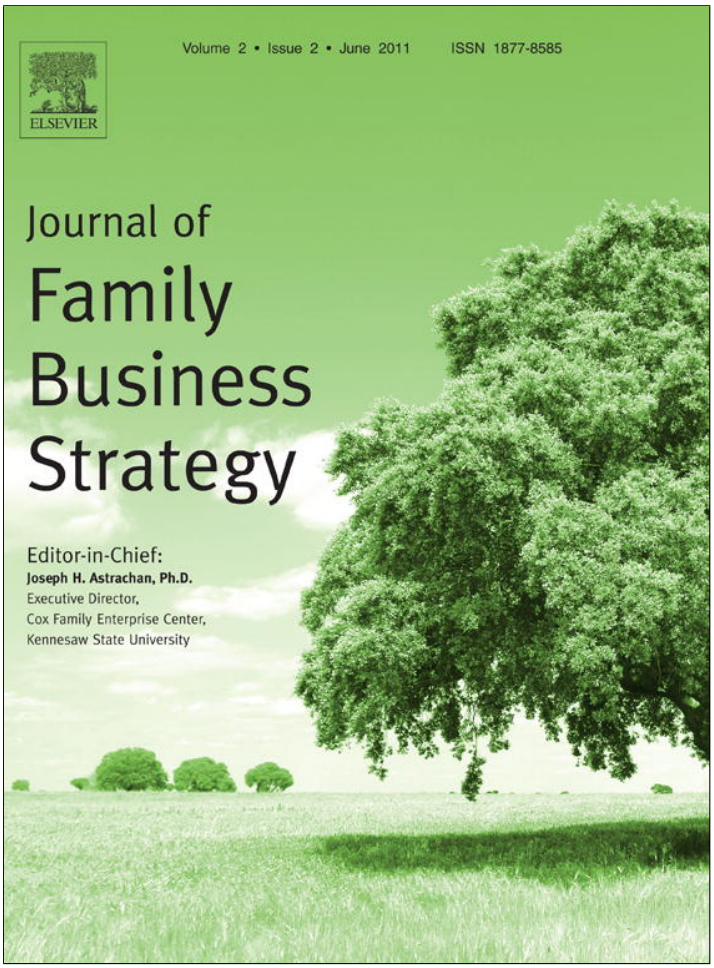

Journal of Family Business Strategy 2 (2011) 101–112

Contents lists available at ScienceDirect

Journal of Family Business Strategy

journal homepage: www.elsevier.com/locate/jfbs

Large shareholders' combinations in family firms: Prevalence and performance effects

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ARTICLE INFO

Article history:
Received 18 October 2010
Received in revised form 8 March 2011
Accepted 8 March 2011

Keywords:
Large shareholders' combinations
Corporate governance
Family firms
Performance
Spain

ABSTRACT

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

1. Introduction

Family businesses are all around the world. Family ownership and family-control are some of the distinctive characteristics of family firms. Figures of their importance depend on the country examined. For example, Anderson and Reeb (2003) document that for the United States, more than one-third of the S&P 500 corporations may be classified as family-controlled businesses. In East Asia, a large percentage of firms in the stock markets are controlled by a small number of families (Claessens, Djankov, & Lang, 2000). For Western Europe, Faccio and Lang (2002) document that more than 44% of total listed firms are family-controlled, while in Spain, family firms they represent more than 50% of the stock market (Sacristán-Navarro & Gómez-Ansón, 2007).

A firm's ownership structure may adopt various forms and combinations. Firms may have only a single large shareholder, more than one blockholder or no large shareholders. For instance, Laeven and Levine (2008) have suggested that more than 40% of the public firms in Western economies have one large shareholder and an additional large shareholder (or more than one) who own more than 10% of the firms' shares. Ownership structures may also vary for family firms (especially listed family firms). These firms frequently combine a large shareholder (a family) with other large shareholders and minority shareholders. For instance, in Spain, families often coexist with other large shareholders, who may limit families' private benefits of control (Sacristán-Navarro, Gómez-Ansón, & Cabeza-García, 2011).

The academic literature has focused on the possible conflicts of interest between large and minority shareholders (Maury, 2006); however, with the exception of Maury and Pajuste (2005), Jara-Bertín, López-Iturriaga, and López de Foronda (2008) and Nieto Sánchez, Fernández Rodríguez, Casasola Martínez, and Usero Sánchez (2009), fewer studies have examined the conflicts between families and other large shareholders. Furthermore, the empirical literature usually does not refer to the identity of the firms' large shareholders. Thus, very little is known, especially among family firms, about how large shareholders interact with each other, how they exercise their power and control of the corporations, and how their mutual coexistence affects firm performance. As Jara-Bertín et al. (2008) have indicated, more evidence about how large shareholders interact among themselves and how they influence firm performance is needed.

Our paper provides new empirical evidence about the different combinations of large shareholders in family firms. This paper contributes to the literature on family firms in several ways: first, we describe the nature or type of first and second largest

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doi:10.1016/j.jfbs.2011.03.001

shareholders within family firms; previous papers have used samples of the whole universe of listed companies (López de Foronda, López-Iturriaga, & Santamaría Mariscal, 2007; Nieto Sánchez et al., 2009) or focused on closely held firms (Bennedsen & Wolfenzon, 2000; Gutierrez & Tribó, 2004). Second, we provide new evidence about the roles of different large shareholders' combinations in family firms. Previous research has been focused on the nature and the effect of the family as a large shareholder but has not examined how different shareholders' combinations may interact with each other and affect family firm performance. Third, we analyze whether the impact of different shareholder combinations on family firm performance is influenced by family presence in the firms' corporate governance structures.

Our empirical analysis is focused on a sample of 80 non-financial Spanish family listed companies during the period from 2003 to 2008 (324 observations). Spain represents an example of a French civil law country that suffered a civil war during the 20th century. Its economy ranks 93 among 183 countries regarding investor protection (Doing Business, 2010), and listed firms present a high concentration of control rights and a high diffusion of pyramidal structures. Thus, Spain represents an example of a country with fairly low investor protection and potentially high benefits of control. In addition, banks have previously played an important role in the economy as both shareholders and creditors of quoted companies, and a large percentage of listed firms are controlled by families (Sacristán-Navarro & Gómez-Ansón, 2007) that tend to exercise their control through ownership and active involvement in firms' management and boards of directors. Therefore, Spain represents a good laboratory in which to study the issues proposed in the paper. We are aware that analyzing the firms of a single country could be considered a limitation of this study because our results may not be transferable to other institutional environments. However, single-country studies enable us to overcome a problem associated with multicountry studies, whose samples are primarily composed of large companies rather than all traded firms.[1]

Considering different performance measures, the influence of family control on firm performance and the use of a pool regression clustered at the firm level, our results do not support that any shareholders' combination influence firm performance. As previously reported in the literature, we find that the ways families exercise their control are relevant: non-family-governed firms outperform family-governed firms for all shareholders' combinations.

The paper is composed of five sections. Section 2 analyzes the theoretical framework from an agency theory point of view and proposes the hypotheses to be tested. Section 3 describes the sample and variables used and the methodology employed. Section 4 refers to the results of the analyses. The main conclusions and implications of the paper and suggestions for future research are presented in Section 5.

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

The agency studies of the 1970s and 1980s analyzed the conflicts of interest between principals and agents assuming a world with diffuse ownership. In this scenario, small shareholders lack the incentives or contractual mechanisms necessary to align the interests of managers with those of shareholders. Consequently, managers may exert substantial discretion over firms' decisions and divert corporate resources for private gain. This conflict of interest is the classic owner–manager conflict described by Berle and Means (1932) and Jensen and Meckling (1976). Villalonga and Amit (2006) have referred to this conflict as Agency Problem I. Within this context, monitoring and disciplining managers may be prohibitively expensive for small shareholders (Grossman & Hart, 1980), and monitoring is effective only if a single party becomes large enough to internalize the costs of control. Consequently, the presence of large shareholders may be considered a corporate governance mechanism that enhances firms' performance.

Nevertheless, this classical agency problem between owners and managers (Fama & Jensen, 1983) does not apply to a large proportion of family firms. In fact, families act as "principals" of the agency relation, investing their wealth in companies and protecting their interests with governance systems intended to maximize utility and demand market returns, but they may also act as "agents". As dominant shareholders, families may dictate corporate policies by managing the firms directly or appointing the firms' management teams, while the remaining shareholders may lack the power or the incentives to oppose the families' decisions (Bennedsen & Wolfenzon, 2000). For example, families may have a tendency to maintain control of the companies they have founded or acquired, to make value-reducing acquisitions that benefit the dominant family and to view executive positions in the firm as a means of providing high-paying jobs to their offspring rather than selecting the best managers that the market could provide; in this context, families as large investors may also harm firm performance. Thus, families may extract rents from the managers ex post and may expropriate wealth from minority investors (Shleifer & Vishny, 1997). The literature has referred to this agency problem between large and minority shareholders as Agency Problem II. Consequently, different studies (De Miguel & Pindado, 2004; Schulze, Lubatkin, & Dino, 2003; Sciascia, Mazzola, Astrachan, & Pieper, 2010) have reported the existence of an inverted U-shaped relationship between family shareholdings and firm performance (where the relationship is positive at low levels of ownership as a result of the preponderance of Agency Problem I and negative at high levels of ownership due to Agency Problem II).

However, the conflicts of interest between shareholders may also exist among large shareholders. Listed family firms are characterized by a large owner (a family or an individual), a set of minority shareholders, and sometimes other large shareholders. For instance, Laeven and Levine (2008) have reported that other large shareholders are present in more than 40% of the public companies in Western Europe; this presence is especially common when the firms are family enterprises. These other large shareholders may monitor the families as controlling shareholders (La Porta et al., 1999; Pagano & Röell, 1998) and may moderate their influence and power-limiting tunneling or private rent-seeking behaviors (Maury & Pajuste, 2005). Moreover, their presence may add professionalism and experience to the firms and contribute to better decision taking. However, bargaining problems between the large shareholders may also result in corporate paralysis and reduce firms' efficiency and performance and minority shareholders' wealth (López de Foronda et al., 2007). Moreover, large shareholders may form coalitions and affect firms' policies (Tribó & Casasola, 2010), and their presence may limit the liquidity of the firms' shares and result in lower firm performance (Randoy & Goel, 2003).[2]

Table 1 shows the scarce empirical evidence regarding the relation between the presence of multiple large shareholders and firm performance. For instance, Lehmann and Weigand (2000) reported that the presence of a second large shareholder enhances

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

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

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

References	Sample	Focuses specifically on family firms	Performance measure	Results
Panel A: Role of the large shareholders				
Andres (2008)	275 German exchange-listed companies		Return on Assets (EBITDA), Return on Assets (EBIT), Tobin's Q	If families are large shareholders, the performance is not distinguishable from other firms. Other blockholders either affect firm performance adversely or have no detectable influence on performance measures
Laeven and Levine (2008)	1657 publicly traded firms across 13 European countries, year 2000	Non-specifically	Tobin's Q valuation	A negative association between valuations and the dispersion of cash flow rights that becomes more pronounced when the holders of the largest cash flow rights are of different types (family, financial institutions...). Large shareholders are less likely to cooperate when they are of different types
Lehmann and Weigand (2000)	361 German listed companies, 1990–1996	Non-specifically		The presence of a strong second largest shareholder enhances profitability. The presence of large shareholders does not necessarily enhance profitability...having financial institutions as largest shareholders improves corporate performance
Pedersen and Thomsen (2003)	214 companies from 11 European countries	Non-specifically	Market to book (market price × common shares/ common equity)	Ownership concentration has a positive effect on firm value when the largest shareholder is a *financial institution or another corporation. If the largest is a family or an individual no effect on firm value* and a negative effect if the largest is a government organization. Owner identity matters
Panel B: Role of second largest shareholders				
Tribó and Casasola (2010)	Listed and unlisted firms over the period 1996–2000	Non-specific	Return on Assets (ROA) and Tobin' Q	The effect on a firm's returns is negative when a bank buys the largest stake and forms coalitions with other banks
Jara-Bertín et al. (2008)	Data from 11 European countries, 1996–2000	Non-specifically	Market value (market to book)	In firms in which the largest shareholder is the family, *a second family shareholder reduces firm value*. Better legal protection of shareholders not members of the controlling coalition increases the value of family firms
López de Foronda et al. (2007)	Data from 15 European countries, 1216 firms	Non-specifically	Market to book value ratio	The ownership of the second shareholder becomes positively related to the firm's value, especially in civil law countries
Maury and Pajuste (2005)	Finnish listed companies 1993–2000	Non-specifically	Tobin's Q (market value of shares and book value of debt over the book value of total assets)	Families are more prone to private benefit extraction if they are not monitored by another blockholder – a higher voting stake by *another family* is negatively related to firm value for FF. A *financial institution* is positively related to firm value in FF. Firm value increases when voting power is distributed equally. The relation between multiple blockholders and firm value is significantly affected by the identity of these shareholders
Nieto Sánchez et al. (2009)	Listed firms from 15 European Union countries period 2004–2005	Yes	Tobin's Q (market to book ratio adj. by sector, country and year)	The existence of other blockholders jointly with the family ownership moderates the relationship between family firm and performance: *mutual and pension funds* create value, other companies as the second blockholders destroy value

profitability in German listed companies. López de Foronda et al. (2007) found that in civil-law European countries, the second largest shareholder has a critical role in contesting the control of the dominant shareholder, reducing the extraction of private benefits by the largest shareholder and improving firm performance. In contrast, in common-law European countries, capital structure and managerial ownership are the most effective mechanisms of control. Nieto Sánchez et al. (2009) have suggested that the existence of other blockholders moderates the relationship between family ownership and performance.

When analyzing a firm's ownership structure, one should consider the distribution of its shares and the nature or type of its large shareholders (Pedersen & Thomsen, 2003). The nature of a large shareholder determines its preferences and goals, and the amount of shares it holds determines its power and incentives. Thus, the influence of other large shareholders on family firm performance may vary depending on their nature and the coalitions they may establish with the controlling family. Family firms may have other large shareholders, such as other families or individuals, banks, non-financial and foreign companies, and other types of firms that may

include other financial institutions (such as insurance companies and mutual funds or nominee funds) and the State.

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

Banks as large shareholders may provide financial resources to the firms in which they invest and may actively monitor managerial performance. Moreover, banks are presumed to have a lower degree of asymmetric information, and because they value the security of their loans, they may impose wealth constraints upon the companies. Additionally, banks may have a long-term interest in the firms and may assist in the firms' decision making without having the purpose of controlling the firms. All of these arguments favor a positive influence of banks as large shareholders on firm performance. In fact, different empirical papers have emphasized the beneficial role of banks as large shareholders and suggested that the ownership held by the dominant financial institutions is associated with an increase in firm value (Cable, 1985; Casasola & Tribó, 2004; Hoshi, Kashyap, & Sharfstein, 1990; Thomsen & Pedersen, 2000) or with a positive effect on firm productivity (Nickel, Nicolistsas, & Dryden, 1997). Maury and Pajuste (2005) have reported that financial institutions enhance the value of family-controlled firms. Nevertheless, banks may also value other business relations with the company, and their presence may decrease firm value. Accordingly, studies such as that by Tribó and Casasola (2010) have reported a negative effect on a firm's returns when a bank buys the largest stake of a firm or when it forms coalitions with other banks.

In addition, *non-financial companies* and *foreign companies* are often large shareholders of listed firms. Both non-financial and foreign companies usually hold shares in other companies as part of a cross-ownership structure that may function as a takeover defense to protect managerial interests or as part of a company group structure. Additionally, holding shares of other firms may facilitate their access to valuable technology and other specific resources. These large shareholders with business ties to the companies in which they participate may be considered as insider–owners because their cost of profit diversion is low; thus, these shareholders should contribute to increases in firms' performance (Pedersen & Thomsen, 2003). However, these blockholders may also be promoting their own interests in the companies in which they invest as a part of their general strategy. The scarce empirical evidence regarding the relationship between non-financial and foreign companies and family firms' performance is contradictory: Nieto Sánchez et al. (2009) have suggested that other companies as blockholders destroy value, but Randoy and Goel (2003) reported that a low level of foreign ownership positively affects family firms' performance.

In addition to banks, *other financial institutions*, such as insurance companies and mutual and nominee funds, may hold large equity stakes in family firms.[3] These large shareholders may monitor other large shareholders and avoid a possible discretional use of corporate resources and the extraction of private benefits. Furthermore, these investors are generally subject to special regulations and supervision; thus, because their marginal cost of value diversion is presumably high, their presence should positively influence firms' performance. Accordingly, the empirical evidence suggests that institutional investors as the largest shareholders (Acker & Athnassakos, 2003; Chaganti & Damanpour, 1991; McConnell & Servaes, 1990) and as the second largest shareholders (Jara-Bertín et al., 2008) positively influence firm performance. Nieto Sánchez et al. (2009) have reported a positive influence of institutional investors on family firm performance. However, for founders' small family firms, Randoy and Goel (2003) argued that foreign institutional owners, which typically hold shares only for short time periods, may not provide a significant benefit in terms of reducing agency costs; on the contrary, they may impose additional costly reporting requirements.

According to these arguments, we propose the following hypothesis:

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

Family involvement may affect ownership, corporate governance and succession (Chrisman, Chua, & Litz, 2003). Control within family firms may be implemented by controlling the firms' ownership (passive control) or by assuming the position of either CEO or chair of the board of directors (active control). As reported by Bukart, Panunzi, and Shleifer (2003), patterns of separation of ownership and control may vary across countries. In the U.S., founders often hire professional managers in the early stages of the firms' existence, and by the time the founder retires, his or her family retains only marginal ownership; however, in Western Europe, significant stakes of shares typically remain with the family after the founder retires. This tendency is also seen in Spain, where families tend to exercise control by assuming a high level of ownership concentration and by having an active family involvement in firms' management and boards of directors.

When family involvement is characterized by ownership and management and by its presence on the board of directors (active control), a family-governed firm emerges. When family members serve as firms' CEOs, fill other top management positions or occupy board seats, the families can more readily align the firms' interests with their own interests; therefore, the negative effects of family ownership on firm performance may be magnified (Anderson & Reeb, 2003). In addition, families may limit executive management and board positions to family members; therefore, the labor pool from which to obtain qualified and capable talent is restricted (Anderson & Reeb, 2003). Thus, the influence of the presence of other large shareholders on family firm performance may differ depending on how the dominant family exercises control through the firms' corporate governance structures.

The identity of the CEO decisively influences the power of families in family firms. In non-family-governed firms, families may have more difficulties inducing managers to pursue the families' interests, especially in the presence of another large shareholder; therefore, a higher firm performance should be expected. However, in family-governed firms, owners and managers (CEOs) belong to the same group (the family) and may thus be allowed to extract private benefits of control.

When ownership is shared among different owners, the board of directors may become an important governance device. For instance, the board of directors may be used by families to retain control of the firms or to promote family-dominated decision-making processes. Thus, the board's composition may have a key role within family firms and may assist families in achieving their

[3] *The State* may also be an important large shareholder of listed firms. A common view is that State ownership tends to decrease firm value: politicians have a tendency to distort managerial objectives to satisfy political objectives, especially excess employment, because they do not internalize the costs of diverting the objectives of firms away from profit maximization. Accordingly, Claessens et al. (1997) contended that if the State holds a majority ownership, a privatized firm is more likely to delay restructuring and maintain high levels of employment, and Shleilfer and Vinshy (1996) argued that divested firms controlled by the State may not have incentives to assume risks, given their lesser degree of wealth diversification, and may pursue non-value-maximizing objectives.

control purposes or improving the decision-making processes. For instance, Anderson and Reeb (2004) reported that the most valuable public family firms are those whose independent directors balance family board representation. Another issue that should be analyzed is whether a family member holds the post of chairman of the board; this fact will presumably increase the families' potential control of firms' decisions. Moreover, when a family firm's chairman is also the CEO or a member of the same family (duality), families may extract greater private benefits of control that may harm minority shareholders' wealth.

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

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

3. Sample, variables and methodology

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

The data underlying this research were collected manually and in two steps. First, we gathered all the information about the firms' ownership and corporate governance structures. Second, we gathered the economic and financial information for all sample firms. We obtained ownership and corporate governance data individually from the annual corporate governance report that each firm submitted to the Spanish Supervisory Agency (CNMV) during the sample period (2003–2008). Financial and economic information for each company and each year was obtained from different data sources: the SABI database, the Madrid Stock Exchange and the CNMV.

We identified the large and/or ultimate owners of each sample firm and the percentage of common shares held by them. For that purpose, we followed the standard methodology employed by La Porta et al. (1999), Claessens et al. (2000), Claessens, Djankov, Fan, and Lang (2002) and Faccio and Lang (2002). Following La Porta et al. (1999), a large owner is a legal entity that directly or indirectly controls at least 10% of the voting rights. A shareholder was defined as "large" if it holds more than 10% of the direct and indirect voting rights. If no shareholder held 10% of a firm's shares, the company was classified as widely held. Because the large shareholders of corporations are sometimes corporations themselves, we identified the large shareholders in these corporations whenever possible. This indirect ownership chain was traced backward through numerous corporations to identify the *ultimate vote holders*. Using this methodology, we identified all large shareholders of all sample firms: families and individuals, banks, non-financial firms, foreign firms, other financial firms and a miscellaneous category (that includes a few cases such as pension or mutual funds, nominees or the State). When a large and/or ultimate owner of a firm is an individual or a family that holds more than 10% of the shares, the firm was classified as a family firm (FF).[4] Because the sample's firms are all listed firms, a 10% threshold is sufficiently large to justify family control. The 10% boundary has been widely used in the family business literature (La Porta et al., 1999; Maury, 2006; Pindado et al., 2008) and may be considered sufficiently high for a family to exercise effective control.

Table 2
Sample industry and annual classification.

Industry (SIC Codes)	Number of observations	Percentage (%) of observations
Panel A: Sample industry classification		
1	2	.6
12	9	2.8
14	1	.3
15	85	26.2
16	12	3.7
20	34	10.5
22	6	1.8
23	12	3.7
26	16	4.9
28	6	1.8
31	3	.9
32	12	3.7
33	14	4.3
34	6	1.8
35	8	2.5
38	12	3.7
41	8	2.5
42	1	.3
48	22	6.8
49	8	2.5
51	3	.9
70	12	3.7
72	6	1.8
73	8	2.5
79	4	1.2
80	2	.6
87	12	3.7
Total	324	100%
Panel B: Sample annual distribution		
2003	44	13.5
2004	46	14.2
2005	48	14.8
2006	58	17.8
2007	67	20.6
2008	61	18.8
Total	324	100%

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

To test the hypotheses proposed in the theoretical background, we conducted a pooled OLS. In Section 4, the tables show the results of the estimations using pooled OLS regressions clustered on the firm level. We also refer in the text to the results obtained with pooled OLS non-clustered regressions. Initially, we considered the possibility of employing a panel data methodology. However, because we did not have enough observations of consecutive years for the same firm, this methodology was not applied due to a lack of observations. The pool OLS regressions we conducted were as follows:

$$\text{PERFORMANCE}_i = a_0 + \beta X_i + \varepsilon_i$$

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

Table 3
Variables of the study.

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

PERFORMANCE is firm performance measured by an industry-adjusted[5] market value measure: AVALUE, which was the ratio VALUE defined as the market value of common shares and the book value of total debt over total assets. X denotes the explanatory and control variables, and ε_i is the error term.[6] We also employed alternative measures of firm performance: the accounting adjusted measures AROA and AROE. Ratio ROA is defined as the firm return on assets, and ratio ROE is the ratio of net profits over the book value of equity. We refer to the results obtained when using these alternative measures of firm performance in the additional results sub-section.

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

We included the following control variables: the logarithm of firm size (LSIZE), leverage (LEV), and the logarithm of firm age (LAGE). Finally, because different researchers have reported that families often turn to control-enhancing mechanisms (Barontini & Caprio, 2006; Laeven & Levine, 2008) and several studies have shown this tendency is associated with lower firm performance (Claessens et al., 2002; Gompers et al., 2004; Lemmon & Lins, 2003), we also considered the possible influence of such mechanisms on firm performance. Considering that pyramids[7] are the most frequently used control-enhancing mechanisms in Spain (Sacristán-Navarro & Gómez-Ansón, 2007), following the methodology of La Porta et al. (1999), Claessens et al. (2000, 2002) and Faccio and Lang (2002), we defined a variable that measures the differences between the control and cash flow rights held by the largest shareholder (WEDGE).

4. Results

4.1. Types of family firms' largest shareholders

Table 4 shows the nature or type of the largest shareholder and the amount of shares it holds. As expected, families and individuals

[5] To account for previous studies demonstrating that industry factors affect firm performance (King, 1966; Livingston, 1977) and to avoid multicollinearity problems that could arise if we included dummy variables representing a firm's industry, we use industry-adjusted performance indicators. Such measures were computed by subtracting the industry median ratio from the company's ratio. To account for the possible non-normality of the dependent variable, we also ran the estimations, although not reported, using log values of the dependent variable. The results varied in some cases, but this variance was not significant.

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

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

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

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

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

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

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

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

are usually the largest shareholders in family firms (in 61% of the family firm observations), with an average stake of 36.08% shares, followed by non-financial firms (in 25.27% of the cases, with an average stake of 46.23% shares). In fewer cases, the largest owners are other financial firms, such as insurance companies (in 2.47% of the cases, with an average stake of 19.75%). Occasionally, banks are the largest shareholders of family firms (in .2% of the cases); however, in these firms, they hold a relevant percentage (22.51%) of the firms' shares.

Table 5 analyzes the nature or type of the second largest shareholder and its stake. The number of family firms' observations with a second large shareholder drops to 165, and the number of family firms drops to 53 companies (in 52.81% of the cases, family firms have a second large shareholder).[8] The nature of the second shareholder for family firms is more diverse than the nature of the largest one; additionally, as should be expected, its average stake is much smaller. Families and individuals are again the most frequent second largest shareholder (in 52.12% of the cases, with a mean average stake of 16.86%), followed by non-financial firms (18.79% with a mean stake of 15.51%), banks (16.36% with an average stake of 13.45%), foreign firms (9.09% with an average stake of 13.19%), other financial firms (2.42% with an average stake of 15.41%), and the miscellaneous category (1.21% with an average stake of 13.57%). In this sense, our results differ from those reported by Nieto Sánchez et al. (2009). Based on a sample of 15 European countries (Spain included), these authors found that the most common second shareholder in family firms is a non-financial firm (in 20.7% of the cases); however, in our sample, the most common second largest shareholders are families or individuals. Thus, in Western European Continental countries such as Spain, families seem to be more important shareholders – even as second large shareholders – as compared with the mean European country.

Next, we describe the most common combinations of largest and second largest shareholders in family firms. As shown in Table 6, the most frequent combination within our sample is families and individuals as first shareholders and families and individuals as second largest shareholders (FAMFAM); this combination was found in 44.8% of the observations. The second most common combination is families and individuals with banks (FAMBANK) (14.5% of the observations). In 9.1% of the observations, families and individuals were the largest shareholders and non-financial firms were the second largest shareholders (FAMNFIN). In 8.5% of the observations, the first and second largest shareholders are both non-financial firms (NFINNFIN); the same percentage holds for the combination of families and individuals and foreign firms (FAMFOR).

4.2. Summary statistics and correlations

Table 7 shows the sample's main statistics and correlations.[9] The mean industry adjusted value (AVALUE) amounts to .30.[10] Family firms have a mean size (SIZE) of 1,350,915 euros of total assets and a mean age (AGE) of approximately 42 years. The mean deviation between cash flow rights and control rights (WEDGE) amounts to 2.37. In 70.71% of the observations, a member of the family is the CEO and/or the chairman of the board of directors (FAMGOV), and in 55% of the observations, the same person or a member of the same family is the CEO and the chair of the board of directors (FAMDUAL).

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

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

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

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

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

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

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

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

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

The sample consists of 53 Spanish non-financial listed family firms with a second significant shareholder over the period 2003–2008, 165 observations. Without missing sampling variables, a necessary condition to run regression models, the sample is reduced to 140 observations (53 firms).
[a] For dummy variables, the frequency is reported.
* Statistically significant at .1.
** Statistically significant at .05.
*** Statistically significant at .01.

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

To test Hypothesis 1, we analyze the performance differences of different family firms' shareholders' combinations: FAMFAM, FAMBANK, FAMNFIN, NFINNFIN and FAMFOR.[11]

As shown in Table 8 (model 1), without clustering on the firm level, we find a negative significant effect on the adjusted value (AVALUE) of the shareholders' combination of families and foreign investors (FAMFOR) (at a .10 level) and a positive significant effect (at the .05 level) of the shareholders' combination of families and individuals and non-financial firms (FAMNFIN); the effect of other shareholders' combinations on firm industry-adjusted value is not significant. In addition, regarding the control variables, the results show a positive significant effect (at the .01 level) of firm age (LAGE) on the adjusted value (AVALUE).[12] Nevertheless, when we repeat the estimation using pooled regressions clustering on the firm level (Table 8, model 2), no shareholders' combination significantly influences firm performance when all the combinations are introduced at the same time in the model, and the only variable that significantly influences AVALUE is firm age (LAGE).[13] Thus, considering the results of the pooled regression clustering on the firm level, our results do not seem to support Hypothesis 1. These results contradict the findings of Maury and Pajuste (2005), who reported, that the relation between multiple blockholders and firm value is significantly affected by the nature of the large shareholders in Finnish companies.[14]

Next, we test Hypothesis 2 by analyzing whether the influence of different shareholders' combinations on firm performance is affected by family firms' corporate governance structures, particularly situations in which a family member acts as a CEO or chair of the board of directors (FAMGOV) or situations in which a family member simultaneously holds the posts of CEO and chairman of the board or the same person acts as CEO and chairman of the board (FAMDUAL). For this purpose, we first conduct the estimations and include each of the shareholders' combinations considered and alternatively variables FAMGOV (Table 9) and FAMDUAL (Table 10). Then, we repeat the estimations and include the multiplicative variable of each shareholder's combination and the variables FAMGOV or FAMDUAL.

The results of the estimations without clustering on the firm level suggest a negative effect of family governance (FAMGOV) on firm performance (AVALUE) for all shareholders' combinations (significant at a .01 level); however, the only shareholder

[11] Although not reported, we considered a linear relationship and a possible curvilinear relationship between the ownership held by the largest shareholder (specifically by families) and firm performance. No significant results were found. As Demsetz and Lehn (1985) indicated, a firm's ownership structure depends on different factors (i.e., firm risk, size, or leverage); thus, firm risk may determine the ownership held by large shareholders. Consequently, we determined whether firm risk (defined as beta, volatility or specific risk) differs for family firms with and without a second largest shareholder. Firm risk presents larger values when family firms have a second significant shareholder, but the difference is only statistically significant for the volatility measure and only at a .10 level. We have repeated the differences by accounting for the different variables of risk adjusted to the industry median, but the results were similar (significant differences existed for specific risk, but not for volatility).

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

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

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

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

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

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

* Statistically significant at .1.

** Statistically significant at .05.

*** Statistically significant at .01.

combination that significantly influences firm performance is families and individuals with non-financial firms (FAMNFIN) (significant at a .01 level). The results also show that the positive influence of this combination on firm performance is moderated by the effect of FAMGOV on firm performance (the coefficient of the combination variable FAMGOV × FAMNFIN is negative and statistically significant at a .05 level).[15] These results suggest that the positive effect of the combination FAMNFIN on firm value may be moderated when a family is present in a firm's governance structures (by occupying the post of CEO or chair of the board of directors): family governance would reduce the positive influence of non-financial firms as large shareholders. Nevertheless, these results do not hold when we repeat the estimations with clustering on the firm level (see Table 9). For these estimations, the variable FAMGOV continues to present a negative and significant coefficient (models 1, 3, 5, 7 and 9), but the variable FAMNFIN does not present a significant coefficient (model 5). Thus, considering the lack of significance of any shareholders' combinations after considering the possible influence of FAMGOV on firm performance and using pooled estimations clustered on the firm level, we are only able to affirm that the presence of families in the firms' governance structures decreases firm value.

Finally, we test whether family duality may affect the influence of the considered shareholders' combinations on family firm performance. The results of the estimations, with or without clustering on the firm level, do not suggest a generally significant effect of family duality (FAMDUAL) for any blockholders' combinations (models 1, 3, 5, 7 and 9, although the coefficient of FAMDUAL is negative in all cases). However, for the pool regressions of the shareholders' combination of families and individuals and non-financial firms, the results suggest that family duality would moderate the positive influence of the shareholders' combination FAMNFIN on firm value; again, when clustering the estimations on the firm level, no significant results concerning an interaction between variable FAMDUAL and any shareholders' combination are obtained (see Table 10).

Thus, these results do not support Hypothesis 2. When using pooled regressions and clustering the estimations on the firm level and considering families' control in firms' governance structures, we do not find that different shareholders' combinations significantly influence firm value; therefore, their possible influence on firm value is not moderated by families' control). As previously reported in the literature, we find that family control is relevant. Specifically, the results reveal a negative influence on firm value of families' presence as CEOs or chairmen of the boards of directors.

4.4. Additional results

As additional analyses, we repeat the estimations using as dependent variables the following accounting performance measures: industry-adjusted ROA and ROE. We also consider the possible influence of generational effects on family firm performance.

Regarding accounting performance measures, the results of the estimations clustering on the firm level do not reveal that any shareholders' combination significantly influences ratio ROA or ratio ROE. In addition, FAMGOV is negative and significant in all of the models in which the dependent variable ratio AROA is used; similar to the effect of using the ratio AVALUE, this finding suggests a negative effect of family control on firm profitability, but no shareholders' combination significantly influences the ratio AROA. For ratio AROE, no model is statistically significant.

Family generations in charge of the family business may influence firm performance because the behavior of founders and descendents may be different. For instance, professional managers are often thought to be more productive than family descendents, who are chosen from a restrictive labor pool; however, hiring a professional manager may also lead to a misalignment of interests (Bukart et al., 2003). As a consequence, a founder/descendent effect may be associated with family governance and family ownership. Some studies have actually reported that founders enhance firm performance (Adams, Almeida, & Ferreira, 2009; Barontini & Caprio, 2006; McConaughy, Walker, Henderson, & Mishra, 1998; Villalonga & Amit, 2006). Thus, we consider the possible effect of family generation (both in ownership and in governance) on performance by defining the following variables: FSHFOUNDER (a variable that measures the percentage of shares owned by the largest shareholder–founder), FOUNDERCEO (a dummy variable that adopts the value of one if the family firm has a founder as CEO and zero otherwise) and FOUNDERCHAIRMAN (a dummy variable that adopts the value of one if the firm chairman is the founder of the firm and zero otherwise). First, we analyze the generational ownership-related effect (variable FSHFOUNDER). Although not shown, the results of the pooled regressions clustered at the firm level support that founders' ownership positively and significantly influences firm performance (at a .01 level ratio for AVALUE and at a .05 level ratio for AROA). Second, we analyze possible generational governance-related effects. To analyze these effects, we introduce the variables FOUNDERCEO and FOUNDERCHAIRMAN in the regression models. Although the results are not shown, neither values present any significant influence on firm performance when using pooled regression estimations clustered at the firm level. Third, because our family firm definition includes "families and individuals," we define a dummy variable, FAMINDV, which adopts the value of one if the family firm has a family as an owner or zero if its owner is an individual. We include this variable in the regression models, and its coefficient is negative but not statistically significant. Thus, whether the large shareholder is a family or an individual does not seem to influence the results obtained from the analyses.

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

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

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
FAMGOV	−.74** (.32)	−.66 (.41)	−.70** (.29)	−.69** (.32)	−.69*** (.25)	−.48** (.20)	−.69** (.29)	−.73** (.31)	−.66** (.29)	−.66*** (.29)
FAMFAM	−.17 (.24)	−.03 (.43)								
FAMBANK			.03 (.16)	.06 (.31)						
FAMNFIN					.65 (.41)	1.79** (.88)				
NFINNFIN							−.01 (.23)	−.28 (.30)		
FAMFOR									−.23 (.23)	−.24 (.23)
FAMGOV × FAMFAM		−.18 (.41)								
FAMGOV × FAMBANK				−.03 (.37)						
FAMGOV × FAMNFIN						−1.53* (.89)				
FAMGOV × NFINNFIN								.40 (.44)		
FAMGOV × FAMFOR										–
LSIZE	−.00 (.05)	−.00 (.04)	−.00 (.06)	−.00 (.05)	−.01 (.04)	−.02 (.04)	−.01 (.05)	−.02 (.06)	−.01 (.05)	−.01 (.05)
LEV	.02 (.60)	−.05 (.58)	−.00 (.62)	−.00 (.42)	.14 (.55)	.28 (.51)	.00 (.62)	−.03 (.64)	−.02 (.62)	−.02 (.61)
LAGE	.83*** (.23)	.83*** (.23)	.83*** (.22)	.82*** (.23)	.76*** (.19)	.66*** (.18)	.82*** (.23)	.81*** (.23)	.82*** (.22)	.82*** (.22)
WEDGE	−.00 (.02)	−.00 (.01)	−.00 (.02)	−.00 (.02)	.00 (.01)	.00 (.01)	−.00 (.02)	−.00 (.02)	−.00 (.02)	−.00 (.02)
F	2.96**	3.42***	3.21**	3.25**	3.51***	5.96***	3.08**	2.63**	3.08**	3.08**
R-squared	.35	.35	.34	.34	.40	.46	.34	.35	.35	.35
No. firms	53	53	53	53	53	53	53	53	53	53
No. observations	140	140	140	140	140	140	140	140	140	140

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

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

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

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
FAMDUAL	−.20 (.20)	−.00 (.26)	−.20 (.20)	−.33 (.23)	−.19 (.19)	−.06 (.19)	−.21 (.21)	−.26 (.23)	−.21 (.20)	−.27*** (.21)
FAMFAM	.19 (.25)	.28 (.33)								
FAMBANK			−.16 (.24)	−.64 (.24)						
FAMNFIN					.64 (.48)	1.17 (.77)				
NFINFIN							−.16 (.22)	−.39 (.25)		
FAMFOR									−.44* (.25)	−.76 (.37)
FAMDUAL × FAMFAM		−.49 (.41)								
FAMDUAL × FAMBANK				.94*** (.28)						
FAMDUAL × FAMNFIN						−1.51 (.89)				
FAMDUAL × NFINNFIN								.52 (.34)		
FAMDUAL × FAMFOR										.65 (.47)
LSIZE	−.06 (.06)	−.06 (.06)	−.06 (.07)	−.05 (.07)	−.03 (.04)	−.02 (.03)	−.06 (.06)	−.06 (.06)	−.05 (.06)	−.05 (.06)
LEV	.12 (.68)	−.13 (.69)	−.09 (.68)	−.08 (.67)	.02 (.52)	−.01 (.55)	−.11 (.68)	−.06 (.66)	−.14 (.68)	−.16 (.68)
LAGE	.69*** (.23)	.69** (.23)	.69*** (.23)	.70*** (.23)	.62*** (.22)	.67*** (.23)	.67*** (.23)	.69*** (.24)	.70*** (.24)	.69*** (.23)
WEDGE	−.00 (.01)	−.00 (.01)	−.00 (.02)	−.00 (.02)	.00 (.01)	.00 (.00)	−.00 (.01)	−.00 (.01)	−.00 (.02)	−.00 (.01)
F	2.17*	2.54**	1.96*	3.14***	2.04*	2.58**	2.72**	2.66**	1.96*	1.82
R-squared	.24	.26	.25	.28	.29	.33	.24	.25	.26	.27
No. firms	53	53	53	53	53	53	53	53	53	53
No. observations	140	140	140	140	140	140	140	140	140	140

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

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

5. Discussion

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

These results contradict the findings of Maury and Pajuste (2005), who have reported the relation between multiple blockholders and firm value is significantly affected by the nature of the large shareholders in Finnish companies. Specifically, they reported a negative influence on Tobin's *Q* ratio of the presence of families as second largest shareholders and a positive influence of institutional investors. Likewise, Jara-Bertín et al. (2008) examined data from 11 European countries and reported a negative influence on firm performance of the presence of families as second largest shareholders. By analyzing a sample of listed firms from 15 European countries, Nieto Sánchez et al. (2009) found that though pension and mutual funds as blockholders increase family firm performance (a result also reported by Jara-Bertín et al., 2008), other blockholders destroy value.

The different results we obtained may be partly due to the institutional setting of the samples employed, the performance measures employed, the definition of variables and the methodologies employed. Nevertheless, as previously reported in the

literature (see, for instance, Anderson & Reeb, 2003), our results indicate the importance of considering the identity of the large shareholders and the control exercised by families within family firms. After considering the possible influence on firm performance of family control and using pooled estimations clustered on the firm level, we are not able to affirm that different shareholders' combinations significantly influence firm value (and therefore, their possible influence on firm value is not moderated by families' control). However, we find that family control is an important factor. Specifically, our results reveal a negative influence on firm value of families' presence as CEOs or chairmen of the boards of directors. Moreover, our results reinforce previous studies that have identified the importance of founders in family firms (Adams et al., 2009; Barontini & Caprio, 2006; McConaughy et al., 1998; Villalonga & Amit, 2006). For family firms with other large shareholders, we found a positive founder–ownership effect, but the post occupied by founders does not influence firm performance.

6. Conclusions

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

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

Our results reinforce previous empirical research that has reported that family firms' corporate governance structures have an important role in family firms. We find that non-family-governed firms outperform family-governed firms. Our results also suggest a positive founder–ownership effect.

Overall, this paper suggests that shareholders' combinations may not significantly influence family firm performance and that, as previously reported in the literature, the way family firms design their corporate governance structures is particularly important (Anderson & Reeb, 2003) and should be considered in related studies of family firms' performance.

7. Limitations and future research

Future studies in this line of research should account for the gap or difference between the ownership held by the largest and the second large shareholder within family firms. This relation may be balanced or very unbalanced and may influence firm performance. Including more data or information about the large shareholders (e.g., its date of entry in the firm, how long it stays and why) in the analyses may also be interesting. Moreover, because family involvement in firm corporate governance structures seems to influence family firm performance, future studies should analyze more corporate governance related variables (e.g., the number of family directors on the board of directors, the presence of the different combinations of large shareholders on the board). In addition to employing panel data methodologies and considering the endogeneity of ownership (the different results obtained when employing different methodologies prove that the methodology employed is important), we should study whether other large shareholders (e.g., the third, the fourth) alter families' influence on firms' corporate governance structures. In addition, generational effects could be measured more precisely and for all the large shareholders that are families. Moreover, as indicated in Section 5, the geographic and institutional setting may also influence the analyses. More international and cross-cultural research regarding this subject would enhance our understanding of the importance of different shareholders within family firms. In addition to the necessity of more empirical studies, theoretical models that analyze these issues will enhance our understanding and contribute greatly to the literature on family firms.

In summary, the role of different shareholders' combinations in family firms' corporate governance structures and performance may constitute an interesting topic for further analyses.

Acknowledgements

We acknowledge the financial support provided by the Spanish Ministry of Science and Innovation, Projects ECO2008-01439 and ECO2009-10358.

We acknowledge also all the suggestions made by the reviewers and the chair of the session of the 10th World Family Business Research Conference (IFERA), held in Lancaster (UK) in 2010. Particularly we would like to thank the suggestions and comments of the editor, the associate editor and of the two reviewers.

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