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Family Ownership and Firm Performance, effects of good capitalism and bad capitalism in South America

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Doctoral Student Consortium FERC
Research Project
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Introduction

This research project compares the financial performance of family firms and / with non-family firms in a series of emergent countries and introduce the institucional quality concept.

Two ideas:

1. Family firms are more profitable than non-family firm.
2. The institutional quality affects the result of the firms as well as the entrepreneurs' supply and family firm stability.

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Objectives

The objectives of this investigation are the following:

- Compare the family firms performance with the non- family firms in a sample of South American countries. (6 countries)
- Study the effects that institutions cause in the countries when they have better or worse institutional quality

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Contributions

1. Introduce the risk dimension concept to the performance in a family firm.
2. The research included a bigger data collection.
3. Incorporation of the institutional quality concept.

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Methodology

- How do I classify family and non- family firms?

- Public and Private data
- Quantitative data

- Proxys:
  1. Financial Performance: ROA
  2. Institutional quality: Baulmol's theory Productive and unproductive entrepreneurs.

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Hypothesis

- **Hypothesis 1.** The family firms listed in the South American stock markets are more profitable than non-family firm. It is expected that the family firms show a major performance than non- familiar firm.
- **Hypothesis 2.** The returns of the family firms on emerging markets exhibit a greater variance than returns of non-family ones.
- **Hypothesis 3.** After measuring risk, the difference in profitability between family and non-family firms disappears.
- **Hypothesis 4.** The institutional quality affects the result of the firms as well as the entrepreneurs' supply and family firm stability. In order to improve the quality of the institutions better entrepreneurs and family firms have to exist.

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Variables of the model

- Financial performance and control variable

$$ROA_{it} = \alpha_i + \beta_1 Size_{it} + \beta_2 Age_{it} + \beta_3 Debt_{it} + \beta_4 Dfam_{it} + U_{it}$$

$t = 1995, 1996, \ldots, 2009$ $\quad$ $i = firm$

- Variables about the institutional quality.

$$I\&D = \alpha_i + \beta_1 IQuality + \beta_2 Commercial + \beta_3 Unemployment_t + \beta_4 Publicexpens + U$$

$$Patents = \alpha_i + \beta_1 IQuality + \beta_2 Commercial + \beta_3 Unemployment_t + \beta_4 Publicexpens + U$$

$$Capital\ access = \alpha_i + \beta_1 IQuality + \beta_2 Commercial + \beta_3 Unemployment_t + \beta_4 Publicexpens + U$$

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Variables of the model (2)

- Variables about the institutional quality.

$$Corruption = \alpha_i - \beta_1 IQuality + \beta_2 Comm + \beta_3 Unemployment_t + \beta_4 Publicexpens + U$$

$$Judicial\ Indep = \alpha_i - \beta_1 IQuality + \beta_2 Comm + \beta_3 Unemployment_t + \beta_4 Publicexpens + U$$

$$Civil\ Liberties = \alpha_i - \beta_1 IQuality + \beta_2 Comm + \beta_3 Unemployment_t + \beta_4 Publicexpens + U$$

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Preliminary Results

Data

Financial performance

Institutional quality

Limitations

Data base
Proxy
Time line

Timeframe

6 MONTHS
From april to november

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