OWNERSHIP STRUCTURE, INSIDERS OWNERSHIP AND FIRM PERFORMANCE IN SPANISH NON-LISTED FIRMS[1]

Blanca Arosa [2]
Txomin Iturralde
Amaia Maseda
University of the Basque Country, UPV/EHU, Spain

Abstract:
This study provides new evidence on the way in which ownership concentration and insider ownership influence non-listed firms performance, differentiating the behaviour of family and non-family firms using data on 586 non-listed Spanish firms.

The empirical evidence shows that for family firms the relationship between ownership concentration and firm performance differs depending on which generation manages the firms. Confirmation is found of the monitoring effect and also the expropriation effect for the very highest ownership concentration in non-listed Spanish family firms. Concerning insider ownership, our evidence supports both the convergence of interest and the entrenchment effects, and suggests that Spanish family firms' insiders become entrenched at higher ownership levels.

Key words: Ownership concentration, insider ownership, non-listed firms, family firms

[2] Correspondence to: Blanca Arosa, Departamento de Economía Financiera I, Avda. Lehendakari Agirre, 83, Universidad del País Vasco, E48015 Bilbao, Spain. Tel.; +34-94-6017058. Fax: +34-94-6013879 E-mail: blanca.arosa@ehu.es

1. - Introduction

The relevant literature suggests that ownership structure is one of the main corporate governance mechanisms influencing the scope of a firm's agency cost. Berle and Means (1932) suggest that ownership concentration should have a positive effect on performance because it alleviates the conflict of interests between owners and managers. In this sense, concentrated ownership structures leave aside the classic agency problem between managers and shareholders, but lead to a conflict between majority and minority shareholders (Shleifer and Vishny, 1997, Porta et al., 2000).

In this context, this study focuses on non-listed firms with concentrated ownership structures whose principal shareholders are, in many cases, families. Most studies focus on listed firms, so we considered it is very important to focus on non-listed companies to fill this gap. It is interesting to check whether the results obtained on the behaviour of internal control mechanisms of non-listed firms, could be compared with findings from numerous studies investigating listed firms.

This study seeks to make a new contribution with a highly representative sample of non-listed family and non-family Spanish companies. The limitations identifying non-listed family firms imply that the detailed analysis of the information in databases and the survey are the only ways to do so. This paper uses a combination of these two forms to categorize family firms.

The aim of the paper is to examine the effect of ownership structure of non-listed firms on firm performance, using the ownership concentration variable and insider ownership as corporate governance mechanisms. Besides, verifying whether the family nature of the company generates a different behaviour in the action of these mechanisms.

No relationship between ownership concentration and performance, estimated using the firm profitability, is found in our sample, regardless of whether firms are family or non-family owned. Notwithstanding, in the case of family firms the relationship differs depending on which generation manages the firms. Concerning insider ownership, our evidence supports both the convergence of interest and the entrenchment effects, and suggests that Spanish family firms' insiders become entrenched at higher ownership levels.

The rest of the article is organized as follows. Section 2 contains a review of the literature regarding the ownership structure as a control mechanism, and presents the hypothesis and models. Section 3 presents the data and the analysis procedure used to conduct the empirical study and the results of the investigation. Finally, Section 4 sets out the principal conclusions, and the paper ends with a list of bibliographical references.

2. - Theoretical Base

Non-listed companies are characterized by concentrated ownership and the main agency problem is between the majority and minority shareholders. The origin of conflicts in concentrated ownership firms can be found in the tendency of majority shareholders to use their power to gain benefits that harm the private wealth of minority shareholders (La Porta et al., 1999; Francis et al., 2005). A greater concentration of voting rights can therefore lead to greater incentives for controlling shareholders to obtain private benefits. This trend may be exacerbated in the case of family firms because those

benefits remain in the controlling family, whereas in non-family firms they are distributed among a large number of shareholders (Villalonga and Amit, 2006).

Founding families represent a special type of shareholders in firms. Anderson et al. (2003) say that founding families differ from other shareholders in two main aspects: the interest of the family in the long-term survival of the company, and the concern of the family for the reputation of the company and the family itself. This may suggest that the aim of these companies is not to maximize shareholder value, but to maximize the value of the firm when the two are in conflict. Families have concerns and interests of their own, such as stability and capital preservation, which may not align with the interests of other investors of the firm.

Focusing on the relevant literature, it should be noted that various studies that have considered the ownership structure as an internal control mechanism, have analyzed three distinct aspects: the ownership concentration (Demsetz and Lehn, 1985; Shleifer and Vishny, 1986; McConnell and Servaes, 1990; Leech and Leahy, 1991; Morck et al., 2000), insider ownership (Stulz, 1988; Morck, et al., 1988; McConnell and Servaes, 1990; Faccio and Lasfar , 1999), and the identity of the owner (Galve and Salas, 1992; Pedersen and Thomsen, 1997).

In this study we discuss two of these three areas: ownership concentration and insider ownership, and look at their validity as internal control mechanisms for non-listed firms, following the principles of Agency Theory. In this regard, we need to fill the gap and check whether ownership structure acts as an internal control mechanism in non-listed firms, distinguishing the behaviour of family firms.

2.1. – Ownership concentration

A firm's ownership structure is considered to be an internal control mechanism, since it is assumed that ownership concentration can help to monitor the behaviour of managers and, likewise, to avoid the inefficient use of resources (Stiglitz, 1985). In this regard, it has been considered that the ownership concentration may result in a reduction in problems arising from the divergence of interests between different agents, including an analysis of the prevailing hypothesis of monitoring compared to that of expropriation (Demsetz and Lehn, 1985; Shleifer and Vishny, 1986; Stulz, 1988; Morck, et al., 1988; McConnell and Servaes, 1990; Leech and Leahy, 1991; Galve and Salas, 1992; Pedersen and Thomsen, 1997; Faccio and Lasfar, 1999; Morck et al., 2000).

Family ownership can also generate competitive advantages, as the shareholder concentration generates significant economic incentives to reduce agency conflicts and maximize the value of the firm (Demsetz and Lehn 1985). Because family wealth is directly related to that of the company, families have strong incentives to monitor managers and to minimize the inherent problem of free-ride shareholder dispersion. This argument substantially coincides with that of the so-called alignment effect.

This effect is based on the idea that founding families and other shareholders are better aligned because of the large blocks of shares owned by the family and its long-term presence in the firm. Because the wealth of the family is closely related to the value of the company, families have strong incentives to monitor agents (Anderson and Reeb, 2003) and create long-term loyalty in them (Weber et al., 2003). The long term horizon of families suggests a desire for longer term investment projects than other

shareholders. The alignment effect implies that the ownership concentration means better monitoring to control owners, suggesting that controlling families can monitor firms more effectively (Demsetz and Lehn, 1985; Shleifer and Vishny, 1997).

Moreover, due to the substantial and long-term presence of families in firms and their intention to preserve the family name, founding families have a greater interest in the company than others do. Furthermore, founding families are more likely to give up short-term benefits due to incentives to hand down the business to future generations and protect the family's reputation (Wang, 2006). Also, this perspective generates a reputation for the family, which involves creating long-term economic consequences for the company compared to non-family firms (Anderson et al., 2003). Strong control mechanisms can motivate family members to communicate more effectively with other shareholders and creditors, using higher quality financial reporting and, consequently, reducing the cost of debt (Anderson et al., 2003).

Taking into account the competitive advantages of family firms, we can expect them to be more profitable than non-family firms. In this respect we consider the following relations:

H_{1a}: *There is a positive relationship between family ownership concentration and firm profitability.*

To test this hypothesis we suggest the following model:

$$Y = \beta_0 + \beta_1 FOC + \beta_2 INSOWN + \beta_3 OUTSIDERS + \beta_4 GROWTHOP + \beta_5 LEV + \beta_6\ SIZE + \beta_7 AGE + \beta_8 SECT + \varepsilon \qquad \text{(model 1)}$$

H_{1b}: *There is a stronger positive relationship between ownership concentration and firm profitability in family firms than in non-family ones.*

This relationship is analyzed using the following model:

$$Y = \beta_0 + (\beta_1 + \beta_2 FD)OC + \beta_3 INSOWN + \beta_4 OUTSIDERS + \beta_5 GROWTHOP + \beta_6 LEV + \beta_7\ SIZE + \beta_8 AGE + \beta_9 SECT + \varepsilon \qquad \text{(model 2)}$$

In addition, there is also the idea of the ability of families to expropriate the wealth of the company through excessive fees, related party transactions or special dividends, and risk aversion (DeAngelo and DeAngelo, 2000; Anderson and Reeb, 2003b). These authors note that being founding families the major shareholders ensures that management serves the interests of families. Many of the actions that seek to maximize their personal utility lead to inappropriate policies for the company, reflecting worse performance than non-family firms. This may involve severe agency conflicts with other agents involved in the company.

Shleifer and Vishny (1997) show that despite studies that show a positive relationship between ownership concentration and firm performance, the existence of a controlling shareholder may create agency problems between the controlling owner and minority shareholders. They note that some authors have found a nonlinear relationship between variables in the case of listed companies (Thomsen and Pedersen, 2000; Miguel et al., 2004; Anderson and Reeb, 2003; Maury, 2006; Pindado et al., 2008). The existence of a nonlinear relationship implies that when ownership is less concentrated there is a

positive effect on performance, as a result of the monitoring hypothesis. That is, all shareholders devote their efforts to monitoring managers, in order to maximize the value of the firm.

However, as ownership becomes more concentrated, the relationship between the two variables becomes negative as a result of the expropriation hypothesis. When shareholders have a level of ownership that is high enough to make them think about their own wealth, they tend to expropriate wealth from minority shareholders. That is, there is a quadratic relationship between the variables of ownership concentration and performance. Following this argument, we considered it necessary to check whether this quadratic relationship between the ownership concentration and performance also exists in non-listed companies, and to check whether there are differences in behaviour between family and non-family firms.

In this regard, we propose the following hypothesis for testing:

H_{2a} There is a quadratic relationship between the family ownership concentration and firm profitability

To prove this hypothesis we suggest the following model:

$$Y = \beta_0 + \beta_1 FOC + \beta_2 FOC^2 + \beta_3 INSOWN + \beta_4 OUTSIDERS + +\beta_5 GROWTHOP + \beta_6 LEV + \beta_7\ SIZE + \beta_8 AGE + \beta_9 SECT + \varepsilon \qquad \text{(model 3)}$$

H_{2b}: There is a stronger quadratic relationship between the ownership concentration and firm profitability in family firms than in non-family firms.

Using this model to compare:

$$Y = \beta_0 + (\beta_1 + \beta_2 FD)OC + (\beta_3 + \beta_4 FD)OC^2 + \beta_5 INSOWN + \beta_6 OUTSIDERS + \beta_7 GROWTHOP + \beta_8 LEV + \beta_9\ SIZE + \beta_{10} AGE + \beta_{11} SECT + \varepsilon \qquad \text{(model 4)}$$

It should be noted that non-linearity between the ownership concentration and firm performance can be explained, in the case of family firms, by the potential costs of family ownership (Pindado et al., 2008). There are two potential costs which can generate a negative effect on certain levels of ownership concentration: on the one hand, the incentive of the owning family to carry out actions that benefit their personal utility, resulting in poor firm performance (Anderson and Reeb, 2003). Derived from this fact, one can assume that high levels of ownership concentration may be related to less efficient investment decisions, which can lead to a reduction in firm performance (Cronqvist and Nilsson, 2003).

On the other hand, there are authors who suggest that a high family ownership concentration is related to the influence of the controlling family on the managers, which may in turn be related to a higher level of entrenchment of managers (Gomez-Mejia et al., 2003).

Family members often hold the chief executive position or other executive posts at firms. If the chief executive is a member of the family it may be easier to align the interests of the family and the firm, which suggests a greater impact of family ownership on performance. On the other hand, having a family member as chief

5

executive could mean denying posts to worthy non-family executives, with the consequent negative effect on performance. However, despite the fact that restricting of the post of chief executive to family members may be problematic, a top executive from the family can bring skills and attributes to family firms that external executives do not have (Morck et al., 1988; Davis et al., 1997; Anderson et al., 2003).

In this situation, it is interesting to study the effect of ownership concentration on the profitability of family firms managed by the first generation. Having the same person as chief executive and chairman – i.e. the company's founder - takes away the traditional agency problems, but other derivative problems are generated, for example, due to altruistic behaviour. In contrast with Jensen and Meckling, Schulze et al. (2001) hold that family relationships tend to generate agency problems, due mainly to the fact that control over company resources enables owner/managers to be generous to their children and other relatives.

Parental altruisms cause owners to pursue first-best actions when a private firm is family-owned and is managed by a controlling owner. Altruism is a trait that positively links the controlling owner's welfare to that of other family members (Schulze et al., 2001). Over time, however, the economic incentive to do what maximizes the personal utility can blur the controlling owner's perception of what is best for the firm or family (Schulze et al., 2003). Greater concentration of ownership of firms in the first generation may bring the monitoring and expropriation hypotheses into play, while companies in which subsequent generations have joined show a greater spread of ownership.

Anderson and Reeb (2003) argue that the presence of the founder in the firm can add an entrepreneurial talent to the company (McConnaughy et a1., 1998; Adams et al., 2003; Villalonga and Amit, 2004; Barontini and Caprio, 2006). These results may suggest that being managed by the first generation can have a positive effect on a firm's performance. Similarly, the ownership concentration in this type of family firm is higher than in others, which may indicate that the costs of ownership concentration may appear more strongly. In this sense, it is necessary to check for a quadratic relationship in family firms managed by the first generation. Other authors have analysed the relationship on the basis of who acts as chief executive (the founder, a descendent or a non-family member). However, our study here is based on potential differences between family firms managed by the first generation and the rest.

H3: There is a stronger quadratic relationship between family ownership concentration and firm profitability in family firms managed by the first generation.

To test this hypothesis the following model is suggested:

Y= β_0+ (β_1 + β_2GEN1)FOC + (β_3 + β_4GEN1)FOC^2+ β_5INSOWN + β_6OUTSIDERS + β_7GROWTHOP + β_8LEV + β_9 SIZE + β_{10}AGE + β_{11}SECT + ϵ (model 5)

2.2. – Insider ownership
Jensen and Meckling (1976) and Fama and Jensen (1983) argue that insider ownership can cause two types of fully differentiated behaviour: convergence of interests with shareholders and the entrenchment effect.

Jensen and Meckling (1976) assert that as insider ownership grows, the tendency of owners to consume company resources decreases, and therefore their interests and those of shareholders are aligned. In this way, conflicts between owners and managers tend to disappear, and the hypothesis of convergence of interests prevails. However, they also argue that the natural tendency of managers is to use company resources in their own interests, which may conflict with those of external shareholders. These authors note that with increasing insider ownership, conflicts of interest between shareholders and managers disappear because their interests tend to converge.

However, Demsetz (1983) and Fama and Jensen (1983) argue that significant percentages of insider ownership generate compensation costs. They argue that even when the levels of insider ownership are low, market discipline may induce managers to seek to maximize value, despite scant personal incentives to do so. Conversely, when insiders hold a percentage of the capital of the company that is large enough to give them voting power or influence, they can achieve their own objectives other than the maximization of value without compromising either their jobs or their salaries.

These arguments show an entrenchment effect on the part of insiders, which means that too high a percentage of insider ownership has a negative impact on business performance. The entrenchment effect is based on the idea that concentrated ownership creates incentives for the controlling shareholder to expropriate wealth from minority shareholders (Fama and Jensen, 1983; Morck et al., 1988; Shleifer and Vishny, 1997). If family members occupy important positions both in management and on the board of directors, worse governance mechanisms may result, since the supervisory body may not operate efficiently.

Moreover, information asymmetry between the founding family and other shareholders can increase the entrenchment effect due to a lower flow of information and less transparency, all leading to a loss of performance (Wang , 2006). Faccio et al. (2001) suggest that founding families have strong incentives to expropriate wealth from minority shareholders, and note that such incentives are greatest when the influence of the family extends beyond their ownership rights. Families can exercise control or influence in two ways: through the position of chief executive or through a disproportionate representation on the board of directors. Consequently, expropriation by families is expected to be greatest when the board's family control exceeds family rights, or when a family member is the chief executive officer.

The existence of these two widely different effects suggests a nonlinear relationship between insider ownership and the value of the company, which has been already shown up in several studies (McConnell and Servaes, 1990; Gedajlovic Shapiro, 1998). Various studies have also shown a nonlinear relationship between firm value and insider ownership (Morck et al, 1988; Wruck, 1989; Hermalin and Weisbach, 1991; Cho, 1998). Several authors have also addressed the entrenchment hypothesis, although their findings have not been conclusive (Morck et al., 1988; McConnell and Servaes, 1990; Leech and Leahy, 1994; Mudambi and Nicosia, 1998; Lasfar and Faccio, 1999; Lehmann and Weigand, 2000; Miguel et al., 2004).

The evidence on this matter for non-listed companies is limited, and that is what led us to test the hypothesis outlined above. It would be interesting to know whether this behaviour occurs more in family firms than in non-family firms, due to the greater power attributed to insiders. Also, as Gómez-Mejía et al. (2000) say, if ownership and

family control are associated with greater entrenchment of managers, it is necessary to determine whether this behaviour is stronger in family firms than in non-family ones.

At this point, it seems necessary to include three new hypotheses to check whether entrenchment and alignment of the interests of managers also appear in non-listed family firms, drawing a distinction for family firms managed by the first generation.

H_{4a}: *Family firms' profitability increases with low and high levels of insider ownership and falls in the intermediate levels.*

To test this hypothesis we suggest the following model:

$Y = \beta_0 + \beta_1 FINSOWN + \beta_2 FINSOWN^2 + \beta_3 FINSOWN^3 \ \beta_4 OUTSIDERS + \beta_5 GROWTHOP + \beta_6 LEV + \beta_7 \ SIZE + \beta_8 AGE + \beta_9 SECT + \varepsilon$ (model 6)

H_{4b}: *Profitability increases more with low and high levels of insider ownership and decreases more at intermediate levels in family firms than in non-family firms.*

This relationship is analyzed using the following model:

$Y = \beta_0 + (\beta_1 + \beta_2 FD) \ INSOWN + (\beta_3 + \beta_4 FD) \ INSOWN^2 + (\beta_5 + \beta_6 FD) \ INSOWN^3 + \beta_7 OUTSIDERS + \beta_8 GROWTHOP + \beta_9 LEV + \beta_{10} SIZE + \beta_{11} AGE + \beta 12 SECT + \varepsilon$ (model 7)

H_{4c}: *If the firm is managed by the first generation of the family, performance may increase more with high and low levels of insider ownership and fall more at intermediate levels than in other family firms.*

This model is used to make the comparison:

$Y = \beta_0 + (\beta_1 + \beta_2 GEN1) \ FINSOWN + (\beta_3 + \beta_4 GEN1) \ FINSOWN^2 + (\beta_5 + \beta_6 GEN1) \ FINSOWN^3 + \beta_7 OUTSIDERS + \beta_8 GROWTHOP + \beta_9 LEV + \beta_{10} SIZE + \beta_{11} AGE + \beta_{12} SECT + \varepsilon$ (model 8)

3. - Empirical Research: Method, Data and Analysis
3.1. – Population and sample

We conducted this study on Spanish firms included in the SABI (Iberian Balance Sheet Analysis System) database for 2006 (the latest year for which full data are available). We imposed certain restrictions on this group of companies in order to reach a representative set of the population. First, we eliminated companies affected by special situations such as insolvency, winding-up, liquidation or zero activity. Second, restrictions concerning the legal form of companies were imposed: we focused on limited companies and private limited companies as they have a legal obligation to establish boards of directors. Third, we eliminated listed companies. Fourth, we studied only Spanish firms with more than 50 employees, i.e. companies large enough for us to ensure the existence of a suitable management team and a controlling board to monitor their performance. Finally, companies were required to have provided financial information in 2006. With this condition, the sample under study comprised 3723 non-listed Spanish firms.

There is no official database of family firms, so there is no way to directly identify family firms. Also, the lack of an agreed definition of family firm leads to the use of samples of convenience, or to firms being identified as family firms after the sample is preselected (Daily and Dollinger, 1993; Schulze et al. 2001, 2003; Chua et al., 2003). Given these limitations, the detailed analysis of the information in databases and the survey are the only way to identify family and non-family non-listed firms. This study has chosen a combination of these two methods of identification.

In this study, family firm means a firm who meets two conditions: a) a substantial common stock held by the founder or family members that allow them to exercise control over the firm, and also b) participate actively in monitoring it. As per La Porta et al. (1999), we established 20% as the minimum percentage of a firm's equity considered as a controlling interest. To find compliance with these two conditions, we conducted an exhaustive review of shareholding structures (percentage of common stock) and composition (name and surnames of shareholders), and also examined the composition of the board of directors of each of the 3723 selected companies in the database.

Accordingly, we classified a firm as a family firm if main shareholder is a person or a family with a minimum of 20% of firm equity and there are family relationships between this shareholder and directors, based on coincidence of surnames. The composition of the management was also reviewed in search of family relationships between shareholders and managers.

Of 3723 companies preselected, the original sample used in this study is a 2958 firm random sample. 586 firms responded the questionnaire: 217 non-family firms (37%) and 369 family firms (63%) for which there were data on ownership structures, accounting variables and boards of directors.

3.2. – Data

Data were collected by means of telephone interviews, a method that ensures a high response rate, and financial reporting information was obtained from the SABI database. To guarantee the highest possible number of replies, managers were made aware of the study in advance by means of a letter indicating the purpose and importance of the research. In cases where they were reluctant to reply or made excuses, a date and time were arranged in advance for the telephone interview. The final response rate was approximately 19.81%, and the interviewees were persons responsible of management at the firms (financial managers in 56.48% of the cases, the chief executive officer in 31.06%, the president in 1.54% of the cases, and others in 10.92%). Table 1 summarizes the technical characteristics of the study.

TABLE 1. - Technical characteristics of the study

UNIVERSE	Spanish firms with more than 50 employees
SAMPLE	586 firms
SAMPLING	Simple random
TARGET GROUP	CEOs at firms
TECHNIQUE	Telephone interview based on a closed questionnaire
DATE PERFORMED	Fieldwork was carried out by a telemarketing firm (GIZAKER S.L. http://www.gizaker.net) on January and February, 2008
MARGIN OF ERROR	Em= ± 3.6% with a confidence level of 95%, p=q=0.5, for overall data

The questionnaire collects information on the variables required for the study that could not be obtained from the SABI database and that it was considered would be captured more reliably through a survey. In particular, information regarding the ownership structure, the composition of the board of directors and company management.

TABLE. 2 - Definition and calculation of variables

PANEL A	
VARIABLES OBTAINED FROM THE QUESTIONNAIRE	
VARIABLE	**DEFINITION**
Generation managing the firm (GEN1)	Dummy variable that takes the value of 1 if the company is headed by the first generation and 0 otherwise.
Family ownership (FOC)	Percentage of ownership of the largest family shareholder
Ownership concentration (OC)	Percentage of ownership of the largest shareholder
Insider ownership (INSOWN)	Percentage of ownership of insider directors and chief executive officer
Insider ownership in family firms (FINSOWN)	Percentage of ownership of insider directors and chief executive officer in family firms
Board of Director's composition (OUTSIDERS)	Percentage of external directors on the total number of directors
Family Dummy (FD)	Dummy variable that takes the value 1 if the company complies with the definition adopted and 0 otherwise
PANEL B	
VARIABLES OBTAINED FROM FINANCIAL STATEMENTS	
Firm performance, measured by firm profitability (ROA)	EBIT / TA, where EBIT = earnings + financial expenses + tax benefit, and TA = Total Assets
Growth opportunity (GROWTHOP)	$Sales_0/Sales_{-1}$
Debt (LEV)	Total Debt / Total Assets.
Firm's size (SIZE)	Ln Total Assets.
Firm's age (AGE)	Ln number of years since the establishment of the company.
SECT	Dummy variables to control for sector

3.3.- Summary statistics

Table 3 presents descriptive statistics for the variables in the analysis[3]. We shown mean values for family and nonfamily firms. The average of ownership stake in family firms is nearly 50%, since in nonfamily firms it is around 74%. As different generations join the firm, that capital is diluted significantly; this may explain the difference that occurs between the two types of organizations, sine the 42% of the family firms in the sample are in the second generation and the 19% in third and successive ones. The Spanish non-listed firms have, in general, three significant partners who control around 90% of the equity; this analysis let us identify who has the control in the company and determine its level of representation in government bodies.

---

3 A vif (variance inflation factor) test was conducted with the Stata statistical package, and confirmed the absence of colinearity.

TABLE. 3 – Descriptive statistics of sample firms: Mean values for variable measures

	Family Firms	Non-family Firms
Number of observations	369	217
Number of business segments	2.47	1.36
Fraction of single-segment firms	63.60	88.46
Family ownership (%)	48.84	0.00
Ownership concentration (%)	0.00	73.82
Insider ownership (%)	0.00	33,10
Insider ownership in family firms (%)	50.17	0.00
Board of Director's composition (Outsiders %)	32.00	35.00
Return on Assets (%)	6.42	6.41
Growth opportunity ($Sales_0/Sales_{-1}$)	1.14	1.11
Leverage (Total Debt / Total Assets)	61.98	64.47
Firm's size (Total Assets)	23709.48	53835.39
Firm's age (years)	40	33

Source: Data of ownership structure, board of directors and management from the survey, and financial information from SABI.

Family firms in the sample show significantly more diversification, with nearly 64% reporting only one line of business compared to 88.46% of nonfamily ones. With respect to insider ownership, it is higher in family firms, mainly, due to the CEO's percentage of ownership, which is, on average, 5% in nonfamily firms and 20% in family firms. Board of Director's composition, return on asserts, growth opportunities and leverage are not significantly different in family and nonfamily firms. Nonfamily firms are larger than family ones and, with regard to age, family firms are 40 years old and nonfamily ones 33, suggesting that our firms are well established.

3.4. - Analysis
3.4.1. – Ownership concentration and firm performance

In this section we seek to analyze the effect of ownership structures on profitability, focusing first on ownership concentration. Our first objective was to examine the relationship between ownership and profitability by comparing family and non-family firms; and our second objective was to analyze how ownership concentration of family firms influences their profitability. We were also interested in analyzing whether there might be a non-linear or quadratic relationship between the two variables, as has been shown to exist in some studies related to listed companies (Anderson and Reeb, 2003a; Villalonga and Amit, 2004; Pindado et al, 2008), and if so in comparing it in the two types of organization. In other words, at certain levels of ownership concentration the hypothesis of supervision is expected to prevail, since shareholders will devote their efforts to controlling managers' work However, for high levels of ownership concentration, the expropriation hypothesis may prevail, because shareholders with high capital stakeholdings tend to look out for their own welfare, even to the extent of expropriating wealth from minority shareholders. Finally, we analyze whether the relationship between ownership concentration and profitability is influenced by which generation is running the family firm. The results in Table 4 are from the ordinary least squares regressions using the firm profitability as the dependent variable.

Given the existing literature on the subject, the first objective focused on checking whether there is a positive relationship between profitability and ownership concentration in non-listed family firms (model 1).

The results are shown in Table 4 (column I). A positive coefficient is found between family ownership concentration and the profitability of firms, but the relationship is not significant. This lack of significance leads us to conclude that there is effectively no relationship between the variables of family ownership concentration and profitability, so we do not accept hypothesis 1a.

TABLE. **4-** Relationship between ownership concentration and company firm profitability

	ROA				
	I	II	III	IV	V
Constant	0.1652***	0.1161***	0.1704***	0.0700	0.1773***
	(0.1070)	(0.075)	(0.1110)	(0.0812)	(0.1099)
FOC	0.0064		0.0775		0.0299
	(0.2212)		(0.0987)		(0.1005)
FOC*GEN1					0.1941**
					(0.0850)
FOC^2			-0.0577		-0.0104
			(0.0858)		(0.0910)
FOC^2*GEN1					-0.1971**
					(0.1023)
OC		0.0209		0.0084	
		(0.0161)		(0.0851)	
OC*FD		0.0127		0.0181	
		(0.0164)		(0.0733)	
OC^2				0.0084	
				(0.0851)	
OC^2*FD				0.0181	
				(0.0733)	
INSOWN	0.0130	0.0050	0.0166	-0.0000	0.0103
	(0.0173)	(0.0144)	(0.0174)	(0.0149)	(0.0174)
OUTSIDERS	-0.0271	-0.0307***	-0.0250	-0.0339***	-0.0252
	(0.0253)	(0.0195)	(0.0252)	(0.0200)	(0.0249)
GROWTHOP	0.5836*	0.2991*	0.3971*	0.4715*	0.3591**
	(0.1758)	(0.1098)	(0.1662)	(0.1228)	(0.1656)
LEV	-0.0871***	-0.1260*	-0.0787**	-0.1146*	-0.0800**
	(0.0556)	(0.0292)	(0.0361)	(0.0471)	(0.0360)
SIZE	-0.0013	-0.0009	-0.0002	-0.0014	-0.0004
	(0.0056)	(0.0042)	(0.0056)	(0.0043)	(0.0055)
AGE	-0.0084	-0.0086	-0.0093	-0.0065	-0.0070
	(0.0110)	(0.0090)	(0.0109)	(0.0093)	(0.0108)
R^2	0.16	0.16	0.17	0.16	0.21

*, ** and *** indicate significance at 1%, 5% and 10% respectively.

If we compare the behaviour of family firms with that of non-family firms (model 2), the results are not significant (Table 4, column II), which leads us not to accept the hypothesis 1_b. In this case, neither β_1, which reflects the relationship between ownership concentration and firm profitability in non-family firms, nor β_2, which reflects the extent to which family firm status influences the relationship between ownership concentration and profitability, is significant. These results may suggest that the behaviour of non-listed firms differs from that of listed ones. It is also worth noting that in the companies

in the sample there was a greater ownership concentration in the case of non-family firms, which may also justify the relationship found.

Anderson and Reeb (2003a), Villalonga and Amit (2004), Maury (2006), Barontini Caprio (2006) and Pindado et al. (2008) find a positive effect between these two variables, and argue that family owners are more motivated to monitor managers when their stake in the company is greater. Moreover, the long-term vision that characterizes families and concern for the family's reputation strengthens this result. Taking into account the companies in the sample, it is precisely their non-listed nature which may lead to different reactions by shareholders, so their biggest concern is not monitoring management.

However, there are also studies that show a negative effect between family control and minority shareholders wealth. Thus, Cronqvist and Nilsson (2003) find that family ownership may be detrimental to minority shareholders and Faccio et al. (2001) and Lins (2003) argue that controlling families are in a better position to expropriate wealth from minority shareholders when investor protection is lower. Similarly, Miller et al (2007), indicate that family firms in which many family members are involved do not show higher market values than other organizations.

Demsetz (1983) argues that there should be no relationship between family ownership and firm profitability, as the ownership concentration is the endogenous outcome of decisions made by current and potential shareholders to maximize profits (Villalonga and Amit , 2004). Demsetz and Lehn (1985), Himmelberg et al. (1999) and Demsetz and Villalonga (2001) provide evidence of this. Similarly, in cases where family and non-family firms are compared, Markin (1999) finds no evidence that family firms outperform non-family ones. Similarly, Favero et al. (2006) find no differences in performance between the two types of firm.

In addition, it should be noted that the presence of a majority shareholder in the company can result in agency problems between controlling and minority shareholders (Shleifer and Vishny, 1997). Following this argument, there are studies that have found a nonlinear relationship between ownership concentration and profitability (Gedajlovic and Shapiro, 1998; Thomsen and Pedersen, 2000; Miguel et al., 2004). Therefore, our next step was to check for a quadratic relationship between ownership concentration and profitability among the firms in the sample, and to try to analyze whether any such effect was stronger in family firms than in non-family ones (model 3 and 4).

The results are shown in Table 4 (columns III and IV). For family firms (column III), a positive coefficient was found for concentration of ownership and a negative coefficient for its square, but neither is significant (model 3). These results do not allow us to confirm whether there is a non-linear or quadratic relationship between concentration of ownership and profitability in the case of non-listed family firms. Therefore, we cannot accept hypothesis 2a. If we consider the whole sample (model 4) and compare the behaviour of family and non-family firms, we can see similar results (column IV).

Both family and non-family firms show positive coefficients for of ownership concentration and negative coefficients for its square, which may indicate the existence of a nonlinear relationship between ownership concentration and firm profitability. However, these coefficients are not significant in the case of the companies in the sample, so we can not accept therefore hypothesis 2b.

In general it should be noted that, regardless of whether the companies in the sample are family-owned or not, no relationship was found between the ownership concentration and firm profitability. No evidence was obtained to support the monitoring and expropriation hypotheses in the companies analyzed. We think that the arguments tested in relation to listed companies do not arise in the case of non-listed companies. In this case the degree of ownership concentration does not appear to have any direct influence on the behaviour of shareholders, which can be related to the non-listed status of the company, in addition to the similar structure of ownership shared by both types of organization.

In view of the results obtained, we felt it was necessary to focus on the family firms in the sample and analyze whether their behaviour differed depending on which generation was managing them.

The ownership structures of family firms differ as successive generations are incorporated into them, so we can suggest a stronger nonlinear relationship between ownership concentration and firm profitability in first generation firms than in the rest (model 5).

Table 4 (column V) shows these results. In this case, a significant nonlinear relationship is found to exist between ownership concentration and profitability in family firms managed by the first generation. These results confirm hypothesis 3, which provides additional information to the existing literature.

The results show that when a family firm is not managed by the first generation, there is no relationship between ownership concentration and profitability because β_1 and β_3 are not significant. However, when family firms are managed by the first generation, a quadratic relationship exists between family ownership concentration and profitability because the coefficients β_2 and β_4 are significantly positive and negative, respectively. One possible explanation is that when family ownership exceeds a certain level, shareholders benefit more from expropriating minority shareholders than from maximizing company value.

So while the comparison between family and non-family firms in the sample does not reveal the same results as for listed companies, differences are found between family firms that are managed by different generations.

Firms managed by the first generation have more concentrated ownership structures. As new generations join a firm, the ownership structure becomes more dispersed, which may be the reason for the results. This increased ownership concentration may be the cause of the different behaviours observed. That is, up to a certain degree of ownership concentration the supervision hypothesis is predominant, providing that shareholders are focused on monitoring the work of managers. However, when the ownership concentration is high, shareholders may instead try to expropriate wealth from minority shareholders, because of the great influence that can be wielded by the controlling family.

There may be a cut-off point for family firms managed by the first generation at which the positive effect of ownership concentration (Anderson and Reeb, 2003a), explained by the assumption of monitoring hypothesis disappears and the expropriation hypothesis prevails. From a certain percentage of ownership upwards, therefore, family firms

managed by the first generation may set aside the goal of maximizing firm value and use their privileged position to expropriate minority shareholders.
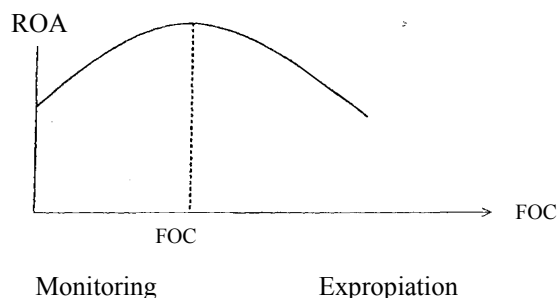

Figure1 .Relation between ownership concentration and firm profitability

McConnaughy et al. (1998), Anderson and Reeb (2003a, 2003b), Adams et al. (2003), Villalonga and Amit (2004) and Barontini and Caprio (2006) argue that being the founder the chief executive officer has a positive effect on profitability. In our study we find that even in those companies in the sample that meet this condition a proven nonlinear relationship exists, so from a certain level of ownership concentration that effect does not exist and the expropriation hypothesis prevails.

3.4.2. - Insider ownership

The second aspect that we dealt with in studying the ownership structure of companies is insider ownership. Here the objective was to analyze whether there was convergence of interests or entrenchment (model 6) in the family firms in the sample.

Taking into account the results of our analysis (Table 5, column I), we can see that in family firms there is evidence of a significant cubic relationship between insider ownership and firm profitability. In this sense, the results are consistent with those of Morck et al. (1988) and De Miguel et al. (2004) for listed companies. These authors show a positive coefficient in the case of insider ownership and its cube, and a negative coefficient for the square of insider ownership. We can say that firm profitability increases with relatively high and low levels of insider ownership and falls at intermediate levels. These results can be interpreted as consistent with both convergence of interests and the entrenchment hypothesis (hypothesis 4a).

Thus, for low levels of ownership, the interests of insiders tend to converge with those of shareholders, resulting in a positive effect on performance. However, as insider ownership grows, the entrenchment hypothesis begins to gain strength, so that insiders use their greater power in the company for their own benefit, without looking to maximize the value of the firm. Profitability tends to fall in this case. Despite this, there comes a time when the insiders' level of ownership is so high that they again become concerned for the welfare of all shareholders, which makes profitability grow again.
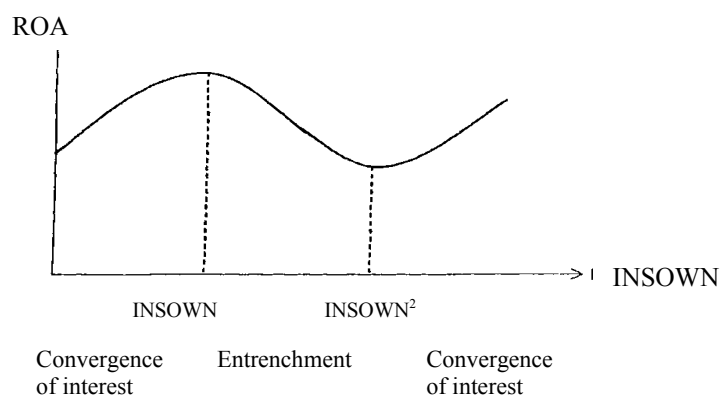
ROA

INSOWN

INSOWN INSOWN^2

| Convergence | Entrenchment | Convergence |
| of interest | | of interest |

Figure2 .Relation between insider ownership and firm profitability

The next step is to calculate the two cut-off points. According to De Miguel et al (2004), they can be calculated by differentiating profit from insider ownership. Equating the partial derivative to zero, the cut-off points are:

$$\text{INSOWN/INSOWN}^2 = -2\beta_1 \pm \sqrt{4\beta_2 - 12\beta_1\beta_3} / 6\beta_3$$

Once the cut-off points are calculated, we note that if insider ownership is between 0 and 35%, increases in ownership will result in higher firm profitability. The reason lies in the greater incentives for insiders to maximize profitability, as their equity holding grows. On the other hand, if insider ownership is between 35% and 70%, the performance of firms falls when their percentage of ownership increases. Therefore, the entrenchment hypothesis prevails in this case, since most insiders are looking out for their own welfare rather than that of everyone. Finally, for percentages of insider ownership above 70%, the convergence of interest hypothesis appears to prevail again. These results are entirely consistent with those obtained by De Miguel et al. (2004), who analyze a sample of listed Spanish companies, without differentiating whether or not they are family-owned.

TABLE 5. - Relationship between insider ownership and firm profitability

	ROA			
	I	II	III	IV
Constant	0.0584	-0.0148	0.0815	0.2194**
	(0.0957)	(0.1053)	(0.0934)	(0.1024)
FINSOWN	0.2732**		0.1992	-0.0435
	(0.1273)		(0.1483)	(0.0897)
FINSOWN*GEN1			0.3034	0.2573*
			(0.2235)	(0.0897)
FINSOWN^2	-0.6966**		-0.6223	0.0528
	(0.3389)		(0.4080)	(0.0599)
FINSOWN^2*GEN1			-0.4278	-0.2321**
			(0.6460)	(0.1008)
FINSOWN^3	0.4484**		0.4383	
	(0.2251)		(0.2733)	
FINSOWN3*GEN1			0.1480	
			(0.4396)	
INSOWN		-0.4854		
		(0.3906)		

INSOWN*FD		0.7362***		
		(0.4173)		
INSOWN^2		1.3920		
		(1.1690)		
INSOWN^2*FD		-2.1237***		
		(1.2514)		
INSOWN^3		-0.9546		
		(0.8278)		
INSOWN^3*FD		1.4263***		
		(0.8818)		
OUTSIDERS	-0.0160	-0.0145	-0.0192	-0.0189
	(0.0232)	(0.0168)	(0.0205)	(0.0226)
GROWTHOP	0.0463***	-0.2239**	0.0518***	0.0484
	(0.0309)	(0.0984)	(0.0300)	(0.0300)
LEV	-0.0991*	-0.1047*	-0.0990*	-0.0976*
	(0.0321)	(0.0252)	(0.0313)	(0.0312)
SIZE	-0.0025	0.0070***	-0.0043	-0.0049
	(0.0054)	(0.0038)	(0.0052)	(0.0052)
AGE	-0.0022	-0.0103	-0.0000	-0.0013
	(0.0099)	(0.0078)	(0.0097)	(0.0097)
R^2	0.16	0.16	0.21	0.22

*, ** and *** indicate significance at 1%, 5% and 10% respectively.

Having shown the existence of a cubic relationship between insider ownership and firm profitability, we checked whether the effect was stronger in family firms than in non-family ones (model 7). The results, shown in Table 5 (column II), confirm a positive coefficient of the variables that reflect the interaction term of the percentage of ownership and its cube with the family dummy, and a negative coefficient for the interaction term between the square of insider ownership and the family dummy. Conversely, this relationship was not significant in non-family companies. These results indicate that the cubic relationship is found only in the family firms in the sample. Thus, for low and high levels of ownership the prevailing hypothesis is that of convergence of interests, so that insiders place the interests of all shareholders foremost. However, for intermediate levels of insider ownership, the prevailing hypothesis is that of entrenchment, so that their own wealth prevails over the interests of the company, resulting in a loss of profitability.

As a result, we can conclude that families have a differential effect in analyzing the behaviour of insiders when their ownership increases. It seems, therefore, that not only the characteristics of the Spanish corporate governance system but also family ownership affect that relationship. In this regard, La Porta et al. (1998) point out that Spain had higher levels of ownership concentration and a weaker system of legal protection than countries such as the USA, the UK, Japan and Germany, leading to lower investor protection and making expropriation easier. Similarly, the family nature of insiders could also give them more power, as argued by Faccio et al. (2001) and Wang (2006).

Faccio et al. (2001) suggest that incentives for families to expropriate wealth from minority shareholders are larger when the influence of the family extends beyond their ownership rights. In turn, that influence can be measured on the basis of whether a family member holds the position of chief executive or whether there is a

disproportionate representation on the board of directors. The family firms in the sample did indeed meet these two premises: in 94% of them the chief executive is a member of the family and the boards of directors are composed mainly of relatives. These two factors may therefore be the cause of a stronger relationship between insider ownership and the profitability of family firms in the sample.

Finally, we analyzed whether the aforesaid relationship was stronger in family firms managed by the first generation than in the rest (model 8). In this sense, the characteristics of these family businesses, such as the high ownership concentration and information asymmetry between family members and other shareholders, are aspects that can influence the behaviour of insiders.

The results shown in Table 5 (column III), indicate that we can not accept the hypothesis 4c. Although the coefficients of the terms reflecting the interaction term between the insider ownership and its cube and the dummy that denotes the first generation are positive, and the terms for interaction term between the square of insider ownership and the dummy for the first generation are negative, the relationships are not significant. There is therefore no cubic relationship between insider ownership and firm profitability in the case of family firms managed by the first generation.

Nevertheless, it is confirmed that there is a non-linear or quadratic relationship between insider ownership and profitability in family firms managed by the first generation (Table 5, column IV). Therefore, it seems that the high concentration of insider ownership found in family firms managed by the first generation leads to the entrenchment of family insiders when a certain level of ownership is reached.

This non-linear relationship has also been detected for listed companies, and without analyzing whether firms are family-owned by Jarrell and Poulsen (1988), Stulz (1988), McConnell and Servaes (1990), Mudambi and Nicosia (1998), Fernández et al. (1998) and Hillier and McColgan (2001), among others. They conclude that either the hypothesis of convergence of interests or the hypothesis of entrenchment may prevail depending on the range of ownership.

Specifically, Stulz (1988) proposes a quadratic relationship between insider ownership and firm value. Thus, he says that the value of a firm first increases and then decreases with increasing ownership of insiders. The model suggests that the value of the company reaches a maximum for a certain percentage of insider ownership below fifty percent. McConnell and Servaes (1990, 1995) also find a similar curvilinear relationship between two variables: for ownership levels below 50%, they find a significant positive relationship between insider ownership and company value, but for levels of ownership above that cut-off point they find a significant negative relationship. The results of our analysis are consistent with these findings, indicating that for levels of ownership below 55%, there is a significant positive relationship between insider ownership and the dummy that indicates the first generation. This indicates that the hypothesis of convergence of interests holds for family firms in the sample which are led by the first generation. However, for ownership levels above 55%, the interaction term between the square of insider ownership and the dummy variable for the first generation is negative and significant. This therefore supports the hypothesis of entrenchment for ownership levels that exceed that percentage.

18

4.- Conclusions and policy implications

The ownership concentration does not have a direct influence on the behaviour of shareholders, which it can be related to the unlisted character of the companies. This paper has not been able to confirm the role of ownership concentration as an internal control mechanism of non-listed firms, not finding any relationship between the ownership concentration and firm profitability in the sample. The results indicate that the arguments proved in listed firms do not arise in the case of non-listed ones.

However, for family firms our results suggest that the relationship between ownership concentration and firm performance differs depending on which generation manages the firms. Both the monitoring and the expropriation effects are confirmed for the very highest concentration in non-listed Spanish first generation family firms.

The behaviour of insiders in relation to their percentage of ownership in family firms is different in compare with non-family ones. Our results support the convergence of interest and entrenchment hypothesis on the relationship between firm profitability and insider ownership in family firms. The profitability of family firms grows with low and high levels of insider ownership and falls in the intermediate levels.

The rules governing the treatment of minority shareholders in a weaker system of legal protection as in Spain can justify the wealth expropriation in Spanish non-listed family firms with a high level of ownership concentration. Similarly, the family nature of insiders could also give them more power, which makes more incentives for families to expropriate wealth from minority shareholders, when the influence of the family extends beyond their ownership rights. This effect is stronger in family firms managed by the first generation.

5. - Key references

Adams, R.B., Almeida, H. and Ferreira, D., (2003) Founder-CEOs and Firm Performance, Working paper, New York University.

Anderson, C. R., Reeb, M. D. (2003a) Founding-Family Ownership and Firm Performance: Evidence from the S&P500, *The Journal of Finance*, vol. LVIII no. 3 pp. 1301-1328.

Anderson, C. R., Reeb, M. D. (2003b): "Founding-Family Ownership, Corporate Diversification, and Firm Leverage" *Journal of Law and Economics*, Vol. 46, p. 653, 2003

Anderson, C. R., Mansi, A.S., Reeb, M. D. (2003) Founding family ownership and the agency cost of debt, *Journal of Financial Economics*, no 68, pp. 263-285.

Barontini R, Caprio L. (2006) The effect of family control on firm value and performance: Evidence from continental Europe, *European Financial Management* vol. 12no. 5 pp. 689-723.

Berle AA, Means GC. (1932) *The Modern Corporation and Private Property*, New York, NY: MacMillan Co.

Cho M.H. (1998) Ownership Structure, Investment, and the Corporate Value: An Empirical Analysis, *Journal of Financial Economics* vol. 47 no. 1 pp. 103-121.

Chua, J.H., Chrisman, J.J., & Sharma, P. (2003) Succession and nonsuccession concerns of family firms and agency relationship with nonfamily managers, *Family Business Review*, vol. 16 pp. 89-107.

Cronqvist H, Nilsson M. (2003) Agency costs of controlling minority shareholders, *Journal of Financial and Quantitative Analysis* vol. 38 no. 4 pp. 695-719.

Daily, C.M., Dollinger, M.J. (1993) Alternative methodologies for identifying family versus non-family managed businesses, Journal of Small Business Management, vol. 31 no. 2 pp. 79-90.

Davis, J.H.; Schoorman, F.D. y Donaldson, L. (1997) Toward a stewardship theory of management, *Academy of Management Review*, vol. 22 no. 1 pp. 20-47.

DeAngelo H, DeAngelo L. (2000) Controlling stockholders and the disciplinary role of corporate payout policy: A study of the Times Mirror Company, *Journal of Financial Economics* vol. 56 no. 2 pp. 153-207.

Demsetz H. (1983) The structure of ownership and the theory of the firm, *Journal of Law and Economics* vol. 26 no. 2 pp. 375-390.

Demsetz, H. Lehn, K. (1985) The structure of corporate ownership: causes and consequences, *Journal of Political Economy*, vol. 93 no. 6, pp. 1155-1177.

Demsetz, H. and Villalonga, B. (2001) Ownership Structure and Corporate Performance, *Journal of Corporate Finance*, vol. 7 no. 3 pp. 209-233.

Faccio, M., M. Lasfer (1999) Managerial Ownership, Board structure and Firm Value: The UK Evidence, City University Working Paper.

Faccio M, Lang LHP. (2002) *The ultimate ownership of Western European corporations*, Journal of Financial Economics vol. 65 no. 3, pp. 365-395.

Faccio M, Lang LHP, Young L. (2001) Dividends and expropriation, *The American Economic Review* vol. 91 no. 1 pp. 54-78.

Fama EF, Jensen MC (1983) Separation of ownership and control, Journal *of Law and Economics* vol. 26 no. 2 pp. 301-325.

Favero, C.A., Giglio, S., Honorati, M., Panunzi, F. (2006) The performance of Italian family firms, Working Parer no. 127/2006, ECGI Working Paper Series in Finance.

Francis, J., Schipper, K., Vincent L. (2005) Earnings and Dividend Informativeness when Cash Flow Rights Are Separated from Voting Rights, *Journal of accounting and economics*, vol. 39 pp. 329-360.

Galve, C., Salas, V. (1992) Estructura de propiedad de la empresa española, *Revista de Economía Española*, no. 70 pp. 79-90.

Gedajlovic E, Shapiro D. (1998) Management and ownership effects: Evidence from five countries, *Strategic Management Journal* vol. 19no. 6 pp. 533-553.

Gomez-Mejia L, Nunez-Nickel M, Gutierrez I. (2001) The role of family ties in agency contracts, *Academy of Management Journal* vol. 44 no. 1 pp. 81-95.

Gomez-Mejia, L., Larraza-Kintana, M., & Makri, M. (2003) The determinants of executive compensation in family-controlled public corporations, *Academy of Management Journal*, vol. 46 pp. 226-237.

Hermalin, B.E. y Weisbach, M.S. (1991) The effects of board composition and direct incentives on firm performance, *Financial Management*, vol. 20, no. 4 pp. 101-112.

Hillier, D. y McColgan, P. (2001) Insider ownership and corporate value: An empirical test from the United Kingdom corporate sector, Financial Management Association (FMA) Meeting, Paris.

Himmelberg, C., Hubbard R.G., Palia, D. (1999) Understanding the determinants of managerial ownership and the link between ownership and performance, *Journal of Financial Economics*, vol. 53 pp. 353–384.

Jarrell, G. y Poulsen, A. (1988) Dual-class recapitalization antitakeover mechanisms. The recent evidence, *Journal of Financial Economics*, vol. 20 pp. 129-152.

Jensen MC, Meckling W. (1976) Theory of the firm: Managerial behaviour, agency costs and ownership structure, *Journal of Financial Economics* vol. 3 no. 4, pp. 305-360.

La Porta R, Lopez-de-Silanes F, Shleifer A, Vishny R. (1998) *Law and finance*, The Journal of Political Economy vol. 106no. 6, pp. 1113-1155.
(2000) Agency problems and dividend policies around the world, *Journal of Finance*, vol.55 no.1, pp.1-33.

La Porta R, Lopez-de-Silanes F, Shleifer A. (1999) *Corporate ownership around the world*, The Journal of Finance vol 54 no. 2, pp. 471-517.

Leech, D., Leahy, J. (1991) Ownership structure, control type classifications and the performance of large British companies, *Economic Journal*, no. 101pp. 1418-1437.

Lehmann, E., Weigand, J. (2000) Does the Governed Corporation Perform Better?, Department of Economics, University of Konstanz.

Lins KV. (2003) Equity ownership and firm value in emerging markets, *Journal of Financial and Quantitative Analysis* vol. 38 no. 1 pp. 159-184.

Markin, A. (2004) Family ownership and firm performance in Canada, Research project.

Maury B. (2006) Family ownership and firm performance: Empirical evidence from Western European corporations, *Journal of Corporate Finance* vol. 12 no. 2 pp. 321-341.

McConaughy DL, Walker MC, Henderson GV, Mishra CS. (1998) Founding family controlled firms: Efficiency and value, *Review of Financial Economics* vol. 7 no. 1 pp. 1-19.

McConnell, J.J., Servaes, H. (1990) Additional evidence in equity ownership and corporate value, *Journal of Financial Economic*, no. 27pp. 595-612.
(1995) Equity ownership and the two faces of debt, *Journal of Financial Economics*, vol. 39 no. 1 pp. 131-157.

Miguel A, Pindado J, de la Torre C. (2004) Ownership structure and firm value: New evidence from Spain, *Strategic Management Journal* vol. 25 no.12 pp. 1199-1207.

Miller D, Le Breton-Miller I, Lester RH, Cannella AA. (2007) Are family firms really superior performers?, *Journal of Corporate Finance* vol. 13 no. 5 pp. 829-858.

Morck R, Shleifer A, Vishny RW. (1988) Management ownership and market valuation: An empirical analysis, *Journal of Financial Economics* vol. 20 pp. 293-315.

Morck, R., Stangeland, D.A., Yeung, B. (2000) Inherited wealth, corporate control, and economic growth: The Canadian disease, in R. Morck (ed.), *Concentrated corporate ownership*, National Bureau of Economic Research Conference Volume, University of Chicago Press, Chicago, IL.

Mudambi, R. y Nicosia, C. (1998) Ownership structure and firm performance: evidence from the UK financial services industry, *Applied Financial Economics*, vol. 8 pp. 175-180.

Pedersen, T., Thomsen, S. (1997) European patterns of corporate ownership, *Journal of International Business Studies*, vol. 28 no. 4 pp. 759-778.

Pindado et al., (2008) Ownership concentration and firm value: Evidence from Western European family firms, 8th Annual IFERA Conference, Breukelen, The Netherlands.

Salas, V. (1999) El gobierno de la empresa, *Document d'Economia Industrial*, no. 11, Barcelona.

Schulze, W.S., Lubatkin, M.H., Dino, R.N., Buchholtz, A.K. (2001), Agency relationship in family firms: Theory and evidence, *Organization Science*, vol. 12 no. 9 pp. 99-116.

Schulze, W.S.; Lubatkin, M.H., Dino, R.N. (2003) Towards a theory of agency and altruism in family firms, *Journal of Business Venturing*, no. 18, pp. 473-490.

Shleifer A, Vishny RW. (1986) Large shareholders and corporate control, The Journal of Political *Economy* vol. 94 no. 3 pp.461-488.

 (1997) A survey of corporate governance, *The Journal of Finance*, vol. 52 no. 1, pp. 737-783.

Stiglitz, J. (1985) Credit markets and the control of capital, *Journal of Credit and Banking* vol. 17, pp. 133-152.

Stulz, R. (1988) Managerial control of voting rights: Financing policies and the market for corporate control, Journal *of Financial Economics* no. 20 pp. 25-54.

Thomsen S, Pedersen T. (2000) Ownership structure and economic performance in the largest European companies, *Strategic Management Journal* vol. 21 no. 6 pp. 689-705.

Villalonga B, Amit R. (2006) How do family ownership, control and management affect firm value?, *Journal of Financial Economics* vol. 80 no. 2 pp. 385-418.

Wang D. (2006) Founding family ownership and earnings quality, *Journal of Accounting Research* vol. 44 no. 3 pp. 619-656.

Wruck, K. (1989) Equity Ownership Concentration and Firm Value: Evidence From Private Equity Financings, *Journal of Financial Economics*, vol. 23, pp. 3-28.