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CORPORATE GOVERNANCE PRACTICES IN THE FAMILY AND OWNERSHIP DIMENSIONS ITS IMPACT ON PERFORMANCE AND SOCIOEMOTIONAL WEALTH

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Abstract: *This paper analyzes the governance practices in the dimension of the family and ownership, and its impact in the financial and family performance. From an empirical perspective, we provide a exploratory evidence on how the governance practice in the structures of governance in the family and ownership, impacts in the financial results and the socioemotional wealth of the family.The results show that the implementation of corporate governance practices in the family and ownership dimensions is not a reliable indicator of a direct relationship with business performance. In addition, we found strong tendencies to preserve the family's socioemotional wealth. Furthermore, unity, honesty, transparency and amity are factors boosting both family and business success.This study has some limitations, the qualitative method used, such as the case study, allows an analytic exploration of the findings. However, it would be suitable further future quantitive approaches to generalize our results and extract more objective conclusions.*

Keywords: *Family firm, Performance, Ownership, Socioemotional wealth, Stewardship theory, Corporate governance*

1. INTRODUCTION

The fall of giant corporations throughout the world, such as Enron and Xerox, among others, has left behind deep scars in the business world in general. It has been demonstrated that the debacle of these organizations could have been caused by lack of corporate governance (Che Haat *et al.*, 2008). Financial scandals in the United States led to a better understanding of far-reaching effects as a result of poor corporate governance practices in the country's economy.

Although prior empirical literature is vast, studies focusing on the relationshipbetween corporative governance practices and the company's market value or financial performance have shown mixed results (Renders *et al.*, 2010).

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Black, (2001); Black *et al.,* (2006) show a positive impact on the market value due to the implementation of corporate governance practices in countries with emerging economies. While Bauer, Gunster and Otten (2004) establish a non-significant relationship between corporate governance index and/or market value or accounting ratios, and in some cases, even a negative relationship.

On the other hand, the research linking good corporate governance practices in thefamily and ownership dimensions in the Family Business (FB) and its impact on thesocioemotional wealth (SEW) are scarce.

The literature review show that a comprehensive and thorough research on the impact Corporate Governance practices have on family and ownership dimensions, with FB financial performance and the SEW have not been established yet. Moreover, little is known about how said practices affect business performance, family union and harmony, what role the family plays in the different governing bodies, and what the financial return isfor those family-owned businesses adopting these good corporate governance practices.

By the above the objective of this paper is to determine the impact of the implementation of Corporate Governance practices in the Family and Ownership dimensions, while observing the impact on the FB performance and SEW of the family.We use a qualitative approach to explore some propositions made in the next section, in relation the implementation of good practices. Not being able to be generalized, our results give us a new insight of performance and socioemotional consequences of several practices. Further future research with quantitative approaches would be needed to get objective conclusions.

The remainder of this paper is organized as follows. The second part is dedicated to presenting theoretical framework and derived our propositions. The third part explains the research design and methodology. The cross-analysis are found in the fourth part. Finally, conclusions and limitations are presented.

2. THEORETICAL FRAMEWORK AND PROPOSITION DEVELOPMENT

2.1. Theoretical Framework

The Stewardship Theory has been selected as this research framework. StewardshipTheory has its roots in psychology and sociology. It was developed to examine situations inwhich executives and managers are motivated to act for the best interests of their directors(Donaldson & Davis, 1991).

The Stewardship Theory has been identified by researchers as potentially applicableto the FB field because of its management philosophy directed towards participation, solididentification, little use of institutional power, and social and personal growth (Corbetta and Salvato, 2004; Miller and Le Breton-Miller, 2006; Miller *et al.*., 2008). Researchersconducting investigations on Stewardship Theory assume there is a strong relationshipbetween the success of the company and the family's satisfaction (Davis, *et al.*., 1997), andthis means good alignment of family's and agent's interests (Jaskiewicz and Klein, 2007).The belief is that stewards are intrinsically motivated by higher-level needs to act for thecollective good of their firms. They identify with the organization and its objectives (Davis *et al.*, 2000).

Furthermore, the assumptions underlying the Stewardship Theory are identifiedwith some features or attributes that have been found in the FB. For instance, a high levelof commitment (Miller & Le Breton-Miller, 2005), trust between family members (Coleman, 1990) and long-term orientation (Miller & Le Breton-Miller, 2006), amongothers, are part of the relations among family members, relations between family andbusiness, supporting the implementation of good corporate governance practices that canpositively influence business performance and contribute to the preservation ofsocioemotional wealth.

2.2. Proposition development

In the FB, three interconnected systems are present: the family, ownership and thecompany (Davis and Tagiuri, 1982). Governance structures in each system play a majorpart as they define roles, accountability, rights and autonomy. According to Gómez (2010),corporate governance requires a balance of power among the three systems and if theywork as a single system, there will be a strong and balanced power base, because theirinteraction is the key to success. This suggests that if FBs implement good corporategovernance practices in the family and ownership system, these should contribute on thecompany's financial performance and to preserve the socioemotional wealth (See Figure 1).

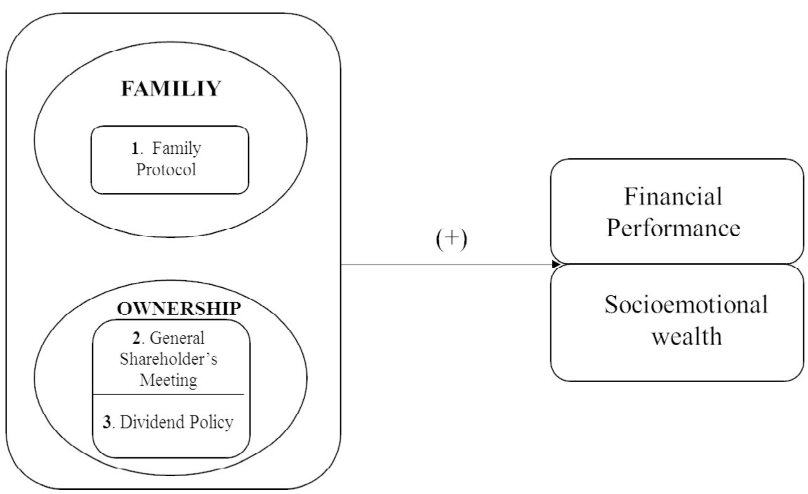

Figure 1: Conceptual Model

Source: Authors

2.2.1. Family Corporate Governance Practice

Family Protocol

One of the corporate governance practices recommended for the FB governancesystems is including governance mechanisms in the family structure aiming at anticipatingfamily issues that might permeate and affect the company (Suárez and Santana-Martín,2004). Among these instruments, we could identify the family protocol; in this way, it isnot an attempt to guarantee that only positive family aspects may affect the capital stock,but also to avoid family issues that might jeopardize the long-term survival of the Company (Suárez and Santana-Martín, 204).

According to Gómez (2010), family protocol is defined as a valuable process to thefamily in which participants are urged to dialogue, debate and dream about a better futurethat will be beneficial to present and future generations. The protocol is part of a familyagreement to ensure continuity and success of the family business (FB) and because of that,it is not only a written document, but also a process based on communication allowing FBgrowth (Tàpies and Ceja, 2011). The family protocol mission is to maintain and strengthen,through generations, family unit and the commitment to the success of the company (Galloand Tomaselli, 2006; Gómez, 2010).

Considering the major role, that family protocol plays for the continuity and successof FBs, studies examining the existence, effectiveness and economic impact offamilyprotocols are scarce (Tàpies and Ceja, 2011). Roibal *et al..*, (2008) found that the higher theequity capital in the hands of the family, the more family protocols and the longer theexistence of the company, associated with the existence of protocols.Furthermore, Tàpiesand Ceja (2011) showed in their study that 55% of FBs in Spain do not have a familyprotocol. Gómez (2004) finds a positive and excellent relationship between the familyprotocol and the company’s financial performance. However, research shows that protocolsare found in large FBs, measured by the number of employees in the company.

When it comes to family protocol, we find a very important structure, which is thefamily. The definition of family involves certain bonds based on trusting relationships.Trust can provide a competitive advantage for those organizations whosegovernancemechanisms are founded on it (Hosmer, 1995; Steier, 2001).

From the stewardship perspective, trust becomes an important factor to maintaincohesion and family union (Carlock and Ward, 2003). Nevertheless, FB evolution andchanges in relationships among people involved with the family and the company couldruin trust. Therefore, it is necessary to invest in governance mechanisms, such as the familyprotocol, in order to strengthen trust among family members. In view of the above, thefollowing proposition has been proposed:

P1a: The implementation of a family protocol has a positive impact on the company's financial performance.

The implementation of a family protocol helps to promote unity and harmonyamong family members, to professionalize them as business owners and to preserve thosevalues that help strengthen FBs (Barbeito *et al.*., 2008). Upon developing a family protocol,family members should identify and pass the FB purpose on to future generations, as wellas the values, beliefs, mission and vision inspiring the family (Tàpies, 2011). Thus, theprotocol sets the objectives and goals pursued by the family and the company, as well asthe rules governing the relationships between both systems. In view of the above, it hasbeen proposed:

P1b: The implementation of a family protocol helps preserve Socioemotional wealth.

2.2.2. Ownership Corporate Governances Practices

General Shareholders' Meeting

The General Shareholders' Meeting (GSM) is one of the corporate governance toolsthat allows shareholders to supervise the company directors and therefore, to preventstewards from making decisions against the shareholders' interests. Those shareholders notinvolved in management might not be willing to invest in the company if they have noconfidence in the directors and deem that their investments are at risk (La Porta *et al.*, 2000a).

Many researchers have studied the role majority shareholders play in the company'scorporate governance (De Jong *et al.*, 2004). However, those mechanisms used byshareholders to exercise control have received little attention. The GSM is important forshareholders to exercise their control rights.

Studies connecting GSMs with the company's financial performance are scarce andinconclusive. The existing literature has focused on the shareholders' activities in the GSMand has evidenced mixed results as regards an increase in firm value due to propositions madeby shareholders, measured by the short-term reactions of market values and/or long-termprofitability (Wahal, 1996; Prevost and Rao, 2000).

Cuñat *et al.*., (2012) have investigated whether improvements on the company'sinternal corporate governance lead to shareholder value. This study analyses the marketreaction to governance proposals that pass or fail to pass by a small margin of votes at theGSM. Researchers have found that the approval of a proposition leads to unusual positiveperformance and its implementation increases the firm value by 2,8%.

The GSM, as a good corporate governance practice, plays a significant part withregard to the way: a) Board members and shareholders interact; b) the behavior of Boardmembers and top management team members is supervised and c) action intended toprotect the interests of shareholders and those of interest groups is taken. Consequently,based on the Stewardship Theory, it has been suggested that working relationship amongfamily members, Board members and stewards is characterized by a high level of trust (Davis, 1983). Similarly, the long-term perspective of FB makes it easier when establishingand maintaining relationships with stakeholders (Carney, 2005). In view of the above, thefollowing proposition has been proposed:

P2a: The implementation of a General Shareholders' Meeting has a positive effect on the company's financial performance.

In recent years, researchers have studied the reasons shareholders have to use theirownership position in order to pursue their particularistic agendas (Thomsen and Pedersen, 2000; Ryan and Schneider, 2002). Some studies have evidenced that families havepreferences for non-economic objectives (Sharma *et al.*, 1997; Anderson and Reeb, 2003). This includes the corporate identity (Kepner, 1983), projecting and perpetuating a positivefamily image and reputation (Westhead *et al.*, 2001; Sharma and Manikuti, 2005), enjoyingpersonal prestige in the community, having the support of the community andacquaintances (Taguiri and Davis, 1992; Corbetta and Salvato, 2004); and the accumulationof social capital (Arregle *et al.*, 2007), among others to preserve the SEW. In view of theabove, the following proposition has been proposed:

P2b: The implementation of a General Shareholders' Meeting helps preserve Socioemotional wealth.

Dividend Policy

The dividend policy is a good corporate governance practice ideal to limit and/ oravoid depriving minority shareholders of wealth (La Porta *et al..*, 2000b), because it guarantees proportional payments to both majority and minority shareholders. Dividendpayment arises as a corporate governance mechanism due to the need to align the interestsof minority investors and those of majority investors (Pindado *et al.*, 2012).

Fama and French (2001) have evidenced that dividend payment probability isassociated with the company's size, growth opportunities and financial performance.Additionally, dividend payment possibility is strongly associated with the ratio of retainedearnings to equity. Denis and Osobov (2008) have stated that companies paying dividendstend to be bigger and more profitable, and have less investment opportunities.

In FBs, dividends serve as a disciplinary mechanism to prevent the controllingfamily from expropriating minority shareholders' wealth (Setia-Atmaja *et al..*, 2009). Additionally, family control can have a positive influence on dividends if FBs see them as amechanism to reward minority investors and mitigate expropriation in favor of largeinvestors (Setia-Atmaja *et al.*, 2009). Besides, FBs can use dividend payments as a tool toestablish a reputation for fair treatment to minority investors (Yoshikawa and Rasheed, 2010).

Moreover, FBs use dividend payments to build trust (Pindado *et al.*, 2012). Therefore, they may waive the benefits they could have for having control over the company by distributing higher and more dividends in relation to non-family businesses. Infact, dividends can be regarded as a financial disadvantage to FBs because FB owners wantto keep control (Gómez-Mejía, *et al.*., 2010). Compared with other available corporategovernance mechanisms, dividend payment is a more credible signal of owners'commitment not to expropriate minority investors and to waive private control benefits.Moreover, FBs with better corporate governance structures use dividends as a governancetool to mitigate expropriation concerns (Pindado *et al.*., 2012).

In general, families may influence important corporate decisions made by thecompany, such as those related to the dividend policy and the top management team, andshould make decisions leading to favor the FB owners (Jiang and Peng, 2011). In brief, andbased on one of the Stewardship Theory premises, managers are regarded as trustworthyindividuals and consequently as good stewards of allocated resources (Donaldson andDavis, 1991, 1994), able to make decisions in the interest of the owners, thus reflectingbetter business performance. Therefore, and taking into consideration dividend policies as amechanism to build trust and a signal of owners' commitment to the rest of theorganization, the following proposition has been proposed:

P3a: The implementation of a dividend distribution policy has a positive effect on the company's financial performance.

Those FBs whose main aim is to reach non-financial goals build emotional value (Astrachan and Jaskiewicz, 2008, Zellweger and Astrachan 2008) or SWE for the family (Gómez-Mejía *et al.*., 2007). Research literature provides evidence that FB dominantcoalition may be able to extract additional value from firm ownership at the expense of theother shareholders through the dividend policy in order to preserve SEW (Morck *et al.*, 1988, Villalonga and Amit 2006). In view of the above, it has been proposed:

P3b: The implementation of a dividend distribution policy helps to preserve socioemotional wealth.

2.3. Performance

The existing literature on the FB research field has clearly shown that financial performance is not the only objective FBs have (Zellweger and Nason 2008), and that theyoften express a strong preference for non-economic performance (Astrachan and Jaskiewicz 2008; Chrisman *et al.*, 2003), as well as for the SWE of the business (Gómez-Mejía *et al.*, 2007). According to Astrachan and Jaskiewicz (2008), the total value of a company doesnot only consist of its financial value and private benefits, but also of the emotionalcomponent which also has an impact on the company's valuation. This study will makereference to performance as the union of two factors: First, financial performance andsecond, SEW, as family performance.

2.3.1. Financial Performance

ROA (Return on assets): is used as a financial performance indicator because it allowsexamining the effect of family influence on ownership, and management on the company'sprofitability (Anderson and Reeb, 2003; Sciascia and Mazzola, 2008). Chang and Choi (1988) indicate that this ratio is a proper measure of operational efficiency, because in mostemerging economies, capital markets are imperfect and debt-equity ratio is usually high.

Sales Growth: this indicator is regarded as a more reliable measure of the FB financialperformance than the traditional measures based on earnings, because FBs have incentivesto minimize reported taxable income and no incentives at all to minimize reported sales(Dess and Robinson, 1984).

EBITDA: is calculated as earnings before interest, taxes, depreciation and amortizationdivided by the total assets. Kowalewski *et al..*, (2010) use this indicator to analyze thecompany's operational performance. This indicator is selected because it cannot bemanipulated as other measures allowing, to a certain extent, selection of depreciation andtax regime.

2.3.2. Socioemotional Wealth

To measure the family's SEW, we will use the construct proposed by Berrone *et al.*, (2012) FIBER. This construct consists of five dimensions, which are detailed below:

a) Family control and influence: A characteristic of family-owned companies is thatfamily members have control over strategic decisions (Chua *et al.*, 1999; Schulze,Lubatkin, and Dino, 2003). Control can be exercised directly, as CEO and/or Board Chair, or in a more subtle way, for instance, as a member of the topmanagement team.

b) Identification of family members with the company: Numerous researchers statethat the connection between the family and the company leads a unique identitywithin FBs (Berrone *et al.*, 2010; Dyer and Whetten, 2006). The identity of FBowners is inextricably linked to the organization, which usually has the familyname.

c) Social relations of the company: Some recent research conducted by Cruz *et al.*, (2012) states that SEW provides kinship ties along with some collective benefitsarising in closed networks, including collective social capital and trustingrelationships (Coleman, 1990). Very often, FBs have long-term relationships withsome suppliers and treat some others as family members (Uhlaner, 2006).Moreover, family businesses' sense of belonging and identity are often shared by non-family employees, promoting a sense of stability and commitment to thecompany (Miller and Le Breton-Miller, 2005).

d) Emotional attachment of family members: This dimension refers to the roleemotions play in the FB context. In fact, many scholars see the combination ofemotional factors arising from family involvement with business factors as adistinctive attribute of FB (Eddleston and Kellermanns, 2007; Taguiri and Davis, 1996).

e) Renewing family bonds to the company: This dimension refers to the intention totransfer the company to future generations. In fact, Zellweger and Astrachan (2008), and Zellweger, *et al.*, (2012) suggest transgenerational sustainability as one of the central aspects of SEW.

3. METHODOLOGY

We employed case studies in our study. Our motivation converged with Yin (2003) insight that this method is appropriate to uncover social dynamics obtaining a "why" and "how" character. The sample consists of four (4) cases of Colombian FB of second or further generations (see Table I), from different economic sectors (services, manufacturing), and different size in accordance with Law 455 of 2011 (see Table II).

Table 1
Case description

Company	*Description*
Saturn	Ownership of the company is equally shared between seven (7) brothers, represented through seven (7) companies. In 2000, the owners started the process of structuring the governance bodies of a family business. Nowadays, on the dimension of the family, they have implemented a Family Assembly, a Family Council and Family Protocol. On the dimension of the property, they have a General Shareholders' Meetings (GSM) and a Dividend Policy.
Mars	Two family companies hold ownership of the company. The owners do not have any governance structure on the dimension of the family. As for the dimension of the property, they are implementing GSM and a Dividend Policy. However, this is merely done to follow the requirements of the law, since being only 2 people representing the companies, it is easier report delivering and decision-making.

contd. table 1

Company	*Description*
Jupiter	Ownership of the company is concentrated in Orion family, with a share of 72%, who have control over the company. Owners have no governance structure in the dimension of the family. Furthermore, owners are implementing good corporate governance practices, having in place a GSM Meetings and Dividend Policy.
Mercury	Four (4) families hold ownership of the company. Since 1999, the owners have established and are implementing a Family Assembly, a Council and Family protocol in the dimension of the family and a GSM and a Dividends Policy in the dimension of Property. At the present, the company is in the process of generational transfer from the second to the third generation in the governance of the company.

Source: Prepared from information supplied by the company

The information was collected taking advantage of three sources: semi – structuredinterviews, direct observation, revision of documents and archives. This is to show the reality of FB and to enable the participation of its members, which particularly backs up the findings, meaning and relevance of the studied topic. The semi-structured interviews were made to family members and owners from second generations according to the research questions.

Table 2
General Information and financial companies (2010 – 2015)

Industrial sector	*SATURN* *Social expression*	*MARS* *Food and beverages*	*JUPITER* *Terrestrial transport passengers*	*MERCURY* *Agro-industrial machinery and equipment*
Years of incorporation	50	45	54	54
Size	Medium	Small	Medium	Small
Sales revenue (US millions)	33,176	16,251	24,914	12,509
Total assets (US millions)	21,905	14,881	17,654	7,661
Net worth (US millions)	9,333	6,714	8,646	2,111
Total Liabilities (US millions)	12,572	11,624	0,000	0,000
ROA	4,50%	1,42%	4,49%	10,56%
Sales Growth	9,27%	8,95%	10,96%	23,88%
EBITDA	8,07%	6,24%	8,12%	13,57%

Source: Prepared from information supplied by the company

4. CROSS-CASE ANALYSIS

One of the challenges with regard to multiple-case research is how to stay within the spatial limits while conveying the emergent theory, which is the research objective, and the varied empirical evidence supporting the theory (Eisenhardt and Graebner, 2007). Therefore, an approach as described by Yin (2003) has been adopted, where there is an individual section for each corporate governance practice in each FB dimension.

Based on the foregoing, a cross-case analysis is carried out using information onindividual cases. In brief, a comparison between the case that has implemented goodcorporate governance practices to a considerable extent and the case that has implementedthem to a lesser extent is made, and in this way, the six (6) propositions brought forward arethen supported.

4.1. Family Corporate Governance Practice

Family Protocol

The main purpose of this protocol is to regulate family-business relationships,including important matters such as conflict solution, and inclusion of family members inthe company, among others. These relationships are based on trust, commitment, transparency and honesty, helping family members to align family objectives andcorporate objectives, thus improving harmony and cohesion, allowing family membersto work together, to respond faster to any situation, to be more flexible, to use bettertechniques in order to solve problems and to be more productive and efficient (Smith *et al.*, 1994).

One of the key things when developing and implementing a family protocol is theway it is conceived. As defined by Gómez (2010), this document is the result of animportant process during which family members may discuss, debate, and envisionthemselves in the future, both as a business and as a family. This scenario allows settingaside resentment, impasses and uncomfortable situations among family members, thusstrengthening their relationship, and promoting harmony, commitment and cohesion withinthe family (Ward, 2004).

Nevertheless, when relationships among family members are based of trust andcommitment, any kind of disagreement might damage them, thus affecting harmony andcohesion. Consequently, this could be detrimental to the decision-making process regardingthe family and the business because of the difficulty in aligning objectives. Moreover, family relationships may eventually deteriorate, and affect harmony and business growth.

The analysis suggests that the family protocol is a practice that does not contributedirectly to the profitability of the company. Its main purpose is to regulate familybusinessrelationships by defining the role that family members play in each governancestructure. Brenes *et al.*, (2011),found that transparency in the Company management is the major benefit of the implementation of family protocol, as the rules of thegame have been set in a highly participatory process involving the entire family with aconflict-solving mechanism established. Moreover, this governance mechanism does nothave a direct influence on the corporate decision-making process. Therefore, the proposition *1a* is no supported.

On the other hand, the implementation of a family protocol helps preventing andforeseeing problems among family members that might affect the business operations (Suáreand Santana-Martín, 2004). This agreement made by family members is a dynamic tool inconstant review due to family needs arising day by day, and therefore, it requires updatingon a regular basis.

It should be noted that the success of a family protocol depends on the relationshipsamong family members, characterized by respect, transparency, love, trust, commitmentand honesty (Gallo and Tomaselli, 2006). Moreover, succeeding at implementing theprotocol contributes to harmony, cohesion and the preservation of the socio-emotionalwealth of family members. In view of the above, proposition 1b, which suggested that theimplementation of a family protocol helps preserve socio-emotional wealth, is consideredsupported.

4.2. Ownership Corporate Governances Practices

General Shareholders' Meeting (GSM)

Within the ownership governance structure, we find a significant concentration ofpower in one or two families higher than 80%. The results are similar to those obtained byPombo and Gutiérrez (2010), who evidenced that 74% of ownership in Colombia wasconcentrated in the hands of one or two families.

Implementing a GSM, as a good corporate governance practice, allows endorsing thedecisions made by other governance structures and the proposals made by the Board ofDirectors in an expeditious and effective manner, because of the permanent communicationwith those family members involved in the governance bodies of the organization.

On the other hand, concentration of ownership in the hands of one or more familiesallows having influence over the decisions made by the GSM, which are oriented towardachieving financial and nonfinancial objectives. These decisions may be subject to therelationships among the business-owning family members, which may benefit fromeffective communication and values such as honesty, commitment and trust, among others.All these factors contribute to family unity, harmony and cohesion, thus facilitating thealignment of family objectives and corporate objectives. Additionally, the GSM allows allthe family members to gather and reach objectives different from those required bylaw.

The companies analyzed have established a GSM and show increasing and positivefinancial indicators. Nevertheless, there is no evidence showing that the simple fact thatthey have implemented a good governance practice such as the GSM is enough tocontribute to business performance. Moreover, there is neither available information nor afollow-up process with regard to the effect that decisions made by the GSM have on theprofitability of the company.

Since the FBs set financial and nonfinancial goals, and because it is likely that decisionsmade by the GSM give priority to family or nonfinancial goals, proposition *2a* is notsupported.

As to this particular research, the GSMs show significant concentration ofownership in the hands of one or more families, which allows them to have an influence onthe decision-making process aimed at meeting the emotional needs of the family (Kets deVries, 1993), giving priority to nonfinancial goals over financial goals.

When business-owning family members share the same vision of their futureprojection as a family and as a business, it is possible to align family objectives andcorporate objectives. The alignment of objectives depends on trust among family members(Davis, 1983), supporting the Stewardship Theory (Donaldson and Davis, 1991), whichcontributes to cohesion, well-being, harmony and socio-emotional wealth preservation. Inview of the above, proposition*2b,*which suggested that the implementation of a GSM helpspreserving socio-emotional wealth, is considered supported.

Dividend Policies

This good practice and its impact on the business profitability is subject to thedecisions made by the GSM (Jiang and Peng, 2011). The GSM makes decisions based on family objectives and corporate objectives set by this governance body.

The companies under study have a defined, explicit and flexible dividend policy. The owners are fully aware that the distribution is subject to business performance and the balance between business investment needs and family needs. A characteristic most of the companies analyzed have in common is healthy finances and conservative debt levels.

Distribution of dividends is subject to the decisions made by the owning members, based on the goals set according to the family and business needs, which may have a favorable or unfavorable effect on the profitability of the company. Therefore, proposition *3a,* which suggested that the implementation of a dividend policy has a positive effect on the company's financial performance, is not supported.

The distribution of dividends among family members may be regarded as the resultfrom good management by those family members who participate actively in business management. Dividends payment seeks to meet the needs of active and passive business-owning families. In the cases analyzed, most business-owning family members use dividends to improve quality of life. Therefore, this corporate governance practice contributes to harmony, cohesion and the preservation of the socio-emotional wealth of the family. In view of the above, proposition*3b,*which suggested that the implementation of a dividend distribution policy helps preserve SEW, is considered supported

In brief, after making the cross analysis of cases, a new model (Figure 2) is proposed. This new model suggests that good corporate governance practices in the FB are directly related to the socioemotional wealth preservation (non- economic objectives).

Considering that, the preservation of socioemotional wealth cannot be isolated from company profits, indirect and double track on economic performance relationship is defined. Finally, these corporate governance practices have an indirect bearing on economic performance.

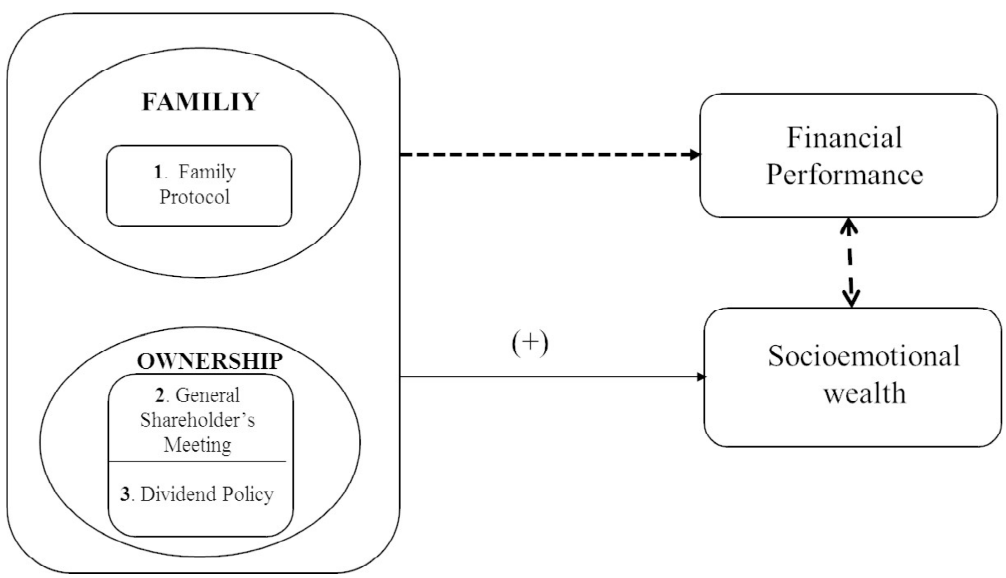

Figure 2: New Model Proposed

Source: Authors

5. CONCLUSIONS

The aim of this research was to determine the impact that the implementation ofgood corporate governance practices has on FB governance structures, on its dimensions of family and ownership, as well as on the financial and SEW.

The qualitative analysis indicates that whether or not a family protocol has been implemented isnot a reliable indicator, and does not have a direct relationship with business performance. Therefore, the implementation of a family protocol as a good corporate governance practiceis not conclusive. In other words, not having a family protocol is not an obstacle that wouldprevent the company from succeeding. On the contrary, the evidence shows us that thereare some factors that can replace this mechanism such as, cohesion, transparency andhonesty, as fundamental pillars to build relationships among family members and familybusiness.

One of the most important aspects identified is the unlimited power that familymembers have over business ownership, control and management. This is evidenced by theactive involvement of family members in all the governance structures of the company.Furthermore, cohesion, harmony, communication and commitment of business-owningfamilies favor their relationship and the link between the family and the company,thus facilitating the alignment of corporate objectives and family objectives. Some of thesefactors are identified and support under Stewardship Theory.

Therefore, implementing a good corporate governance practice such as a GSMallows some space for them to endorse those decisions made by other governance structuresan expeditious and effective manner, because of the continuous communication with thefamily members involved in the organization's governance bodies.

Dividend distribution is a common practice in the companies studied; and it shouldbe highlighted that business-owning family members use dividends to improve quality oflife. Consequently, it gives them the opportunity to be flexible when distributing them inorder to invest the necessary resources to continue growing and expanding. Thiscorroborates the objectivity in making decisions for the organization and not the individualbenefit, which is in line with the economic model of the Stewardship Theory.

Another characteristic identified is risk aversion; owners prefer to sacrifice a lowerdividend payout to finance investments than to incur a financial debt, because they find itcost saving when developing investment projects. This finding is contrary to the assumptions put forward by the Stewardship Theory, which considers the owner's attitude tends towards risk appetite. Furthermore, this corporate governance practice is an indirect mechanism to evaluate performance by those family members running the company.

This research has been subject to some limitations. The qualitative method used,suchas the case study, allows an analytic exploration of the findings. Nevertheless, performing a quantitative analysis would the opportunity to broaden the study in order to contrast the propositions stated, with different perspectives in research. A more generalized result would be needed. The difficulty in establishing limits in regard to the subject matter under consideration, the nature of the social reality under study, and the relationship between the researcher and the individuals involved in the cases under study (Ryan *et al..*, 2004).

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