family business, according to the literature? In today's state of knowledge about family managed companies, this question is still unanswered (Astrachan, Klein, & Smyrnios, 2002). Missing a clear definition of family business, gave that there are various definitions, making it vague for researchers and their readers. Besides that the literature is not explicit, family businesses differ considerable from one another. A family business is heterogeneous, so inconvenient to describe. Hereby, researchers make their own definition. In table 1 in de appendix, an overview of different definitions is given. By analysing the definitions, the following can be observed. All the definitions presented by the authors can roughly be divided into four segments: (1) family member need a significant portion of shares in the business, (2) member of the family is in the board of directors, (3) the firm is

[1] Source: http://www.forbes.com/sites/aileron/2013/07/31/the-facts-of-family-business/

managed by a family member and (4) the family has a considerable proportion of the voting rights. To a lesser extent, a possible fifth segment could be detect: succession. The use of different definitions will cause problems. For example by choosing the sample. With one definition firm A will be considered as being a family business, but with use of the other definition not. So the firms investigated as family businesses in the sample or not equal to each other, what harms the outcomes of the research.

I will highlight the most important and valuable definitions from table 1. Allouche et al. (2008) made three definitions about family firms. All of the three definitions, are related to management, board of directors or shareholders position. Those components are characteristic for a family business. Like Allouche et al. (2008) suggested, the family can lead the business by using a different mix of the components. The reason to highlight Allouche et al. (2008), is because other authors (i.e. Andres, (2008), Arosa et al. (2010), Westhead and Howorth (2006), etc.) are using an x% of shares, owned by a family, in order to decide if it is a family business or not. By listed companies this can be worthwhile, using a sort of drop-off point, but the chance that a business, specially by SMEs, who are considered as a family business, is falling out of the selection process. Another important component in a family business is the position of a family member in the board of directors (Lee, 2006). The details of the importance of the governance part, see section 2.3. But in short, having a family member in the board of directors, gives the family the opportunity to control the business they own. And not only by the right revealed by their ownership. For a researcher, doing an investigation about family business, it matters that they have a clear definition, and the literature should have a comparable definition. Otherwise, the credibility of the research is harmed (Astrachan, Klein, & Smyrnios, 2002). So for the definition of a family business, I will use the definition provided by the EU. The aim of the EU in defining a family business, was to be clearer and make the definition applicable for SMEs. The definition is used for this research in order to classify the business as a FB. So a firm, of any size, is a family business, if:

1) The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
2) The majority of decision-making rights are indirect or direct.
3) At least one representative of the family or kin is formally involved in the governance of the firm.
4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

This definition includes all the family firms which have not yet gone through the first generational transfer (first succession). It also covers sole proprietors and the self-employed (European Commission, 2009).

Perhaps a general definition of a family business is not desirable, because in each country there are different structures of ownership, affecting the business. For example Germany with her bank governance, or Scandinavia with her stakeholders model (Thomsen & Conyon, 2012). What I want to make clear with this, is that in Germany it is common that a bank owns the majority of the shares, which indirectly implies that they have the majority of decision-making rights, which would mean that Germany does not have family businesses. But, if only family members representing the business, in governance or management functions, it is still a family firm. In addition, also the laws and regulations affecting the business. Each country should therefore have their own definition of an FB. But most important, the definition must be reliable and has to lead to valid results (Astrachan, Klein, & Smyrnios, 2002), and that is why I use the definition of the EU.

2.2 Family ownership

The first component during my research will be ownership, in particular the ownership by families. Family business ownership consist of two variables, first one is the fraction of cash-flow rights held by the largest shareholder (Maury, 2006), second is the direct voting rights of the largest shareholder (Barontini & Caprio, 2006), which is a family in this case. If the largest shareholder gathered those two rights, it has the ultimate control in the business. There are several ways of getting the ultimate control, such as dual-class shares, pyramiding, and cross-holdings (Mazzi, 2011). Normally, in getting a significant control position, the family has to be the greatest shareholder. Barontini et al (2006) determined that the concentration of ownership, in the continental part of Europe, is very high, so the large shareholders have high impact on the business. However, large impact does not require a high concentration of ownership. With a small percentage of the outstanding shares, a family is still able to control the business, by using the rights is received by owning the shares. (Anderson & Reeb, 2003). Maury (2006) made three categories of family business ownership, those are *family, family management* and *family non-management*. The family category is characterized by the controlling shareholder being a family. Family management applies CEO and chairman are family members and in case of the family non-management, the shareholder is family, but there is no managerial ties. Fiegener (2010) came up with a similar type of typing ownership. He distinguished *family-owned, outsider-owned, owner-managed* and *sole-proprietor*. Further, there is a nonlinear relationship between the percentage of family ownership, or the sort of ownership, and firm performance. Firm performance is increasing when the family ownership is about one-third of the firm's outstanding shares. This continues, decreasingly, up to two-third of ownership, but on average it is still better compared to nonfamily firms (Anderson & Reeb, 2003). They also state that ownership influence the role of the CEO, because a family business may choose who they want as an CEO. The way the CEO behaves, active or passive, has influence in the firm performance. For example, the CEO can influence the performance by having a longer investment intention, so the business has a long term vision, what is good for the continuity of the firm.

So family ownership knows some unique characteristics a non-family business does not have. For example, family ownership has a positive influence on the long-term perspective. This perspective ensures better monitoring of managers (Fama & Jensen, 1983), and family owners tend to invest their money more efficiently (James, 1999). Moreover, a family firm can develop a certain firm image, based on being a family. The feeling of being part of the family, having shared identities, celebrate the triumphs, those elements sets the family business in a strong position. Eventually, the image can lead to a better firm performance (Zellweger, Kellermanns, Eddleston, & Memili, 2012). Family businesses also bring financial stability, like Sirmon & Hitt (2003) have found. Those financial resources (survivability capital) can be used during a crisis, when economic times are hard, in preventing the business from a bankruptcy when wrong strategic decisions are made. Leenders et al. (2003), divided the family businesses into four different types, depending on how the vision of running the business was conducted. They found that a family business scores high on trust, social control, motivated employees, management resolution, continuity and atmosphere. Lee (2006) showed that the influence of a family is not always positive. In his research FBs include high levels of trust and commitment, what can lead to higher profitability and greater efficiency. But conflicts between family members can harm the firm performance.

All in all, the literature showed different results on the effect family ownership have. The unique identification of a family firm provides unique characteristics what need special attention to deal with it. So comparing all the different views on family ownership affecting firm performance, positive or negative, I came up with the following hypothesis. The hypothesis is positive, because my assumption is based on the facts that a family business has a high tendency in continuing the business and since owner and manager are most of the times the same person, or at least, members of the same family, the agency problem will be minimalized, what should lead to a better firm performance:

Hypothesis 1. Family ownership has a positive linear relationship towards the superior firm performance.

2.3 Governance

Corporate governance is about the Aristotelian golden mean[2], what explains that there is a balance between two extremes, in this case it is governance and firm performance. Governance is about the control and direction of managers (Thomsen & Conyon, 2012). But the literature provides more definitions. Shleifer, & Vishny (1997), defined corporate governance as 'the way in which suppliers of finance to corporations assure themselves of getting a return on their investments'. This perspective on governance is clearly focussing on the financial aspects. Governance can also be seen as a mechanism to influence the social performance of a business, like McGuire (2011) investigated in his research 'governance in family firms'. Charkham (1994) at last, gives an even broader definition, which covers all aspects: 'The way companies run'.

The reason for introducing corporate governance, is the fact that in some companies there is separation of ownership and control. This separation is called the agency problem (Shleifer & Vishny, 1997). The agency problem is as follows: a business has one or several owners, who are not always running or managing the business. In order to let the managers behave on behalf of the owners, the owners want to have some control mechanisms over the managers running their business. Those control mechanisms are covered by the general term corporate governance, the mechanism for shareholders to monitor the managers running the business. Mechanisms to monitor can be divided into six forms: informal governance (e.g. social norms and codes), regulation (e.g. company law), ownership (e.g. large owners), boards, incentive pay and stakeholders pressure (e.g. creditor monitoring or competition) (Thomsen & Conyon, 2012). For the next part about governance, I will the characteristics of family governance, making use of the mechanisms available and how they implement those mechanisms. It is important to remember, that not every family business is entirely owned by a family, there are also other (minority) shareholders. So governance in a family business is also of great importance to the rest of the stakeholders.

Table 1 in the appendix and the previous section presented a link between family ownership and family control. There is some overlap, or inaccuracy separation, between the two, because control is about having decision rights, something what can be derived from ownership (Audretsch, Hülsbeck, & Lehmann, 2013). Audretsch et al (2013) also explained that boards are perfect to use in case of agency problems, because the supervisory board monitors the board of directors, who are managing the day-to-day actions of the business. However, the right to decide lies with different people within the company, therefor, making a decision considered the following four steps:

1. *Initiation:* generation of alternative ideas of contracting and resource appropriation;
2. *Ratification:* selection of proposed initiatives;
3. *Implementation:* accomplishment of ratified decisions;
4. *Monitoring:* supervision and incentivizing agent performance.

An effective way of labour concerning decision making, is where management takes care of steps one and three (e.g. management board or CEO). Steps two and four are outperformed by the supervisory board (e.g. directory) (Thomsen & Conyon, 2012).

According to McGuire et al. (2011), social governance should encourage family firms to build stakeholder support and build social capital. These objectives cover the part of the informal governance. Some researchers argued that the building process, the process of develop social governance, is more important than the final content how to handle. This view, named 'family protocol', is 'a document aimed at maintaining and reinforcing over time and generations unity among family members and their commitment to the success of the family business' (Gallo & Tomaselli, 2006). The family supervisory board is not just a mechanism to control the manager and his work. Supervisory boards can provide much more. Like for example the consulting role. Here the board has a service function, for exchanging knowledge to give raise to firm performance, and to tackle the information asymmetry caused by the agency problem. Besides, board members have built up a huge number of contacts in the business world, so boards are having a contact role, to make the business benefit from the social network of their members (Thomsen & Conyon, 2012). In family firms, the members of the family are having long-term relationships with the business, and the industry of the business, so they know the business thoroughly, what is a competitive advantage for the business. Besides, the governance of FBs' tend to be parsimonious and personal. That the governance is parsimonious, can also be a disadvantage, since this can lead to capital constraints. And the family is tend to place family members in the board, so not only capital constraints are affecting the firm, also managerial constraints lurks (Carney, 2005). But all in all, there are lots of ways in constructing the supervisory board in a business. Board structures varies per country and per industry (e.g. transportation, construction, finance, etc.). Other variables that have some influence are legal, political, power, confidence or historical factors (Brenes, Madrigal, & Requena, 2011). Apart from other influences, the hypothesis is based on the competitive advantage mentioned in this section, which lead to the following hypothesis:

Hypothesis 2. Family members serving as supervisors will affect the firm's financial performance in a positive way.

2.4 Management

There is an important difference between governance and management. However, they are linked to each other, because governance is concerned with good management (Thomsen & Conyon, 2012). Good management consist of business functions like planning (e.g goals, strategy), organising (e.g. HRM, structure and change and innovation), leading (motivation, communication) and controlling (e.g. monitor performance and finance). The controlling part mentioned here should not be confused with the controlling role of the governance part. In management the control is focused on internal operations (Boddy, 2011). Managerial involvement of family members in the business are set by managerial roles, like a CEO, chairman or other executive roles. Sometimes it can be misleading, because in a one-tier board the CEO is also head of the supervisory board. But, it are still two distinctive roles in the business. Another side note is the presence of nonexecutives in a family business. Big companies are not owned entirely by a family, so the board members are not exclusively chosen by the family owners (Mazzi, 2011). And do not forget the CEO spouses, they play a key role in most family-controlled corporations, despite of their invisibility in the business (Poza & Messer, 2004). But the literature gives conflicting results, according to the family involvement in management, affecting firm performance. According to Filatotchev et al. (2005), there is a negative relationship between a family member being a CEO and the firm's performance, because family managers select other mechanisms on how to run the business, compared to nonfamily firms. It is also stated that the family is tempted to do what is profitable for the family, but not to the minority shareholders in the business. But the family does not negatively influence the firm's performance (Miller & Le Breton-Miller, 2005). Lauterbach and Vanninsky (1999) found that nonfamily managers running a firm generate a higher net income compared to family managed firms, since family managed firms are not run by professional managers (most of the time). Professional managers promote firm performance, specially, it secures a higher net income. Another negative argument about FBs, is that if firm performance decreases when FIM increases, the decrease is more noticeable at higher levels of family involvement. So, FIM has a negative quadratic relationship with performance (Mazzi, 2011) & (Sciascia & Mazzola, 2008). On the other hand, Lee (2006) indicates that family involvement in management (FIM), by having family members serve as CEOs, has positive and negative effects on profitability, so a positive or negative effect on firm performance, as explained in section 2.2. Positive results about family

[2] Balance between two extreme variables.

involvement were found by Anderson and Reeb (2003), measuring the firm performance by using Tobin's q[3]. However, that only counts for the founder family member serving as CEO and a hired CEO. Both CEOs were associated with greater value gains. This is caused by the fact that they understand business better and, the next only counts for founder family CEOs, they see themselves as the stewards of the business. The same was found by Villalonga and Amit (2006), they say 'when descendants serve as CEOs, firm value is destroyed'. They attribute this phenomenon to the conditions the successors has to face. Descendants need to, compared with the founder CEO, stab more energy in retaining family control in the business. But where Gallo et al. (2006) was talking about 'family protocol' in the governance part, Habbershon & Williams (1999) are talking about 'familiness' to identify the competitive advantage of family involvement in management. One of the parts of familiness is the advantages of the inaccessibility of their human capital (e.g. knowledge or special information) in a family firm (Sirmon & Hitt, 2003). Another advantage is the social capital, what also influences firm performance in a positive way, because family managers are better in collaborative dialogues, which formalise ethical norms in the business. These norms influence the employees in a better way, compared to non-family firms. Finally, family firms tend to overcapitalise, creating survivability capital, to prevent high debts and to be substantial liquid. Based on my expectations, and with the support of the findings in the literature, the next and last hypothesis will be tested:

Hypothesis 3. Family involvement in management, serving as CEO/director, will have a positive effect on firm performance.

2.5 Succession

The starting point from business is the idea of an entrepreneur. The entrepreneur comes up with an idea, starts up the business and tries to growth in order to continue the business. But there comes a time that the entrepreneur, the founder of the business, has to pass through the ownership, otherwise the business cannot continue. This process is called succession, what shortly can be described as the transfer of owner- or leadership from one family member to the other. For a public company, the succession is not a big issue, because the business is not family related, so the person owning or managing the business could come from outside the family. But in case of a family business, it is a different story, since the bloodline decides who is going to own and run the business. So it is not only a process containing managerial issues, but also emotional issues (Flören). Looking at the figures, this also shows that succession in a FB is hard. Estimated figures show that the succession from the founder to the second generation is successful in 30% of the transformations. From the second to the third generation, even less transformations succeed, only 10% (KPMG, 2011). The literature has done research to succession in family businesses, and provided interesting findings. For example, the impact of succession on the firm performance (Molly, Laveren, & Deloof, 2010). They stated that the first-generation transfers have a negative effect on the firms growth, but not on the profitability of the business. Besides this, next-generation transfers have no significant effect on both growth as profitability. The succession in the FB is a dynamic process, in which all the generations can learn a lot. According to the Succession Curve, the succession experiences gained, has the most value during the transfer from the first to second generation. The experience is not only transferred from father to son, but also conversely (Astrachan, Klein, & Smyrnios, 2002). The things learned during a succession, comes from the problems arising. These problems can roughly be divided into five factors: *process*, *individual*, *relation*, *context* and *financial factors*. See figure 1.1 for how the factors are related to each other. To be successful in the succession, each factor has his obstacles, what can be overcome by knowing what to do. Process factors are aspects whereby the succession does not take place. Like not clearly defining the roles of the incumbent and the potential successor(s) or late exposure of potential successor to the business. For the individual factors, a distinction is made between successor related or incumbent related factors. For example, the successor is having a lack of motivation in owning and running the business. This could be the consequence of an incumbent who is to attached to the business, giving the successor not the opportunity to develop and earn respect from the work he has done. The relationship factors are related to the accordance between the successor and the family, or the stakeholders of the firm (e.g. non-family members). Cohered factors with the stakeholders can be find in the context factors. These are for example the change in business performance and the loss of key suppliers. If they leave, the successor can search for better opportunities elsewhere. So, the financial factors can also prevent succession of happening. Since succession involves most of the time the succession of ownership, this could lead to a drop in the liquidity of the firm (e.g. sales of family owned shares) (Massis, Chua, & Chrisman, 2008).

Despite of the obstacles in the succession process, almost half of the family businesses have nothing prepared. For them succession is seen as an incident rather than a planned process (Flören). So there is a checklist which is very useful for the succession process, to make it successful (KPMG, 2011):

1) Timing;
2) Communication;
3) Expectations;
4) Successor(s);
5) Income security etc.

No hypothesis is formulated for succession, since the timescale is too short and the databases used in this research does not give the proper data needed for investigating succession, in order to get reliable and valid answers. Besides, evaluating the factors and how they are related to one another (see figure 1.1), one can say that these are very general in nature, and the problems, of any capacity, are not only concerning family businesses. Succession is a process what occurs in every business, family or not. The only difference is the fact that in a family business the line of blood decides, most of the times, who is going to run the business. So it does not mean that a nonfamily business gets the better successor for the business, because they can choose the best successor for the business if they want to. They struggle with the same issues a family business has to struggle with.

All of the three classic components of a family business, what gives the family business its unique character, can roughly be found in the description given by the EU. By evaluating family businesses and compare the findings with the literature, I am able to detect the determinants of each component and look for the right balance of these determinants, affecting the superior performance.

3. METHODOLOGY

3.1 The Sample

The data I will be using for the research, is collected from the Top 100 family businesses, composed by the Dutch magazine Elsevier (April 12, 2014), listing the best performing Dutch family businesses. They classified a family business by using the definition of the EU, so the businesses in the list match with the definition I use for a family business. Further, the list exist of listed and unlisted companies. The choice to analyse the best performing companies was taken because in this way the companies are more homogeneous. This prevents any influence of variables that are not investigated in this study, but which could have unnoticed influence on firm performance. In addition, the choice is justified in comparison to the choices of Villalonga et al. (2006) and Miller et al. (2007), to investigate the best performing family companies of the United States, based on the Fortune 500, respectively the Fortune 1000 list.

Via the databases Orbis and Reach, I obtained the financial key indicators and the annual reports of the 100 family businesses. Because the data of the databases was not always complete, I have analysed all the annual reports to present a list as full as possible. These reports and indicators are from the latest year in which they were available (2009 till 2013). The choice for investigating the best operating family businesses, is because these companies have

[3] The Tobin's Q ratio is a measurement of firm assets in relation to a firm's market value. In formula: *Tobin's Q = total market value of firm / total asset value of firm.*

a superior financial firm performance, so the determinants should be very evident in this data selection. During the sample collection, unfortunately, not every figure what was needed for the research could be found. To prevent any bias, those companies were deleted out of the investigation, leaving a sample size of 50 firms.

3.2 Research Method

The research method used in this investigation to search what kind of relationship (positive or negative) there is between the variables, and to measure the strength of the relationship, the linear regression method will be used. This method describes the linear relationship between a dependent and an independent. The correlation can vary between -1 and +1, in case measurement result is a 0, means there is no correlation, so no relationship. Via the regression method, the linear relationship between the three components and the dependent variable firm performance will be measured. A non-linear regression method was also a possibility in investigating the sample, but since the sample size is quite small, it did not make a major differences in the results and the first results of non-linear were not very clear, since the relationship was almost linear. So the linear regression method is the most straightforward.

3.3 Measuring Firm Performance and the Four Components

To assess the relationship from each determinant, causing the superior firm performance, I use cross-sectional research. Therefore the following equation is applied, in which *i* refers to the firms and *t* to the year the reports were gathered (i = 1,…,50; t = 2009,…,2013):

$$\text{FirmPerformance}_{it} = \alpha_0 + \beta_1\text{Ownership}_{it} + \beta_2\text{Governance}_{it} + \beta_3\text{Management}_{it} + \beta_4\text{Size}_{it} + \beta_5\text{Age}_{it} + \beta_6\text{(Un)listed}_{it} + \beta_7\text{Industry}_{it}\ \varepsilon_{it}.$$

This equation indicates that the firm performance is the dependent variable. Ownership, governance, and management are the independent variable. Size, age, listed or unlisted, and type of industry are put in the equation as control variables. The independent variables have different relationships towards the dependent variable, like the three hypothesis in the previous section suggest. To measure the relationship of the components towards firm performance, I will look to the following factors:

Firm performance is measured in four different way, making use of the Return on Equity, Return on Assets, equity ratio, and the liquidity ratio. ROE gives a ratio that measured the business' net income generated by the use of the equity of the business. The ROE is calculated by taking the net income of the business, divided by the book value of the firm's equity. ROE is an indicator for the profitability of the business by how much profit can be made with the money of shareholders and is one of the most used accountancy measurements (Maury, 2006; Mazzi, 2011). ROA indicates also the profitability of the business, but calculated in a different way. It is a widely been used accountancy measurement and other studies have used it before (e.g. Ang, Cole, & Lin, 2000; Alfaraih, Alanezi, & Almujamed, 2012) The ROA is calculated by dividing the net income of the business by its average total assets. A higher ROA means that the business is working more effectively with its assets. ROAs ratios of 5% or higher are considered as good, but there are exceptions, specially per type of industry. The equity ratio is calculated as the total equity of the firm, divided by the total assets of the firm. The firm's equity consist of shareholders fund and the firm's reserves (e.g. legal or agio). By dividing this number by the value of the total assets of the firm, the outcome is an indicator for the financial leverage of the firm. This is a leverage what compares the assets financed by the shareholders, not by loans. That means that if the leverage, the outcome, is low, most of the assets is paid with the firm's equity. Shareholders, investors, and banks prefer a low ratio. So for a good image of the firm a low ratio is the aim. Liquidity ratio (current assets divided by total liabilities) explains how well a firm can pays his liabilities immediately. A ratio above 1 indicates that the firm has more equity than debts, so in case of a sudden bankruptcy, the company is able to pay all of its debts, what means that the firm is in financial aspect a healthy company (Bradshaw & Brooks, 2007). The ROA and ROE are more indicators for the profitability, because it is based on the net income, so it is more a quantity measurement of firm performance. The two ratios are more focussed on the quality of the firm performance, so here a high turnover or high net income is more irrelevant.

Ownership is defined as the percentage of shares owned by the family or members of the family. This is in agreement with the definition Maury (2006) uses. As it is stated in the hypothesis, the relationship between firm performance and family ownership, is positively linear. By putting all the data collected, so the percentage of direct shares owned by the family, the linear regression can be carried out

Governance is defined as the number of family members that have taken place in the supervisory board with concerning the total board members (Garcia-Casto & Aguilera, 2014). This is based on the third classification of a family business according to the EU. The relationship is linear, so the higher the percentage of family members of the total supervisory board, the better the firm performance, because of the existence of the 'family protocol' (Gallo & Tomaselli, 2006). This will be measured by taking the percentage of family member on the board, of the total board members.

Management is defined by the CEO. This has to be a family member or descendants of the family, like the EU described in the first section of the definition (Garcia-Casto & Aguilera, 2014). The hypothesis stated that there is a difference between fully managed and not fully managed. Outside CEOs can generate other ideas and the literature proves that higher firm performance is generated (Anderson & Reeb, 2003). But a family member can also contribute positively according to firm performance. So by combining these two, a difference should appeared in firm performance. This phenomenon will be test by comparing the firm performance of a fully family managed firm and a firm with the existence of outsiders CEOs.

There are several control variables implemented in the model, because I want to investigate the influence of the four components on the firm's performance. The components are tested on how they are related to firm performance, so to avoid any biases, they are covered by the use of control variables. To isolate the components, these control variables are adopted: The firm's size, age, the number of listed and unlisted companies, and the sort of industry they are working in. The firm's age is measured by the number of years the business exists. The oldest year of establishment is used, since businesses have merged in the past, or changed their name. The size of the business is measured by the number of employees working in the business. Further, 3 companies are listed companies. The definition used for a listed company, is that the shares must be traded on the stock exchanges. So a N.V. indication is not enough to be seen as a listed company. The rest of the 50 companies are unlisted companies. The industries in which the companies operate are divided in five categories: Trading companies, agriculture and food, retailers, transport and services, and industry and construction. The classification of the industries comes from Elsevier, in which every firm is classified on the basis of their main business task. In the tables 2 the descriptive statistics of the control variables are given.

The other statistics not presented in the table are the following figures. The sample exist of 3 listed and 47 unlisted companies. Further, in order of the listed companies, these are the number of companies in each industry: 11, 10, 7, 11, 11, respectively. The numbers of the listed and unlisted companies seems very undistributed, but since family firms are most of the times private firms, the numbers are justified. Further, by looking at the table, the figures are very normal compared to the descriptive statistics found by other researchers (…). The minimal age of 9 years is from a business which recently merged. Since their years of establishment are two different years, I took the year in which the two companies merged and changed their name. According to the number of employees, it really depends on how a firm has structured its workforces, and it depends in which type of industry a firm is classified. For example, a construction company needs more employees than a trading company.

Table 2: Descriptive statistics of the sample

Variables	Min	Max	Mean	Std. Deviation	LN[4]
Business age	9	295	90.40	48.67	4.4
Number of employees	29	76191	5297.36	13244.54	7.3
ROE	-12.06	34.44	11.22	9.74	-
ROA	-5.23	14.41	4.20	3.70	-
Equity ratio	28.22	69.89	37.76	13.54	-
Liquidity ratio	0.21	1.69	0.83	0.37	-
Ownership (in %)	13.00	100.00	87.90	22.82	-
Governance (in %)	0.00	100.00	47.40	40.02	-
Management (in %)	0.00	100.00	53.58	36.64	-

4. RESULTS

By analysing the results, present in table 3, the hypothesis given in the chapter 2 can be accepted or rejected, based on the obtained results. First the component ownership will be discussed. Unlike some other research done to the influence of family ownership on firm performance, were they make distinctions on what sort of family ownership the business effects (Fiegener, 2010), I only investigated family ownership by the percentage direct shares of the total direct shares owned by a family. The choice for analyse only by the shares hold, is because Fiegener (2010) looked only at the ownership component, and made four different types of ownership, based on for example a family owned business, where a family member is also CEO. In this research, the management part covers the CEO part of the family business. So, looking at the results, the relationship between family ownership and firm performance is negative. Based on the ROE and ROA, it is not a strong negative relationship, but when firm performance is measured by equity or liquidity ratio, the relationship is more negative. There is not a strong significance found, what means that hypothesis 1, which state that family ownership has a positive, linear relationship, must be rejected. This means that in this case, family ownership does not has a positive relationship towards the superior firm performance. The prediction that the absence of the agency problem would cause less issues in the business, what should cause better firm performance, is not plausible with the findings of the research. However, the findings are in line with the results of Anderson et al., (2003), up to a certain point, where they say that full family ownership firms perform less than firms where the family owns, on average, half of the shares. So from this point of view, my results consist better with the findings of Anderson et al, (2003).

In case of family involvement in governance, the relationship is negative and positive, depending on the way in which firm performance is expressed. If firm performance is measured with the use of the ROA and the equity ratio, a slightly negative relationship can be derived. But the result of the ROE and the liquidity ratio show that there is a positive relationship. Overall, this means that the family involvement does not per se contribute to the firm's superior performance in a positive way. Nevertheless, since the results are not significant, the hypothesis for governance must be rejected. What means that family governance does not contribute in a positive way to the firm's performance. So the prediction that the absence of the agency problem should cause a positive effect on firm performance, falls from a financial perspective. It cannot be underpinned with the obtained results. Based on the results, these do not affect other forms of positive influence by family members in supervisory boards. So affects the corporate governance in family firms the relationship with a proactive social performance in a positive way (McGuire, Dow, & Ibrahim, 2012), or it can contribute to the easy entrance into a social network, built by a family member in the years he was active within the business (Thomsen & Conyon, 2012).

The results of testing the relationship between family members serving as a CEO/director, gives positive results. Moreover, the results are significant for the ROE, ROA, as well as for the liquidity ratio. The ROE has the most convincing significance. The relationship is moderately strong, on average more than 0.2, so the results show that there is a positive relationship and the firm's performance is influenced by the members of the family working in the business as director/CEO. On the one hand this is not very surprisingly, since the position as CEO/director is the leading position in the day-to-day business. All the planes, like defining the mission and vision of the business, comes from the CEO/director. So the direct influence on the business is higher compared to family ownership or family governance. On the other hand, according to Astrachan et al. (2002) and Villalonga et al. (2006), the influence on firm performance lies on all the four discussed components. But with the results obtained, the hypothesis that family involvement in management has positive effects on firm performance is the only one which is true. My result is contradictory to the results found by Filatotchev et al. (2005) and Lauterbach et al. (1999). That does not mean that they are wrong, but it could depends on how they measure firm performance. Unlike Anderson et al. (2003), who found a positive relationship between family management and Tobin's Q, when the founder of the business serves as the CEO of the business, I found that also next generation family CEOs contribute to the superior firm performance, since the average age of the company in the data what has been used for this research is 90 years, what means that the founder of the business cannot be the CEO anymore.

Table 3: Regression results

Variables	ROE	ROA	Equity ratio	Liquidity ratio
Business age	-.183	-.127	.068	.272**
	(-.1.462)	(-1.150)	(.339)	(2.021)
Number of employees	.084	.063	-.015	.020
	(1.539)	(.960)	(-.656)	(.508)
Listed or unlisted	-.060	.024	.202	-.028
	(-.666)	(.077)	(1.446)	(-.086)
Type of industry	-.208*	-.229*	-.107	.181
	(-1.735)	(-1.866)	(-.862)	(1.258)
Ownership	-.021	-.028	-.152	.134
	(-.061)	(.038)	(-.595)	(.822)
Governance	0.58	-.014	-.034	.138
	(-1.264)	(-1.434)	(-.635)	(-.002)
Management	.211**	.152*	.076	.310*
	(2.065)	(1.848)	(.894)	(1.961)
R^2	.184	.149	.103	.233
Adj. R^2	.048	.007	-.046	.105
F	1.354	1.052	.689	1.818*
N	50	50	50	50

Dependent variables: return on equity (ROE), return on assets (ROA), equity ratio, and liquidity ratio, respectively. Control variables: age of the firm, number of employees, listed or unlisted firm, and the type of industry. Independent variable: ownership (percentage of direct shares owned by the family), governance (percentage of family members of total board members in supervisory board), and management (percentage of family members of total members in board of directors/serving as CEO). In this table the correlations between each variable is displayed, t-statistics are displayed in parentheses and asterisks statistical significance at less than <5% (**), and <10% (*).

[4] LN is the natural logarithm.

Nevertheless, based on the results, being a family business, to work to a superior financial firm performance, having family members in the board of directors or serving as a CEO is most promising.

Table 4 shows the Beta Standard Coefficients, belonging to the performed regression. Those figures represent how many standard deviations the dependent variable changes, positive or negative, when the independent variable changes. Since the coefficients are scaled in terms of standard deviation, the coefficients are comparable to each other, since scaling biases are prevented. The higher the figure, the bigger the effect of the variable on firm performance. With the Beta Standard Coefficients, it is possible to analyse the size of the effect each variable has on firm performance. Explaining this coefficient makes clear what component exactly influences which part of the business. The effect of family ownership is the strongest when firm performance is measured with the use of liquidity ratio. This ratio is calculated by dividing the firm's current assets by its liabilities. In case of ROE and ROA the numbers are very small, it is not worth mentioning. So a change in ownership means that it affects the firm the most in its assets and liabilities. If the family takes place in the supervisory board, this causes the biggest effect on firm performance when it is measured with the ROA. The difference compared with the other three firm performance measurement instruments are not that big, except for the liquidity ratio, which has no relevant influence, what makes that family involvement in governance affects firm performance the most by the influence on the policy including net income and total assets. This finding is consistent with the finding of a family protocol (Gallo & Tomaselli, 2006), meaning that the success of being a family business, is aiming at a long term commitment to the company. Most of the supervisory board members are seniors, they led the business for a few years and passed through their place as CEO to the next generation. But family members do have still some influence via the supervisory board. The difference between the ROE, ROA, and liquidity ratio, when the family serves as CEO of the business is negligible. The effect on firm performance is the biggest by those three firm performance measurements. This means that the CEO influences the components out of which the ROE, ROA and the liquidity ratio is calculated the most. These are net income, equity, current assets, and the firm's liabilities. Overall, the family CEO has a strong, positive influence on the profitability and the health of the firm.

Table 4: Beta Standard Coefficients

Variables	ROE	ROA	Equity ratio	Liquidity ratio
Ownership	-.009	.006	-.092	.118
Governance	-.227	-.263	-.120	.000
Management	.374	.342	.170	.345

5. DISCUSSION

Like most of the researches done, this study has its limitations too. In order to make this study more reliable, the data is here regarded in a critical perspective. The aim of this section is to raise some cautionary notes about the limitations of the research, what these are and how it can be justified. Besides, some suggestions are made to overcome such limitations in future research. The final part will be the challenges for next researchers in investigating family firms in future research. But first, a general communication: this research has been prepared as a thesis for the completion of the study International Business Administration, so do not expect the level of a professor. In addition, the thesis is subject to time constraints, which hampered the quality of research. About the limitations: in short, these are the limitations that will be discussed. The first limitation is, unless the carefulness of making a selection of proper and valuable family firms, the family ownership is hazardous, so the relationship between firm performance and family ownership is difficult to analyse. Second limitation is related to the first one, since the large amount of private firms (e.g. Company Name B.V.), caused a small sample out of the 100 companies first to be analysed. Last limitation discussed is the fact that this research is based on numbers, something what is not particularly wrong, but more in-depth, qualitative research, needs to be done. For example, research towards the social part of families in firms: which decisions does a family make? And do they implement strategy different compared to nonfamily businesses? This kind of research could give new and different insights about family businesses.

The lack of available data about ownership is a significant obstacle for finding meaningful results. Most of the private firms in the top 100, do not give insights in their ownership structure. This causes not only the small sample size, but also an unbalanced proportion of the sample, what eventually can influence the results of the research. The choice for the top 100, was because these are the best performing firms of the Netherlands, based on their annual turnover. The idea behind it was that the determinants of the superior financial performance should be more clear for those firms, compared to less performing firms. Because of the high concentration of private firm in the sample, who are not required by law to make all the financial figures public, what causes that for the regression method, all the companies were deleted out of the sample, since the equation is based on three independent variables. By missing some values, the firm has no value anymore for further research. Like most studies investigating family influence on the firm's performance, the results are not very in-depth. The relationship can be analysed, and based on prior literature, it is possible to explain what factors causing the relationship, but it is still a broad explanation. Based on the timescale in which this research should be outperformed, an in-depth research was not possible.

The last point is at the same time a note for future research towards family businesses. First the limitation. The firm performance is measured by using ROE, ROA, equity ratio, and liquidity ratio. Those measurements of firm performance are more focused on the financial performance of the firm. But with the obtained results it is hard to say anything about the influence of other aspects on the family business, like for example, the stakeholders trust into the business, the motivation of the employees, or the continuity of the business (Leenders & Waarts, 2003). Now the challenge for future research. That a family business is something special and that it influences the firm performance, is indisputable. Like the results of this study tells us, the influence can be positive or negative, so future research about how family business can focus on the positive relationship and to be conscious of the negative influences, needs more attention. Further, next studies should focus on more field research, to be able in finding the main cause why, for example, why management positively influences the firm's performance. The financial superior performance is something that can be caused by the way the family treats her employees, or the atmosphere in the business created by the family CEO is decisive for influencing the firm performance. This kind of research is time-consuming, and cannot be done from behind a desk. Despite of its time-consuming character, it is worth it, especially when the results show interesting and valuable new findings. So I encourage future researchers to fill in the gaps in the form of limitations of this study, to eventually increase the knowledge about family businesses.

6. CONCLUSION

This study contributes to the information available and the debates around the influence of family businesses. For a long time the family business was not a topic to be investigate, until researchers and scholars found out that a family business makes a reasonable contribution to the world economy. The focus of this research lies on the financial firm performance, measured with the use of Return on Equity (ROE), Return on Assets (ROA), equity ratio, and the liquidity ratio. The firms that are investigated are firms listed in the top 100 of family businesses, measured by the height of their turnovers. With the use of the gathered data, I investigated the impact of family ownership, governance, and management on the firm's financial firm performance. The final conclusion will be that whether or not the family firm determinants affects the firm's performance in a superior way.

For the investigations it was very important to have a clear definition of what a family firm is. By analysing different studies about family firms, I found that the definition each study uses differs per study. This causes confusion and false assumptions by researchers or scholars which use the literature. In the appendix, table 1 provides an overview of the different definitions. I analysed all the definitions and tried to make a more general definition of a family business. Not only to prevent selecting the wrong businesses for the dataset, but also to be cautious with the quoting of the results of other researchers. By the process of defining a general definition, I found the definition of the EU. This definition perfectly fits within the analysed definitions, and covers the best overall picture of a family firm. For future research, I recommend to use the definition composed by the EU. Not only because of the relevance of it, but also to prevent biases in future research toward family businesses.

The results concerning family ownership, show that full family owned businesses achieve less compared to businesses were also outside shareholders own shares. The expectation that a business should perform better because of the presence of only one shareholder, in contrast to firms with several shareholders, seems to be incorrect. This is due to the findings that fully owned family businesses tend to be structured in the form of a pyramid, have multiple share classes and voting agreements, and they own the business with the use of cross-holdings. These structure and mechanisms reduce the firm's ability to become more profitable (Villalonga & Amit, 2006). Further, the results are in line with the findings of Anderson and Reeb (2003). A family business with other, non-family shareholders, performs better than a fully owned business. This is caused by the role the outsider plays, namely the role of intermediary. The presence of such an intermediary ensures in minimizing power and manipulations caused by fully owning a business.

Family governance is a mechanisms to have some control in the business. I noticed that most of the family members in the supervisory board are the senior family members, who have often been the CEO or director of the business, but they have withdrawn for the next generation. By taken place in the supervisory board, they still have some control over the business. With the presence of the senior family members, the existence of the family protocol was for me the reason to expect a positive relationship towards firm performance. Also the advantage of the overload of knowledge and information about the firm and its industry was in indicator for a probable positive relationship. However, nothing is less true according to the results. These shows that there is no question about a positive relationship. This indicates that a business performs better with the presence of non-family or outsider board members. An argument for the better firm performance in firms where the board is composed out of a mix of family and non-family members, is that those boards are more transparent, family board are more rigid, not dynamic enough. Besides, in case of conflicts in the business, despite of their experience and long-time involvement in the business, family members can react to emotional, what damages the objectiveness needed in that sort situations. An outside board member has more distance according to the emotional part, what eventually can help the business in making the right decisions (Brenes, Madrigal, & Requena, 2011).

The findings about family management determine a positive relationship toward financial firm performance. Three out of four financial measurements, except equity ratio, show promising figures for a sufficiently positive contribution by the family to the business. The positive results are contradictory to the findings of other studies, like for example the studies of Filatotchev et al. (2005) and Lauterbach and Vanninsky (1999), which conclude that family mangers are negatively related to firm performance, because of their choices made in the day-to-day business. Besides, the net income seems to be lower when a family member is running the business. My results show the opposite. The ROE and ROA are measured by using the net income. So the results show that the more family members are running the business, the higher the net income. The liquidity outcome assumed that family managers rely more on their own equity, they do not want to be dependent the aid of banks who provide loans for the business. Family firms are more focused on the continuity of the business and the long-term vision are characteristics of family management, not on value creation just for the external shareholders. You could say that the family is the most concerned shareholder of the business, in comparison with the external shareholders. Another contradicting finding in my research is related to the findings of Villalonga et al, (2006), who are arguing that only the founder CEO causes better firm performance. Descendant CEOs ruining the superior performance. My results show that this cannot be true, since almost all of the firms, apart from one, are run by the second, or even later generations. This may be related to the following. The results emphasize the solid financial structure of a family business. It stresses out that family managers are more efficient and take less risks when it comes to large investments. This also has its downside, because in times when the world economy is growing, the growth of a family business is running behind. But, when the economy is not doing well, the business is better able to survive. Finally, a family member has more feeling and emotional linkages with the business. Therefore, family managers tend to cherish their employees more, so they are more motivated, what helps in achieving better results towards firm performance. But not only for their employees, the general community involvement of a family manager is better. Most of je annual reports analysis are saying something about the community involvement or about the environmental responsibility of the business. Overall, there commitment to not only the good financial results, but also to the social side of running a business was evident.

The answer to the research question, in how the determinants affect the firm's financial performance, gives the following conclusions. Not every determinant is positively related to firm performance within the meaning of the composed hypothesis. But that does not mean that a determinant is completely negative. Ownership is positive related up to a certain point of shares owned by the family. The same is true for family governance. With the existence of outside shareholders and supervisory board members, the competitive advantages the family enjoys, is enhanced by the presence of them. The evidence shows further, that if the board of directors or all of the CEOs of the business are family members, this is positive for the firm performance. So in answering the question, the determinants of family businesses affect the financial performance in a positive way.

General conclusion, with the proper use of the competitive advantages of family involvement in ownership, governance and management, the firm's financial performance is superior. That means that a family firm must compose its internal structure in such a way that such superior performance is reachable.

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8. APPENDIX

Table 1: Family Business Definitions, source: (Mazzi, 2011)

Author/s	**Family business definition**
Allouche et al. (2008)	Type B: family members hold management positions or are on the board of directors and are among the main shareholders; Type C: family members do not hold top-ranking management positions but are among the main shareholders; Type D: family members hold top management positions or are on the board of directors but are not among the main shareholders.
Anderson & Reeb (2003)	The family owns (any) share of risk capital and/or some of its members are on the board of directors.
Andres (2008)	(1) The founder and/or family members hold more than 25% of the voting shares; (2) if the founding-family owns less than 25% of the voting rights the family members have to be represented on either the executive or the supervisory board.
Arosa et al. (2010)	Family firm if the main shareholder is a person or a family with a minimum of 20% of firm equity and there is a family relationship between this shareholder and the directors based on the coincidence of their surnames.
Barontini and Caprio (2006)	The largest shareholder at the 10% cut-off level is a family and the family controls more than 51% of direct voting rights, or controls more than the double of the direct voting rights of the second largest shareholder.
Chrisman et al. (2004)	A firm that is owned and managed by family members and seeks to ensure trans-generational involvement through family succession.
Chu (2009)	A firm that has more than 5% family shareholdings and has at least one family member on the board of directors.
Cronqvist & Nilsson (2003)	A firm with at least 25% of the voting rights held by the founder, the family, or a consolidated group of subjects not necessarily belonging to the same family.
Cuccelelli & Micucci (2008)	A firm characterized by a trans-generational involvement in the family succession.
King & Santor (2008)	A firm where family owns more than 20% of the voting rights.
Lee (2006)	Family business if founding family members or descendants hold shares or if they are present on the board of directors.
Lindow et al. (2010)	Family influence on the business at different degrees (F-PEC measurement)
Martinez et al. (2007)	(1) A firm whose ownership is clearly controlled by a family, where family members are on the board of directors or top management; (2) A firm whose ownership is clearly controlled by a group of two to four families, where family members are on the board: (3) A firm included in a family business group; (4) A firm included in a business group associated with an entrepreneur that has designated his family successor.
Maury (2006)	If the largest controlling shareholder has at least 10% of the voting rights is a family, an individual, or an unlisted firm.
McConaughy et al. (2001)	A public corporation whose CEOs are either the founder or a member of the founder's family.
Miller et al. (2007)	Family firm: a firm in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time; Lone-founder firm: a firm in which an individual is one of the company's founders with no other family members involved, and is also an insider (officer or director) or a large owner (5% or more of the firm's equity).
Miller et al. (2008)	Family business when there is more than one family member involved in the business.
Rutherford et al. (2008)	A business where at least two of the business' officers or directors have the same last name.
Schulze et al. (2003)	Family-owned and family-managed.
Sciascia & Mazzola (2008)	Family involvement in ownership (FIO): percentage of the firm's equity held by the owning family-Family involvement in management (FIM): percentage of managers who are also family members.
Sraer & Thesmar (2007)	When the founder or a member of the founder's family is a blockholder of the company and this block represents more than 20% of the voting rights.
Villalonga & Amit (2006)	(1) One or more family members are officers, directors, or blockholders; (2) There is at least one family officer and one family director; (3) The family is the largest voteholder; (4) The family is the largest shareholder; (5) One or more family members from the second or later generation are officers, directors, or blockholders; (6) The family is the largest voteholder and has at least one family officer and one family director; (7) The family is the largest shareholder and has at least 20% of the votes; (8) One or more family members are directors or blockholders, but there are no family officers; (9) The family is the largest voteholder, has at least 20% of the votes, one family officer and one family director, and is in second or later generation.
Westhead & Howorth (2006)	Family firm is more than 50% of ordinary voting shares is owned by members of the largest single family group related by blood or marriage and the company is perceived by the CEO managing director/chairman to be a family business.

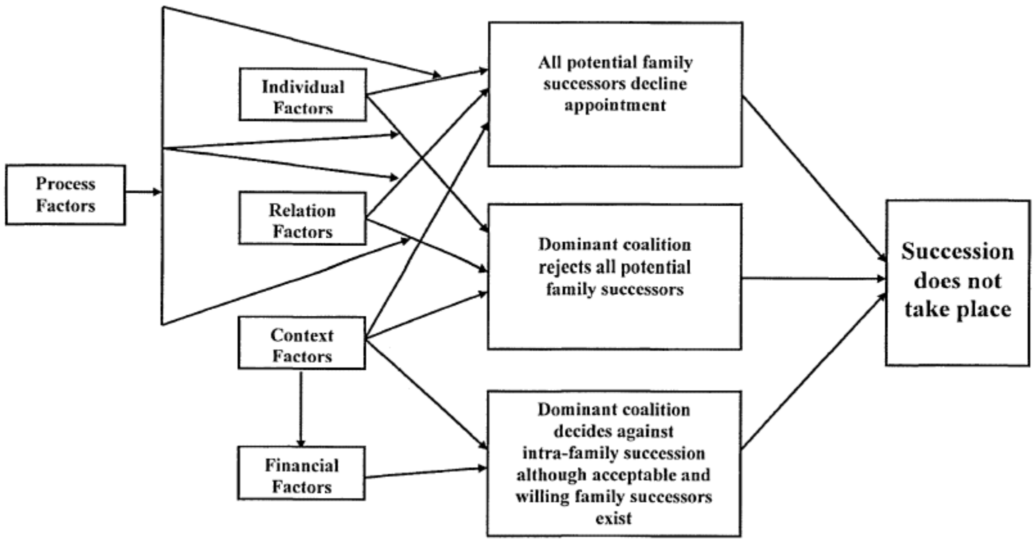

Figure 1.1 A model of Factors Preventing Intra-Family Succession in the Family Firm. Source: (Massis, Chua, & Chrisman, 2008).