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The effect of family ownership on the liability decision

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Abstract

The research aims to study of the effect of family ownership on the liability decision, and then it increases the knowledge on the accounting literature. Traditionally, accounting remains focused upon the actions of the firm and ignores the effects of the firm upon its external environment. However, a growing number of researchers have accepted that several effects of the firm influence the external environment and have suggested that one of the roles of accounting should be to report upon the impact of the firm in this respect.

The methodology has two different frameworks. First, the literature review shows, by one hand, evidence of nonfamily owned firms than family owned firms to adopt and individualistic identity orientation, so they are motivated to firm self-interest and focus on financial performance (Bingham *et al.* 2010). By other hand, the liability decision making process, especially those that has the family as main shareholders of the firm (Agarwal & Nagarajan, 1990, Anderson & Reeb, 2003, 2004, Gomez-Mejía *et al.*, 2007, Oro *et al.*, 2008, and Puerto, 2010).

Second, the empirical analysis is a longitudinal exploratory analysis based on the firms with shares listed on *Bovespa Stock Exchange* (São Paulo, Brasil) and the sample of 281 firms. The accounting information was collect from database Economática®, from which the classification is given of managers, controllers and family. Also, a series of hypotheses were prepared, which, once tested, the proposed relationship between liability and each firm of the sample. The authors used Benford's law-based analysis, but because it produces strong support for the research hypothesis.

The main results show the understanding of the liability decision in the context of family owned and nonfamily owned firms. Also, as an exploratory result, there is heterogeneity performing on the function of a standard of comparison and the test of the multivariate differences among firms reflect events occurring in an identical period with consequences in similarity of the business. Enthusiastically, it is observed that a firm can have a very significant effect upon its external image. Actually, it changes affect the liability decision through its activities. Also, it can be seen that these different effects, in some circumstances, are viewed as beneficial or as detrimental to the accountability of the firm.

Keywords: Family Ownership; Liability decision; Benford's law; Firms; Brazil.