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MANAGEMENT OF FAMILY FIRMS: A SYSTEMATIC LITERATURE REVIEW ON THE CEO'S ISSUE

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Introduction

"Before the multinational corporation, there was family business. Before the Industrial Revolution, there was family business. Before the enlightenment of Greece and the empire of Rome, there was family business."

(O'Hara, 2004)

Since ancient times, the role of family firms has been essential for most economies around the world. They have spread over time, covering about 70%-90% of total firms and pushing Capitalism and industries up to nowadays. Besides huge impact of family business in economics still there is a lack of literature and scientific research are rising as the awareness that family firms cannot be studied like non-family firms, especially in many issues regarding succession, governance and time-horizon. The presence of family firms is relevant and significant in all continents, from developing to developed countries. They contribute for most of the GDP and employment of our planet. Even in Anglo-Saxon countries whit the greatest capital markets and where there is a major presence of widely held public companies, family firms still remain the backbone of economies. Just think of the largest business of the world is Walmart and it is a family firm.

The aim of this thesis is not to celebrate the importance of family businesses, which is not in doubt, rather is to understand what is the best way to manage them and to improve their performance. Also, there is not willing to focus on the topic of succession, which is absolutely core in family firms; however, it is important to see what happens after succession comes and why most of the family companies fail after founder abandons his role. Does the family involvement in management matter? Does the regulation of financial markets and protection of minority shareholders affect family firms? What about family firms' governance structure and how it impacts performance? The thesis tries to answer all these and other questions.

In doing this, a complete overview on family firms is proposed. After a general introduction on many aspects of family firms, this work goes in deep to see several aspects of management and what is the relationship between family and business. Actually, literature does not find a negative effect of being a family firm and relative performance, that is why concentration is all for managerial aspects. Indeed, the systematic literature review allowed to find out many points that may be surprising without an analysis. For example, family member CEOs on average underperform professional and outsider CEOs, except the case where the CEO is the founder (which is usually also the chairman). Despite, in this empirical analysis are not

considered the benefits of family managers, which can be evaluated using a Socio Emotional Wealth (SEW) approach, instead of agency model. That is why, a comprehensive comparison is difficult to make and it is only possible to analyse single aspects, giving just few opinions on who is the best manager in family firms.

The work is organized as follow. Chapter 1 defines what is a family firm. Chapter 2 gives an entire picture of importance and presence of family firms around the world. Chapter 3 resumes the best theoretic ways to approach family firms. Chapter 4 explains the governance structure and its characteristics in family firms. Chapter 5 proposes a literature review to see who is the CEO that performs better in family firms.

1. What is a Family Firm?

Family firm is different from other kind of enterprises and the reason is as simple as obvious: it is the coexistence of family and firm. Family involvement gives a shape to the business which needs to be run in another way with respect to non-family businesses. These two identities are often blended with the risk of compromising performance. Separation of these two units has been a challenge for a long time and far too often they end up damaging each other. However, when this mix works, family businesses seem to be profitable, and they use to overperform their counterparts and this result may be due to *familiness* and all the emotional benefits given by the presence of family.

1.1 Juridical definition

As there is uncertainty about the origins of family firms, at the same time the aim to give a global and legal definition to family firm is unachievable because of its intrinsic vagueness. Defining a family firm is challenging since it depends on many factors: size of business, privately or publicly held, jurisdiction of the home country. The European Commission (2009) focuses its definition of Family Business around the concept of control and governance, specifying for listed firms, a minimum of 25% of voting rights held by family members to be defined family firm. This is just a legal definition to determine what is a family firm, at least in Europe, but it is not enough to give the whole picture of that kind of company. In U.S. there is no constraints over the percentage of voting rights, and control depends mostly on voting power, considering different kind of stocks (e.g., dual-class option). Ford family in 2010, for example, owned less than 2% of Ford Motor Company in terms of rights to its cash flow but it remained the major controller thanks to its 40% of voting power (Zellweger, Managing the Family Business: Theory and Practice, 2017). This may happen since in US there is no clear definition of family business, allowing for financial trick like the example of Ford.

As it is written above, defining family business from a law point of view is challenging because there are many influencing factors and formal control is just one of them. Another issue is leadership which includes the leadership style, the values, the management itself. Involvement in management by family members is fundamental to delimit a family firm,

especially for SMEs where often top management is occupied by family members whilst for big companies this is different and crucial because of the required high skills.

Furthermore, transgenerational question must be considered to define a family firm. Even if the European Commission does not mention it in the jurisdiction, the desire for transgenerational control and the intent of passing the firm on to next family generation are crucial points to distinguish a family firm from a non-family firm. In this perspective, a lot of empiric studies tend to split first-generation firms by later-generation firms giving importance to transgenerational outlook: a family firm must be constituted by control over generation and hence it has to be not limited to the founder. However, this is not globally accepted, and many argue that to be defined as family firm it is enough the involvement of family members from the founder generation.

Legislature has not properly defined family business yet. This kind of company must be treated apart from the rest of companies because of its intrinsic nature. The point of the matter is that family firms are constituted by family on one hand and by company on the other one; these are two separated entities, and they try to coexist. Hence, much of company depends on family and on its values. Probably, this is the reason why it is so difficult define it.

1.2 The unique nature of Family Firm

The idea that family businesses are out of date in modern economies is itself out of date. During last century, the development of Anglo-Saxon system following the II World War has imposed the Public Company System as the future, but this is not true. First, both U.S. and Great Britain economies are full of private family companies and second, the rest of the World, emerging as well as developed economies are still dominated by family firms. In this contest, A. Berle and G. Means argued in their great work “The Modern Corporation and Private Property” (1932) that Public Firms were replacing family business over all industries but also, they highlighted the rising issue of conflict of interests between the widespread number of shareholders and professional managers. Also, in “The Nature of the Firm” (Coase, 1937), author stated that firms make sense when the cost of doing things is lower than the cost of contracting those things out (Economist, 2015). Even if in the mentioned period, there was the boom of Public Companies, the authors recognize the importance of Family Firms and their vital role for the entire economy.

In a very interesting article, Lea J. (1998) gave a particular definition of family business: "*A business is a family business when it is an enterprise growing out of the family's needs, built on the family's abilities, worked by its hands and minds, and guided by its moral and spiritual values; when it is sustained by the family's commitment, and passed down to its sons and daughters as a legacy as precious as the family's name*". Of course, this definition is not juridical and not helpful for researching purposes at all, but it gives an insight of how families and their companies relate and influence each other. Also, the artificial dichotomy created by many practitioners and researchers between family and non-family businesses is not enough to define the first ones. Indeed, even among family firms there are many differences and aspects that are as unique as families. They could be differentiated by size, or a family can manage a single firm or an entire business empire, many families act just as owners while others are involved also in managing them. Furthermore, each family brings its values and style inside their firms and control them as they believe. In his work on the role of families in society, sociologist Bourdieu (1996) argued that family is "a world in which the ordinary law of the economy is suspended, a place of trusting and giving, as opposed to the market and its exchange of equivalent values".

Another point increasing the difficulty to define family businesses is the perception of identity by families who own a firm. Many of them do not qualifies themselves as family firms even if they have got all the credentials to be considered like that, while other families consider themselves as family firms' owners even if for different parameters they cannot be considered as such. This divergence has been argued by a study conducted in the United Kingdom (Westhead & Cowling, 1998) where 17% of the owners of a firm controlled by a family did not perceive themselves as part of a family firm while, on the other side, 15% of the sample sees itself as owners of a family firm despite their low level of control. That points out the question and once again proves the inconsistency of the definition, leaving a complicated hole to fill in jurisdiction. Indeed, there is no way to assess mathematically many issues; it is possible and hardly recommended to measure or to forecast performances of a business, but it is impossible use numbers to determine, for example, the values of a family which influence its firm. These are anthropological questions that is not numerically affordable. However, it is possible to understand how firms and families affects each other and what makes family businesses unique. To this concern, in "Managing the Family Business" the author places to readers this question: "What are the specific ways in which families influence their firms?"[1].

[1] See Zellweger (2017).

Using different approaches, next paragraph tries to answer that question to understand how to afford the topic.

1.3 How to approach Family Firm

Starting from the question above, it is dutiful remember the intrinsic divergence between the system family and the system firm. They are two separated entities but in case of a family business, they interact and blend their values. The most obvious way to describe this situation is the two-circle model which depict these two identities, underlying reasons for the tension between them: on the one hand, family unit is emotional, with long-term perspective and non-financial values while on the other hand, company encompasses a rational method, with a shorter-term perspective and with the purpose of the profit[2]. This kind of model gives the idea of a hard inter-relation between family and firm but does not give the explanation of how the former influences the latter.

With this purpose in mind, there is a need to extend the two-circle model in to the three-circle model. This model is indeed built on the interweaving of three circles, each one representing family, management and ownership[3]. Here, the focus is on the characters that can join family business. Again, it is not exploiting how family members affect firm life but at least highlight the different positions available for people inside the company. Of course, this is a very simplistic way, and it is not scientific at all. There are several questions that arise from that picture but at the same time, it is clear about relevant roles and divisions.

These are quite abstract methods, useful for understanding the framework of a family business but useless for assessing them. Economists and researchers have tried for many years to analyse this topic; however, everything has been difficult since the lack of a proper definition and then a trouble in gathering and using properly the data. Shanker and Astrachan (1996) have tried to address this need; they did not give a single definition to family business in US rather they classified family firms in three categories depending on family members involvement in business. For example, in the broader definition the aim is just the control of strategic direction and the intention to maintain business in family. For the middle conditions, is relevant to run the business for the founder or descendants, until the narrow definition, where there are more stringent conditions like multiple generations, direct control on

[2] See Appendix A, Fig.1
[3] See Appendix A, Fig.2

ownership and management. This brought authors to analyse the impact of family business on GDP and employment according to affiliation to one of the three groups. Indeed, they associate a definition for each group, from a broad one, where family involvement is less existing in business, to a narrow one, where there is a lot of family participation in the company. In line with the broader definition, they find a relevance of 90%-98% of family business in all US companies which correspond about 20.3 million family business in the whole country. If they use the narrow definition, the number of family firms, which meets these tightest conditions, drops to 4.1 million. This great difference of course is reflected also on the impact over GDP and employment[4]. In this work, authors do not pretend to give a definition to family firm because perhaps there is no one; they have used different level of family members involvement in business, and they have analysed different impacts overall economy depending on them.

More selective in this sense was the choice of Klein (2000) few years later in his work; he pretended to distinguish and to build up a wall between family and non-family firms. Obviously, he was conscious of the hard task to define a family business but also, he needed it to analyse data and to make research. Indeed, differently from Shanker and Astrachan, he uses just one broad definition for family firm and then working on dataset using that definition and anyone else.

A more prominent method to assess influence of family on business is the F-PEC model (Astrachan, Klein, & Smyrnios, 2002). It does not claim to separate family firms from non-family firms, rather it seeks the influence that a family has on the business, whatever the company it is under examination. To do that, authors built the model on three dimensions that allow to measure the influence of families. First, the power dimension which catches the degree of control over ownership and management. Second, the experience dimension with focus on time in terms of number of generations for which firm has been ran by same family. Finally, the cultural dimension that assesses influence of values from family to firm. As it is stand above, this model does not identify what is a family firm but thanks to these three subscales which compose the F-PEC, it is possible measure the level of family involvement and its effects on performances of business. Hence, F-PEC has not been considered as a categorical variable, rather as a continuous scale. This model has been the beginning of a new

[4] See Appendix A, Fig.3

vision of family firms for researchers and stakeholders and it has been deployed with several econometric methods.

1.4 Family Firms vs Non-Family Firms

It is impossible to fully separate family firm by any other type of companies. As it is already specified in this chapter, there is not a precise cut-off with the non-family counterparties since it is impossible to define what is a family firm. It is also stated that is not about the firm's size, whether they are public or private or the kind of industry they belong, the main point is how family influences its firm and this is what characterizes family businesses by other ones. Then, in this part, it is listed a pool of positive and negative features that distinguish family firms by non-family firms, without considering which one is better on terms of performance and productivity, but just listing them.

Starting from the top of analysis, the first point is the agency issue. In a family firm, where family members join both ownership and management, agency cost shrinks substantially (Habbershon & Williams, 1999); this depends on the fact that there is no incentive mechanism, and all family members should have same purpose. On the other side, this happens if family exhibit harmonious relationships because otherwise, if something wrong matters inside family, and this is a quite normal situation thinking about all problems within families, it could spread on business with a negative effect. Another question rising on this point, is nepotism; indeed, it is routine that entrepreneurs choose their heirs for top positions even if these last are not able to cover them. This behaviour can also affect the perception of unprejudiced treatment among other employees which are not family members.

Related to previous point is the long-term perspective of family firms compared to non-family firms. They tend to have long-term view because of their willingness to keep the business over generations and this allows for investments that are costly in the short-run but usually highly profitable in the long-run. Linked to this issue is the entrepreneurial orientation that is the core of a firm. It means the founder or hires must take risks, have a vision, and make investments, but not necessarily it works like that. It often happens that family businesses prefer rest on their laurels without taking too many risks and consequently, avoiding opportunity to improve their company and this is not compatible with entrepreneurship (Lumpkin, Martin, & Vaughn, 2008).

On other issue related to both ownership and management is the overlap of roles among family firms with respect to non-family ones. This is crucial, especially in SMEs where usually the same person can be the owner and the CEO and having other family members as shareholders and managers. On one side, this helps to reduce decision times and to be more efficient, although it can bloom in situation where entrepreneur has got too many responsibilities and it cannot afford all the questions (Habbershon & Williams, 1999).

Another topic which is dutiful to point out is the difference on getting resources, whatever they are. This expression is not casually used because resources here is meant as both physical and human capital resources, organizational capital resources and process capital resources (Habbershon & Williams, 1999). Because of their long-run vision, family firms have also very long relationships with stakeholders like clients, suppliers and so on. This tie brings trustier connections, which together with knowledge of business, allowing cheaper and better resources. For the same reason, family firms have very loyal investors that provide patient capital, increasing their equity value. However, families involved in businesses tend to provide most part of their capital, by reducing the possibility to innovate and growing. Also, they have less orientation to globalization and new capital, leading to a minor access to financial markets. Furthermore, being family firm can be negative in hiring talented worker; indeed, entrepreneur gives in many cases top positions to its heirs, then avoiding hiring the best talented non-family members. This does not happen in non-family businesses where young people have more possibilities to make career and to achieve top positions.

2. Family Firms' Economy

All over the world, family firms are predominant. Of course, their relevance is different country by country, it depends on the industry sector and size, but their leading role is evident by different point of views. Family businesses accounts for 70% to 90% of total firms on Hearth (Family Firm Institute, 2017), going by a very huge presence in Europe (Botero, Cruz, De Massis, & Nordvqist, 2015) and in economies like South-East Asia, Latin America and Africa to a lower presence in Japan and U.K. (La Porta, Lopez-De-Silanes, & Shleifer, Corporate Ownership Around the World, 1999). Even in U.S. family firms are broadly present (Shanker & Astrachan, 1996). However, as it is explained in the first chapter, the lack of a unique definition for family firms does not allow to have precise data on this field. In this chapter, it is illustrated the share of family firms around the world, their impact on macro-economic factors and the industries where these firms are relevant.

2.1 Family Firms relevance around the World

In many macro-regions, family companies are the backbone of economies. This is the case of Asia and Pacific region. According to Asian Family Businesses Report (2011) by Credit Suisse conducted over 3568 publicly listed family businesses in 10 Asian countries with over USD 50 million market capitalization, family firms account for about half of total firms and they have a higher concentration in South Asia with respect to the north of the region. The highest prevalence of family firms is in Hong Kong and South Korea, where they also have seen a percentage increase in the number of listed family company from 2000 to 2010 of respectively 49% and 37%. Even in China, where there is a strong presence of state-owned enterprises, there has been over last decades the higher percentage increase of family businesses. Further, in Singapore, almost 90% of industrial companies are family firms (Lee, 2006).

Quite different is the situation in MEA region (Middle East and Africa) for the family firms. Even here, the role of families in economy is powerful but it needs few specifications. For example, defining the cut-off between family firms and non-family firms in Middle East is not easy because of cultural problem; indeed, the concept of family in this region is different from the idea of family in Western World. Few families have the power over most of the family businesses since family ties reach many people and not just the immediate family or

the heirs. Moreover, the control structure and management depend on the religious affiliation of families; this affects the style, from authoritarian to consultative and of course, it has huge impact on the kind of firm (Welsh & Raven, 2006). However, authors highlight the relevance of family businesses, for example, in the commercial activities of Gulf Cooperation Council and in Lebanon. In Africa, other social problems must be considered: the colonial period and the political instability. Even if on the one hand family businesses had their beginning with the arrival of the Europeans, on the other hand this stopped the home economy until countries have started to get their independence. Nevertheless, another question arises, that is the political instability in most of the Sub-Saharan Countries and beyond. This of course has limited the economic development as whole, not only family businesses. By the way, recent researchers show an increasing number of family businesses in many African Countries, especially of micro and small dimensions, which are boosting the African Economy (Zellweger, 2017).

In Latin America, the relevance of family firms is huge too. Depending on datasets and on the kind of definition, between 65% and 98% of firms are family controlled. For example, in accordance with Tharawat Magazine (2014), in many Latin American countries the percentage of family businesses in private sector is higher than 90%, like in Dominican Rep., Venezuela, Chile and Brazil. Still, the difficult to have statistic data in many countries is difficult but the importance of family businesses is undoubted.

Taking up from the first chapter, the work of Astrachan and Shanker (1996) quantifies the number of Family Businesses in US following their model. They divide the concept of Family Firms in three subgroups, starting from the broader definition, which includes about 75% of firms that are managed by a firm. Then, this amount shrinks when the definition becomes more stringent up to 45%. Finally, this percentage becomes even smaller, around 15%, when definition incudes family firms under the control of the same family for more than one generation and with a family member in top management. Quite similar are the results of the Family Enterprise USA’s research (Pieper, Kellermanns, & Astrachan, 2021). Even here, authors range family firms’ world into three different categories, according to the level of family influence on business. Following their “Bull’s Eye”, the broader definition includes 32.4 million of family firms, which corresponds to 87% over total companies, computed by tax returns in US. The middle ring contains 9.1 million family businesses, accounting for 25% of business tax returns. Finally, the narrowest definition of family businesses accounts for about 19% over total tax revenues.

In Europe, the economic statistics and most of the literature in the field of family businesses demonstrate that this kind of company is the backbone of European Economy. According to the definition of the European Commission, which gives a narrow definition of family firms and where the criteria are cumulative and not alternative, in Europe the percentage of family firms over all companies is between 70% and 90%. In many cases like Italy and Germany the presence of family businesses is even greater, while in other like Netherlands and UK is a bit lower. Furthermore, a study conducted by European Family Businesses (2015) showed very similar results with the exceptions of Malta and Bulgaria, because they use a different definition of Family Business. Other studies have been carried out by a lot of researchers and by the European Commission, whit the result that family firms are relevant and essential in the European countries and that they are boosting the economy.

2.2 Family Firms impact on GDP and Employment

Despite the huge amount of family firms around the World relatively to the number of companies, the economic contribution is not as high as one could expect. This is given by the not negligible issue that family businesses are, on average, smaller than non-family counterparts. It follows that the contribution in terms of GDP and employment will never be high as the share of family firms over the total number of firms.

In Europe, for example, there is a very high presence of family firms among SMEs, until to about 100% for micro enterprises (up to 10 employees) but the number with respect to total firms decreases with the raise of size. However, this does not imply the absence of family firms among the biggest companies all over the World. A Final Report written for European Family Businesses (Mandl, 2008) noticed that in several European Countries as Luxembourg, Norway and Sweden more than 30% of the largest firms are family owned and this percentage is even higher for Belgium; further, these statistics are confirmed by Fortune 500 with respect to the greatest businesses of the entire globe. In this report has been cited also an estimation of the Institute für Mittelstandsforschung Bonn where it has been highlighted the negative relationship between the size of the firms and the share of family firms in Germany; starting from 97% of family businesses among those with turnover lower than EUR 1 million, to a share of 58% when the annual turnover is over EUR 50 million.

Considering the negative relationship between the share of family firms on total firms and their size, one might also expect the lower contribution on macro-indicators like employment

and GDP, but the recent literature does not show a clear representation as in the case of firm size. Also, according to the work of the European Family Businesses (2008), family businesses' contribution to employment is around 40%-50% among European Countries, with picks of 70%. By the way, these data show that family firms are smaller than their counterparts. The same goes for U.S. where the percentages of employment in family firms is slightly lower than the respective shares of family firms all over the companies. Even for GDP, in U.S. the numbers are quite the same. Following the Bull's Eye pattern mentioned above, authors found that in the broadest ring, family businesses account for 54% of private sector GDP, in the middle ring 23% and in the narrow ring the value of GDP produced by family firms is 14% of private sector. Very similar speech applies to European family businesses contribution to GDP, which varies between 20% to 70% depending on the definition given and on their creation of added value for each country.

2.3 Family Firms' habitat

After analysing the lack of juridical definition of family firms and the difference in their presence and contribution to the economy around the world, it is dutiful also trying to understand in which kind of economy they are more prolific. Afterwards, it is explained in which sector family businesses are prevalent and what is the legal and socio-political situation they prefer.

Family businesses are the backbone of economy in most of the world and their presence is relevant, although sometimes more sometimes less, from SMEs to large corporations, from private to publicly held companies, from richest countries to poor regions. Their presence is also related to the kind of industrial sector. It is easily predictable that family firms are more important in traditional and labour-intensive sectors, where the long-term commitment of families and employees, the mutual trust and the roots on the local society must give an advantage with respect to non-family firms. Where it has been possible to gather data, it has been shown that family enterprises are prevalent in the agriculture, tourism, manufacturing, construction, and other service-related sectors while it is less present in high-tech and financial services. A study conducted by FBN (Family Business Network) highlighted that

more than 40% of family businesses are distributed over three sectors: manufacturing, construction, and wholesale/retail trade[5].

There are also very interesting sectors where family firms are particularly dominant. Beer industry is one of this: ABInBEV, Heineken, Carlsberg are examples of huge groups still controlled by their founding families. Another sector where family firms play a central role is the world of car manufacturers from Japan, with Toyota, to U.S., with Ford, passing through the greatest European automotive companies as Volkswagen, BMW, Fiat and PSA[6]. Noteworthy is also the media industry; for example, in US eleven of the twelve largest publicly traded newspaper companies are family managed. This last case might explain the social and political role of family firms. To conclude, Villalonga and Amit (2010) have found in their job three reasons why families are more likely to keep control over firms: when the efficient scale is small, the need to monitor employees is greater and when there is less stock turnover, which means long-term investment horizons by shareholders.

There is a thesis which has taken relevance according to a lot of literature on family firms and this is the fact that family firms tend to be more important in emerging market and in countries with underdeveloped capital markets. Bhattacharya & Ravikumar (2001) listed three very important stylized facts on family businesses: first, they are predominant in the early stage of an economic country's development, second is that their relevance decreases with the increasing of capital markets and third, they remain fundamental in the economy despite their diminishing dominance. Furthermore, the governance of a family firm can overcome the lack of protection of property rights quite common especially in emerging market countries (Gedajlovic, Carney , Chrisman, & Kellermanns, 2012). This demonstrates that family ties and trust-based relationships are the lifeline where there are weak formal institutions. It seems that family firms flourish more in countries with lower meritocracy, weak investor protection and less developed capital markets. This is also demonstrated by the share of family firms that decreases with the increase of the size.

2.4 Summing up

The main problem that has raised in the whole economic literature around family firms is the impossibility to give a precise and global definition to this type of enterprises and this matter

[5] Mandl (2008)
[6] Fiat and PSA merged in Stellantis since January 16th, 2021.

when there is the need to analyse them. Many features characterize family firms and distinguish them by non-family ones but still, it is hard to get a cut off between them. Surely, there is the certainty that family companies are the backbone of economy around the world and that there are predominant in many industries, especially in labour-intensive sectors and where family ties matter. It is also clear the negative relationship between the share of family firms and the size of the company: almost all micro and small enterprises are family managed whilst their share decreases for big sizes and then for public traded companies. The economic contribution is complex to count but they have a key role in developed as well in emerging countries. To conclude, besides the importance of family firms, it is impossible and unfair to classify them in a single definition because of the very different situations and cultures in which they grow up and for the risk to over or underestimate their contribution to economy.

3. Excursus on approaching Family Firms

Over the last decades many theories on family firms have been developed, each one with different features. As a unique topic, they did not receive enough attention because, especially at the beginning, they were considered as all the others non-family companies. So far, this thesis has highlighted many reasons why family businesses cannot be assessed as non-family businesses because of the huge presence of family firms around the world (Shanker & Astrachan, 1996) and the involvement of family unit. Literature, using a mainstream theory for family firms, has failed in considering many aspects that cannot be neglected, like the emotional ties, the non-financial goals and other unique issues regarding the family business' world. That is why, studies on the topic have developed from agency theory during 1970s with the principal-agent problem (Spence & Zeckhauser, 1971; Holmstrom, 1979); where the aim is to maximize the objective functions of the agent and the principal, given many assumptions (Namazi, 2013). The stewardship theory is the second paradigm used to explain management in family firms: it approaches governances also throughout the sociological and psychological issues that agency theory does not consider (Davis, Schoorman, & Donaldson, Toward a Stewardship Theory of Management, 1997). Finally, Socioemotional Wealth (SEW henceforth) is explained because it has become the most relevant theory on family businesses field thanks to the innovative approach to consider a family firm as an entity completely different from the other types of enterprises; this model studies how family tries to preserve their socioemotional endowment rather than pursue financial goals (Berrone, Cruz, & Gomez-Mejia, Socioemotional Wealth in Family Firms: Theoretical Dimensions, Assessment Approaches, and Agenda for Future Research, 2012).

3.1 From Agency theory to Stewardship

The agency theory has origins far back in time because of the eternal and physiological divergence in interests between an owner and a manager if, of course, they are not the same person[7]. In the last century, this model has been studied continuously by different economists and by different perspectives. Ross (1973) was the first to propose a mathematical model of agency theory which is called the principal-agent model. Then, the expression "agency costs" was coined to encompass all the expenses in terms of incentives and policies used by the

[7] Traces of this topic have been found even in "The Wealth of Nations", by Adam Smith, 1976.

owners to align the manager's interests with their own purposes. Then, agency theory has been exploited also for the contrasts between lender and borrower and among minority and majority shareholders (Chrisman, Chua, & Steier, 2003). Talking about agency perspective in family firms, it is rightful to consider the relationships between family owners and family managers and with non-family managers for the purpose of this thesis.

In the first case, there are two possibilities: when the interests are aligned and when they are not (Zellweger, 2017). Since the definition of family business encompasses also small and micro enterprises, it is frequent finding organization where the owner and the manager are the same person; hence, agency costs are naturally reset to zero. Even if they are not the same person, they belong both to family and the parental ties allow for a trusted and benevolent relationship where interests are aligned. The consequence is a very low cost for monitoring and incentives which lead to a better performance with respect to their non-family counterparts. Many researchers have found that reality is not that easy. Indeed, few problems arise when managers and owners belong to same family and Schulze et al. (2001) show that the reason is mostly altruism. Sometimes, children or heirs may exploit enough parental ties to free ride or shirk their duties. Also, if this happens, family owners can be hesitant to sanction them, increasing the risk to underperform. The authors than, concluded that even when both managers and owners are from the same family, a governance structure is needed to avoid the misalignment of interests. Considering many negative relationships between the presence of family managers and business performances found out in the literature, the assumption of agency theory fails[8].

In the second situation, problems arise when owners have to hire and motivate skilled non-family managers. All these issues come with a cost and, as it is explained later in chapter 4, this is challenging since many high-skilled managers prefers to not work for a family firm. As well, costs increase by monitoring their employees. Owners shall find the right way to monitor, being not too much oppressive neither too light. Also, they need to incentivize managers and the principal-agent model becomes valid.

Despite, the application of agency theory in family firms finds several problems in literature, as already stated above. Chrisman et al. (2003) explain this with the different structures and objectives that family businesses may have with respect to non-family ones. Then, authors come to the conclusions that agency costs in family firms, unlike non-family enterprises, are

[8] Which assumes that owned and managed family firms should benefit from increased performance.

mostly given by altruism and the tendency for entrenchment. Gomez-Mejia et al. (2001) have shown how entrenchment leads to higher agency costs in family firms with respect to their counterparts. Also, Morck et al. (1988) have find that management entrenchment is negative related with firm's performances. Also, Chrisman et al. (2003) consider altruism as an issue which differentiates family firms by non-family ones; when management and ownership belong to the same family, then agency costs are minimal.

In this context, the stewardship theory has developed because according to it, managers have same sense of duty and same interests of owners (Davis, Schoorman, & Donaldson, 1997) while Chrisman et al. (2003) see this approach in a more simplistic way, considering enough the mutual altruism between managers and shareholders to talk about stewardship. The agency theory's assumptions made on individualistic utility motivations may not hold for all the managers, especially in a delicate situation as family firm is. According to Davis et al. (1997), additional theory is needed to overcome this issue and to consider also non-economic assumptions. In stewardship theory, managers are steward whose motives are aligned with the ones of the principal and the whole organization. Even if interests are not aligned, the manager in stewardship put more effort in cooperation than defection and therefore steward gets greater utility by cooperative behaviour. Furthermore, Donaldson and Davis (1991) have showed that CEOs which are stewards perform better, exploiting this pro-organizational feature, because they increase their utilities with the organizational rather than self-serving objectives. Hence, in this context, agency costs about monitoring decrease and stewardship theorists state that is better to empower and to increase managers responsibilities.

To conclude about these two fundamental theories on the management in family firms, a table from Madison et al. (2016), which compares the most important features of the two approaches, is placed in Appendix B[9]. In their work, authors made a review of the literature on this topic and compare the main issues, showing that the two model are too different to be considered each one better than the other. Indeed, they highlight that from agency point of view, success comes by hiring the most skilled and capable CEO, while by stewardship perspective, better performances stem from ability of CEO to build good relationships, by marrying the family values and fitting with the organizational culture.

[9] See Appendix B, Tab.2.

3.2 Socioemotional Wealth

Agency and Stewardship theories have been used a lot in explaining family firms' performances and the relationship between owners and managers, considering both family and non-family members. However, during last decades the necessity to approach the family businesses world has led to the development of a new theory: Socioemotional Wealth model (SEW from now on). The SEW model suggests that family firms have as objective the preservation of SEW, which refers to all the affective aspects of family owners, and consequently, all the decisions are made on this basis (Berrone et al., 2012). However, the way to measure SEW is not clear at all and then, the purpose is to understand how these non-financial goals alter strategic decisions of family businesses.

The SEW is considered an index that encompasses all the sub-dimensions that affects the emotional values. In explaining that, this chapter refers to the model proposed by Zellweger (2017), in accordance with the literature on the topic and with the literature review on SEW by Berrone et al. (2012). Following this model, SEW consists in four different dimensions, each one describing a specific emotional aspect which derives from being family owner of a business:

1. Transgenerational control

It is the intention to pass the family control over the firm throughout generations. Transgenerational control allows family owners to create an emotional attachment with the firm and to keep it across generations, establishing a family legacy. This is different from the long-term perspective of a firm; however, one implies the other and transgenerational control is a key feature of a family company. As already stated in previous chapter, the perpetuation of family values over years and the intention to control it for various generations leads to an investment strategy that create patient capital (Sirmon & Hitt, 2003). Finally, transgenerational control is also considered in most of the countries as one of the characteristics to be defined as family business.

2. Benevolent social ties

This point concerns all the emotional ties that can develop in a family firm environment, where relationships are characterized by mutual support, loyalty, benevolence and trust. In this sense, benevolent social ties represent a clear contrast with non-family firms where relationship are just linked to a material return. This environment is shared by family owners

with non-family employees and all other stakeholders, creating one of the advantages that characterizes the family firms with respect to their counterparts. As Berrone et al. (2012) show in their work, these benevolent social ties affect and are affected by activities for society and community, like sponsorship for sport team and charities, improving their benevolent image also outside the company.

3. Identity and reputation

The support for social and philanthropic activities holds also for the dimension of identity and reputation; indeed, it regards the value extracted by the family in being identified with the firm. Especially in local context and over time, family may benefit from the reputation of the firm and it can be considered as an important factor in the community. This perception becomes particularly relevant when the family and the firm share the same name which is a signal for internal and external stakeholders of the fact that the company is an extension of the family. However, this effect is a double-edged sword in case in which company is accused of financial or ethical misbehaviour; this causes negative effects on family's reputation that may be emotionally devastating for family members (Westhead, Cowling, & Howorth, 2001).

4. Emotions and affect

In a family firm, emotions are particularly relevant, and they can be both positive and negative. By their own nature, families are characterized by these relationships and because of the intertwining with the company, they may expand in the organization affecting work environment. Sometimes emotions negatively impact business as the case in which there are conflicts between siblings; that is why, the improvement of these relationships is also important for consequently financial results. Also, family members may be satisfied by their linkage with the company and the entrepreneurial activities, which leads to an emotional attachment that is not possible in their non-family counterparts.

In the end, the four dimensions are all related each other and simultaneously affect the SEW, which in turn is fundamental for the owners' strategic decisions. Also, the opposite holds: business decisions have an impact on SEW. Preservation of SEW is probably the most important challenge for a family firm and family shareholders may allow a loss in it only for very particular reasons or for a higher compensation in financial terms.

The SEW is probably the approach which fits more the family firms' world. As discussed above, it has a clear differentiation by a classical approach on firm's performances where the

financial point of view is determinant. In mainstream theory, an owner or manager must focus on the maximum expected return considering a given risk. On the other side, SEW has to be, at least, preserved and then financial and risky decisions are taken with regard to it; financial viewpoint is considered not as an output but as an input. Hence, family firms have several goals to achieve, and they are usually related to the concept of "familiness" (Chua, Chrisman, & Sharma, 1999) despite financial wealth may not be maximized. This typical way to manage family firms bring them to make decisions which can appear to be irrational. For example, they diversify less their investments and assets even if diversification can reduce the portfolio risk (Anderson & Reeb, Founding Family Ownership and Firm Performance: Evidence from the S&P 500, 2003). Also, this emotional attachment decreases the probability to engage in divestments even though often a merger or a private equity fund is necessary for the survival of the firm itself (Feldman, Amit, & Villalonga , 2006). Also, SEW decreases when firms enjoy a consortium or a cooperative; that is why, they may prefer to stay alone even if this does not improve performances as a cooperation does (Gomez-Mejia, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007).

It is possible to notice that SEW is probably the better approach for family firms, more than agency theory and stewardship; at the same time, it needs to be developed and to be correlated with the financial view. Still, it is a more qualitative measurement than quantitative but further implementations may help to use it more properly in empirical research.

4. From governance to management: the curious case of Family Businesses

The previous section gives an overview of the family firms world, considering the difficulties to define a family business because of the intrinsic nature and the specific characteristics. Also, it mentions the way to approach the topic, explaining that it is an interweaving of two different identities: the family and the firm. That is why, it is necessary to study them differently with respect to other enterprises. After listing few dissimilarities among family and non-family businesses, the second chapter depicts a summary of the presence and contribution of family firms over the world economy.

From this chapter onwards it is going to deepen the question of management in family enterprises and to check for all the variables that affects the business performances. Furthermore, it aims at understanding what is better in terms of firm performances between choosing the top manager among family members or hiring it from outside of parental ties. Before going on, an explanation of the corporate structure in family firms is due; there are many dissimilarities with common governances and literature usually do not take in considerations all the items that occur in family businesses.

4.1 Family Firms Governance

Whatever enterprise or corporation needs an organization in terms of rules, rights and obligations and that regulation is given by the firm's governance. Throughout the corporate governance, the firm manages all the responsibilities and duties of all stakeholders, from the board of directors to the clients and suppliers. It provides the framework for attaining the mission and the objectives of the firm which means it also involves the management, internal control and the measurement of performances. Each company has its governance because it depends on the features of the firm itself, on the environment, on the industry in which it cooperates and on the owners. As it works as a whole, it also works for family firms where the distinguishes features are even more pronounced. One can think that in micro-small size family firms there is no need of governance because the alignment of interests since it is owned and usually managed by the same person, but a lot of literature shows that also family businesses need a governance structure for the sake of the company.

4.1.1 Why do family firms need governance?

As it is introduced above, one may think that family firms do not need a governance because of a big presence of family's share which implies same interests, alignment of goals and same values. This can happen in micro-small size family businesses, where the founder or his heirs cover all the main positions and there is a clear centralization of power, but it tends to be unreal as company becomes larger. In this scenario, which is one of the most important assumption of Agency theory, block-holders want to maximize the financial value of their ownership stake; that is, family owners manage firm and act trying to achieve all for this purpose. However, this view is far from reality because the scope of family is not just increasing financial value, but also keeping their control over generations, having an impact on society and other benefits not necessarily financials.

In organization where there is no governance, several problems come out. A first effect is the risk aversion caused by the undiversified wealth exposure of block-holders; indeed, very common in family firms is the link between corporate assets and family assets. This situation brings owner to be more hesitant with respect to innovation and growth. Morck et al. (2003) showed in their work that concentrated corporate control hinders growth and innovation because of the entrenchment of block-holders in preserving their ownership stake. The question of undiversified wealth is also related to the fact that family owners are strongly incentivised in hiring professional managers to run their business, to monitor and eventually to sanction them but even here, many empirical studies proved that this is a utopic world. In agency theory, all these assumptions are given, and family members are perfect owners that always do the best thing and hence there is no need of governance. However, literature often shows doubtful conclusions and family firms need a particular governance for their issues which is made on its own likeness.

As already mentioned in this paragraph and discussed in the literature about the nature of family firms, owners do not only look for financial goals. Despite this is a main point and a crucial aim, family firms have as well reputational and transgenerational purposes. Therefore, in last years the theory of socioemotional wealth has become prominent and it is going to be addressed forward in this thesis[10].

Another reason why family firms need governance is the possible conflict among blockholders and the misalignment of interests. Until the presence of the founder or of a

[10] See Chapter 3 about Agency Theory and SEW.

unique family owner, this problem does not arise but when the number of family members augments because of heirs and in-law partners, then the probability of divergences increases. Cacciotti and Ucbasaran (2017) finds out that the problem of many family members among owners can affect the stability of control not only because the misalignment of interests between them but also in the negotiations with non-family shareholders over corporate strategies and wealth distribution (Miller, Minichilli, & Corbetta, 2013). Further, it must be always considered the possible squabbles between family members that also have relevant position in stewardship and then, they are more likely to divide rather than unifying.

By linking to the result of Cacciotti and Ucbasaran (2017) another crucial point comes up: the detriment of non-family shareholders. This situation is unfortunately frequent, and it is caused by different reasons; for example, extraction of private benefits by family blockholders or the risk aversion with respect to innovation and growth. A study conducted by Claessens et al. (2002) found out an interesting effect on performances over a sample of East Asian family firms. They showed that exists a positive relationship between the value of the firm and the cash-flow ownership of the largest shareholders while the relationship becomes negative when comparing the value of the firm with the exceeding of control rights over cash-flow rights[11].

The results suggested by Bertrand et al. (2008) remind the previous points about inefficiency of too many family members on top positions in the firm. There is a clear negative relation between the size of the family and performance of the family firm itself. This is caused probably by the decentration of power, by the misaligned interests among family members (especially sons) and the extraction of private benefits. All these issues emerge often after the founder is gone and then, the authors highlight another big problem which is the decrease of entrepreneurial abilities across generations until the mean of the population. This argument is more physiological with respect the other ones but is surely a component that has not to be neglected because is one of the reasons of detriment of family firms after the very first generations; it has consequences not only on firm management but also on the role of supervisory and ownership.

Considering all these issues, it goes without saying that a governance is needed for family firms too. The agency theory does not necessarily hold for family businesses as for non-family ones. Both internal and external governance mechanisms that hold for non-family

[11] See Appendix A, Fig.4 and Fig.5.

firms often do not works for the family enterprises because of the involvement of family on the firm's life. The issues regarding squabbles among family members, divergence of interests between block-holders and minority shareholders and all the other points highlighted above suggest that an organization which gives rules and roles is necessary for the sake of the firm.

4.1.2 Specific Governance problems in Family Firms

It has been highlighted the importance for family firms to have a corporate governance even if in same cases it can seem redundant. Many questions arise when there is no rules and a precise supervision over top positions, and this compromises business' performance. However, many problems exist although there is a governance and leaving aside the usual issues of general firms, in this paragraph the focus is over the specific challenges for family firms governance.

To discuss about this topic, it is taken into account the analysis of Zellweger (2017) which shows many peculiar governance symptoms of family businesses through a table and lists four big questions that can happen in this environment. Tab.1 represents a list of problems which are very common in family business and may deteriorate value of the company itself[12]. Few of them have been already mentioned and analysed in previous chapter and their impact is more perceivable even from outside, e.g., the non-financial goals or the favouritism/nepotism. Further, many other less considered problems have a huge impact on the life of a company; for example, the inappropriate interference of family in the firm happen when family members intervene in questions which are out of their competences nevertheless the presence of a governance. Another issue with indirect consequence is the higher compensation required by non-family investors for the risks related to family control. A case in point is the one related to family business group where family members exploit their control over the group to, for example, transfer money from a business to another for their own wealth.

Zellweger suggest four macro-questions that involve all the others*: altruism-induced governance problems* (1), *owner holdup governance problems* (2), *majority-minority owner governance problems* (3) and *family block-holder governance problems* (4).

The first question is related to the favouritism from parents to children which takes place in different situations; indeed, in family firms, interactions and relationships among family

[12] See Appendix B, Tab.1

members occur both by contractual agreements and by familial ties. One consequence of this is the unclear method in hiring heirs deterring labour force from outside which is on average more competent. The presence of children in top manager positions is also harder to supervise because of the familial ties between owner and managers. Furthermore, family members can exploit this benevolence to get private benefits. This last point is also found out by Schulze et al. (2003) and authors specified that this problem arises especially when a family member is the CEO creating many agency costs.

The second question that arises in family firm's governance is the one related to agency theory; more precisely, is the supervision of owner over nonfamily managers. By definition, in family businesses, owners run their enterprise as they prefer, deciding to grow more, to not grow, to use resources in other purposes and this, obviously, has huge impact on the role of professional managers. Further, as already mentioned, owners can decide to put family members on top positions, destroying competitiveness and meritocracy and sending discouraging signals to non-family employees. By consequence, this brings to the difficulty of hiring very high-skilled people and it is considered a huge cost both direct and indirect, (Schulze & Zellweger, 2016).

The third point is the one linked on the relationship between majority and minority owners. The disagreements among these two groups can be given by many reasons: different goals, different risk adversity, different dividend policy and willingness to growth. All these questions are due to the fact that majority owners abuse of their control: this happens especially in the presence of dual-class shares where voting shares can be higher than cash-flow shares. Also, majority-minority owner governance problem is evident in business groups, where family firms may divert funds at its own discretion. La Porta et al. (2000) demonstrated that conflicts between majority-minority owners are probably because in many countries legal protection for minority owner is low and then block-holders can abuse of their power.

Other than matters between block-holders and non-family managers and among majority and minority owners, the last problem in family firm's governance concerns the conflicts among the group of block-holders. Zellweger and Kammerlander (2015) show that the presence of multiple family owners leads to conflicts and to a misalignment of interests. As Bertrand et al. (2008) have suggested, this problem is more pronounced when the heirs are running the company and the founder is gone.

All these big problematics in family firm's governance can lead to very awkward situations resulting in bad economic performances. These kinds of questions are unfortunately common in family businesses and usually family members tend to ignore or to procrastinate them, but this is not probably the best solution. Rather, a good and fair governance structure, where rules and responsibilities are well defined, is a better choice for the sake of the firm.

4.1.3 Family and Wealth governances: singularities of family firm's governance

The heterogeneity of family, ownership, management and business makes hard the possibility for having just one type of governance structure. In family businesses this issue results to be even harder to address because the presence of family related governance areas. Usually, nonfamily firm's governance concerns corporate structure and ownership, but in the case of family firms it is also important to talk about family and wealth governance. Indeed, mostly for later generations companies and for big family business groups, these two governance shapes are particularly significant for the well government of business.

Corporate governance is the part that regards the cooperation among board of directors, managers and shareholders. As already discussed in the previous paragraph, in family firms the lines that separate these roles can be blurred and sometimes there is no separation. Therefore, family members can occupy different positions at the same time, for example like being both owner and manager, creating confusion about what he can do or not. Surely, in nonfamily firms this cannot happen, and a clear separation of roles is mandatory.

An essential document for the company is the shareholders' agreement which concerns the ownership governance. Especially when families are large, a legal document that defines the voting and the cash flow rights is necessary. At the same time, it is needed for the problems related to the transfer of shares: the right of first refusal, how to do with shares when an owner is gone, the right to buy back shares, and other circumstances that must be written for fairness. However, all these questions are general guidelines typical of all the governance's businesses even if not family firms.

Then, for all the issues arising in family firms caused by family members, a regulation that ensures the efficient operations of the family with respect to the firm is crucial; this is called family governance. There are three main reasons why family governance is so important: the uniqueness of the family and consequently of its related businesses, the establishment of all the other governance areas and the ability to put together family members and to align their interests forward an overall goal.

As first consequence, there is the outlining of fundamental values and beliefs. A family which is involved in a business must declare the mission and the goal following their own values, giving a purpose to their company and from which every decision is taken. After having in mind these notions, the family governance must define the involvement of family members in ownership and management. In this situation, the interweaving with ownership and corporate governance is strong. When family must delineate its participation in ownership it defines shares to hold in company and how many of them for each member and this job is strictly related to the shareholders agreement. Further, family decides about transgenerational problems: if it wants to maintain the power over the firm or to sell out it through an IPO. Then, the family charter defines principles that acquire legally binding obligations in the shareholder's agreement. However, the more interesting point is the one related to the involvement in management. In this case, family has to cope with several issues which regards especially young family members. Family governance should clarify the constraints that allows a family member to work in the firm (e.g., at what age, what are the skills required, what is the entry level, how should they be compensated, etc...). The questions that concern these difficult circumstances are already treated in previous chapters and they will be addressed more in details later. Other deals about family governance are the involvement in philanthropy, in society and in new entrepreneurial activities. These are less determining than the two previous points and mostly, they are completely at the discretion of the family. Founder of a family managed firm may decide to help their children in new businesses, funding them or giving advice, operating as a venture capital. Also, family members may fund some political party or public work.

The last pillar of family firm's governance is wealth governance, and it is strictly related to families. Indeed, it concerns the ability of family members to preserve and manage their wealth and consequently, to the ability of growing in long term horizon (Zellweger & Kammerlander, 2015). In this context, wealth governance assumes relevance especially for families that do not own just one asset but possess a portfolio of activities. This happens usually in old family businesses where the firsts generations exceeded the boundaries of the single company mostly for transgenerational reasons (Zellweger, Nason, & Nordqvist, 2011). Also, families control corporate assets as well as real estate, liquid wealth, and shares in no-profit associations, leading to the necessity of an official administration of their wealth throughout a financial expert advisor. To conclude, family wealth needs a governance to preserve itself by different views of family members and the necessity to divide family by corporate assets despite this can be a costly operation.

4.2 Ownership overlaps Management: an issue in Family Firms

Governance must be exploited in the right way to avoid many problems that may come up with the running of a company; it is stated so far that especially in family businesses, contrary to popular belief, a regulation and organization of rules and positions is necessary. Also, collaboration between board of directors and top management is a key factor for the wealth of business and usually in family firm this relationship may find some problems.

In a fair situation, board and management shall cooperate in the strategy formulation but two cases may occur: by one side, board sets strategy without considering management and on the other side, management define the way without consulting board of directors. In the first scenario, problems arise from the lack of operational expertise by directors and because the board may lose its capability to supervise the strategy itself. In the latter case, management may implement a strategy which is completely misaligned with the interests of the owners. This evidence led to the conclusion that the two main bodies of the businesses have the responsibility to collaborate and to operate for the sake of the firm, respecting their roles and their duties.

In family firms, there are two different main ways to approach the relationship between owners and managers: the case in which managers are family members and the case in which they are non-family managers. Since the topic is on family businesses, it is clear that ownership is on the hand of family members while management may be composed by outside managers or by heirs and other members of the family, or even a mix of the two categories. In an environment where many family members are involved in management, the issue of altruism is relevant. As already stated above, familial ties become more important and consequently many choices can be done on a sentimental basis rather than on results and performances (Pérez-Gonzàlez, 2006). This negative impact is particularly evident when succession overcomes; indeed, when main positions is on the hand of heirs, performances decrease in most of the enterprises (Bennedsen, Nielsen, Pérez-Gonzàlez, & Wolfenzon, 2007). Further, in a situation where both board of directors and top management positions are occupied by family members, there will be confusion about who has to do what, and governance structure may fail. On the other side, when professional managers run the firm, agency costs costs arise sharply. In this situation the role of supervisor by owners is strongly separated and precise and management is more delineated than in case of family managers. Despite this, owners decide the strategy on long-term horizon which may be not just growing or improving financial performances and here comes the issue of blockholders' holdup.

However, outside managers have a higher competence than their family members counterparts because of experience, expertise, education and other hard skills (Burkart, Panunzi, & Shleifer, 2002).

A very interesting work by Block et al. (2010) show that having a very concentrated ownership reduce agency costs because the higher capability to monitor and incentive management, minimizing the misallocation of resources and misalignment of interests. This theory works when management is composed by professional employees, but it is less efficient when family members have got main positions in direction; indeed, the agency costs will disappear. That is why, in their paper, authors highlight the different performances, sometimes even opposite, of family ownership and family management; indeed, performances of the companies in their sample have positive correlation with family ownership but negative with family management. Other interesting findings on the effects of having family members in management are got by Kammerlander et al. (2020); considering top management teams with similar shares of family and non-family managers, authors want to analyse the effects on exploitation, exploration and ambidexterity. Throughout their analysis they have seen that a management composed by both family members and professional managers has a negative impact on exploitation, but the relationship is positive with exploration and ambidexterity because of the diverse backgrounds and experience supports.

4.3 Who wants to be a manager in Family Firms?

As already mentioned, and as it will be seen in more detail in the following chapters, the question of hiring external managers or put heirs in top management is a big issue in family business. Obviously, the presence of having a professional manager who comes by outside the familial ties may lead to improvements in performances as shown in most of the recent literature. Ambidexterity will benefit a lot by the presence of both insider and outsider managers and this means increasing the ability to face the present and future's challenges (Kammerlander et al., 2020). Then, why family firms do not hire outside family's managers?

The answer is probably twofold; it must be considered the problem of who wants to be a manager in a family business. By one side, there is mistrust of professional managers to work for a family firm. On the other side, heirs of family firms' owners might prefer not to follow in his father's footsteps.

The question has already been partly analysed in previous chapters, writing about issues in family business' governance. Family firms may incur costs about employing and retention of skilled non-family managers. There is a physiological question over it: non-family managers will understand sooner or later that the firm they are working for is a family affair and they will never exceed a certain threshold[13]. As far as manager is not a family member, he will never have the last word on decision, and he is just an employer even if the most important. In family firms it is harder to move up with respect to counterparts. This brings to the broader question of meritocracy; indeed, as stated above, heirs have the priority with respect to non-family members, especially for top management positions. This is inevitably bad for business just thinking that you are choosing a manager among your children instead of the entire human capital market; this obviously has a huge impact on company's performances (Caselli & Gennaioli, 2003). The more a family firm decides its hires on an emotional or parental basis, the lower is the willingness of a professional manager to join an environment where meritocracy does not work.

In "To have and to hold" (2015), authors describe the challenge of succession as the hardest for family firms and they name this phenomenon "*clogs to clogs in three generations"*. According to Family Business Institute (2016)[14], 30% of family firms reach the second generation, 12% the third and just 3% the fourth and beyond; certainly, these data are strictly related to the succession problem. These few numbers do not want to introduce the issue of succession which is too broad to be included in a paragraph, rather it would introduce the question of successor's willingness to work in his family firm.

When facing succession, founder's heirs must have two conditions to meet: soft and hard skills and willingness to join family businesses. The first point is quite evident and depends on the knowledge of industry, leadership, identification in firm's value, education and experience. All these qualities augment the value of family manager and consequently, the probability that firm is going to work well even in the future. Leaving aside the skills background, this context is going to analyse the willingness to work for the family firm by heirs and in doing so, a resume of the model of Sharma and Irving (2005) is used. They measure the successor willingness basing it on four types of commitment as follows. The *affective commitment* concerns the strong desire of the kin to be part of the project and to work for it. He embraces values and goals of business, and he has the ability to make career.

[13] See Zellweger (2017)
[14] Family Business Institute is an American consulting company

Then there is the *normative commitment* which regards the sense of duty. In this context, the successor feels the obligation to carry on a career in the family business and to maintain good relationship with his family. This depends also on the ties among family members: the higher is *familiness*, the higher the probability to introduce kinship in the business. *Calculative commitment* is rather based on the perception of opportunity costs. If the successor does not pursue for a career in the family business, what would he do it? Probably, most of the job outside the family company gives a lower salary. In this perspective, as well as the previous commitment, the heir feels the duty on embracing in a career in its own firm. To finish, the authors propose the *imperative commitment* which is the last step that means successor feels a lack of alternatives because he is in doubt about his success in the outside job market and then he takes refuges within the walls of the house. Of course, there will be a clear relationship between different commitments and future performances; a successor led by strong desire and affective commitment has higher probability to perform better in forecasting compared to heirs with normative and calculative commitment, which in turn will execute better results than kin with imperative commitment.

To conclude, being part of a family business is necessary but not sufficient condition of desiring to work in it. Whatever the abilities and skills of successors are, motivations also matter, and they go hand in hand with the technical background. At the same time, managers from outside the family are not always interested in taking a career in family managed companies. That is why, probably, after the first generations a lot of family companies do not survive.

5. Managing Family Firms: Who is the best CEO?

Over centuries family firms has developed continuously to face new challenges as well as the entire economies. Capitalism often has brought the market to be constituted by economies of scale and that has been an issue especially for family-owned firms. Further, in developing countries the family businesses still have a huge relevance on average on GDP whilst for western economies the presence is a bit lower and for Anglo-Saxon world and Japan even less, caused by the blossoming of the widely held companies and development of financial markets[15]. Also, the increasing competitiveness of trading in all sectors has put family firms in front of several trials which are characteristics of the family firms themselves. As already stated previously in this thesis, many of them do not achieve the second and third generation failing in one of the key arguments to be defined family business: transgenerational outlook. The reasons for this issue can be one or more, however it is still a big challenge, and a lot of scholars and practitioners try to find an explanation. Many focuses on the problem of succession, others found the problem on the disorganization of ownership and governance, others highlighted the dimensional issue and the inability to invest on R&D. In this context, the purpose is to analyse the management of family firms and try to understand what matters.

In chapter 4 there is a detailed explanation on the family firm's governance which encompasses all the problems that family members have to face. It is more complicated to define a structured governance where there is a predominance of a family, and this often leads on quarrels that over time may deteriorate firm's performances and its value. Also, especially for SMEs, the roles are not clearly distinguished and the founder or the heirs are the owners and the managers at the same time. This typical situation may lead to confusing circumstances and, over a long-time horizon, to worse performances, depending on several other variables. In many cases, family managers may exploit their privileged position and extract private benefits by the firm value, using the *altruism-induced problem* affecting their parents. Sometimes, a family manager is more able to understand the internal dynamics of the firm because of natural ties with the owners. At the same time, hiring a professional outsider to manage the business may be better in terms of financial performances but it also is more costly from an agency point of view. Then, a spontaneous question arises: who is the best CEO for a family firm?

[15] See Ch. 2

Obviously, there is not a unique answer or a truth, the possibilities are multiple, and they depend on all the other variables. In the continuation of the chapter, it is tried to answer this question by comparing different situations and making a systematic literature review on it. Then, it proceeds in that way: first, there will be a general comparison among performances of family firms and their non-family counterparts; second, a look at the difference in case of a manager founder and the heirs managers; third, a total view on the consequences of having a family manager or a non-family manager; in the fourth paragraph, there is a more specific look to the Italian economy and a comparison with the rest of the World; finally, a resume of the results and an analysis trying to answer the question.

5.1 Are family firms more profitable than non-family firms?

The first issue to address is the comparison between being family firms or not and the effect on performances. It is not easy to compare them because most of the time, a family business has a completely different corporate structure and understanding the involvement of family in the enterprise is a trouble challenge. Furthermore, along all the thesis it has shown that privately held companies have different visions and missions for their businesses with respect to non-family counterparts and hence, it is difficult to compare the results. Besides this, many studies have been done with the aim of analysing the effect of family entrenchment with business.

In this sense, a very important work is the one written by Van Essen et al. (2015) which goes in deep to understand the reasons whether and how FFs outperform NFFs. In doing so, they pose three questions where one of this is meaningful in this context: “Is the performance differential between FFs and non-FFs attributable to a unique set of strategic choices?”. Answering to this proposal means finding the strategies and characteristics that leads a family business to outperform with respect to its non-family counterpart[16]. Authors test their hypothesis using advanced multivariate meta-analytic techniques on a sample of medium-large size publicly listed corporations. This choice is aimed to allow a better comparison among family and non-family businesses; indeed, US publicly listed context is a context where all firms must follow certain rules, where they operate in well-regulated environment and where financial markets are transparent. Tab. 3[17] shows a very synthetic way to describe

[16] The strategies and characteristics that Van Essen et al. use: diversification, internationalization, and financing strategies.

[17] See Appendix B, Tab.3

strengths and weaknesses of family firms and non-family ones and the starting point by which authors bring out their hypothesis. They find that, as theoretically hypothesized, FFs are less inclined to diversification, internationalization and less levered than their counterparts but considering that diversification and leverage worsen financial performances, it comes that family firms outperform with respect to other firms. These findings suggest that more than family control, family managers strategies are important and affect financial performances. A very similar work in terms of subjects studied and methods is the one of Carney et al. (2013), which has been done few months before than Van Essen et al (2015) and that has found different results. They also work through a multivariate meta-analytic technique and use similar samples and family businesses reviews; however, the two research differ in data because the one of Van Essen et al. gathers information just in publicly listed family firms while Carney et al. uses also private family firms, and this may affect results. Another issue in which the two works differ is the selection of strategies that affect financial performances[18]. As depicted in Fig. 6, the results of the strategy mediation effect show an insignificant difference between family firms and non-family ones in leverage and very little differences in R&D and international diversification on behalf of non-family companies. Since these last two strategies are positively related with financial performances, one may expect family firms to underperform but at the end of the study, there is no significant performance differences of the family control-firm performance relationship. According to the authors, these negative effects are compensated by the presence of agency benefits elsewhere. To conclude, Carney et al. find no difference in performances between family firms and non-family counterparts, and this is also due to the opaqueness of data for non-listed family firms and mostly, for the different governance structure and the goals of the family businesses.

Different in terms of size of the sample of meta-analysis is the paper of Wagner et al. (2015), which use a very similar technique of the two previous paper described but use data of 380 studies conducted on family control-firm performance relationship. This work finds a little albeit statistically significance difference in being family firms or not; the first outperform the latter in several cases. As it holds for the works of Van Essen et al. and Carney et al., the meta-analysis is conducted on previous studies, on database, on reviews and, different from the others, in research that were not published at the time; this allows for a more precise and detailed research. Wagner et al. (2015) give light to many findings, from the difference in being listed in a public market or not, in the use of the indicator of financial performances and in the use of the definition of family firms. The first result that comes out is that using an

[18] Carney et al. use: R&D, international diversification and capital structure.

ownership-based definition has a major positive effect on performances than a management-based definition of family firm. A very important finding is the significant and positive effect of being a family firm instead of a non-family firm in sample with publicly listed companies whereas this difference is null or insignificant when comparing private ones. The same hold for large and SMEs: the bigger is the firm, the higher is the effect on performances of being a family firm. Furthermore, another interesting result is that they find a significant positive effect when using the ROA indicator while the effect become null using the ROE[19]. This last finding is probably due to the fact that ROA is less affected by the capital structure with respect to ROE and also, to the fact that family firms have a longer investment horizon than their counterparts. As for the paper of Van Essen et al., a plausible explanation for the better performance of public family firms than private ones, is the regulation imposed by the capital market and then the impossibility for nepotism, familiar altruism and shareholder entrenchment to develop. By the way, the overall effect of involvement of a family in a business is positive and, in many cases, also significant.

Over time the question whether a family firm performs better than a non-family counterpart has been analysed and only during last period the idea that family involvement is positively related with firm performance is catching on. Probably scholars have understood that analysing a family firm is different by a non-family firm and hence it needs a different method. Also, agency theory does not work very well for family firm and a particular way to look at family firm is necessary, like the case of Socioemotional Wealth. That is why, most recent studies on this topic have found mostly positive and significant or null relationship between family firms and their performance. Further, in many cases, as publicly listed companies or precise industries or developing countries, family businesses outperform non-family enterprises giving a reason to the huge presence of this firm around the world.

5.2 Founder or descendant CEO. Who performs better?

Another important issue that needs to be discussed is the ability in managing own companies by the founder and later-generations family members. This topic is relevant in explaining why about 90% of the family businesses fail after the third generation[20]. As it has already been stated in Ch. 4, there are many reasons why an heir wants to work for the family company but

[19] ROA = Return on Assets; ROE = Return on Equity.
[20] Family Business Institute (2016)

often they do not coincide with the ability and willingness to manage firm forward better performances in the future. Also, the most important characteristic, which is entrepreneurship may be questioned after the first generation (Fan, 2019). Indeed, there are two main reasons for later-generations to suffer because of this ability; the first is that entrepreneurship may decline following the increasing size of business and the maturing of company, while the second one is a genetic question, i.e., entrepreneurship tends to the population mean even if the founder had great gifts on it. It is recalled that, in this context, there is no willingness to examine the broader issue of succession, even if of extreme importance for family businesses; however, it is interesting, for the purpose of the thesis, to see in term of management who performs better among generations. Following this reasoning, it is expected by analysing next papers decreasing performances by later-generation managers with respect to their founder CEO.

About this perspective, Villalonga and Amit (Villalonga & Amit, 2006) have given a huge contribution in term of results using proxy data on all Fortune-500 firms during 1994-2000. Their final major result is that family firms create value only when there is a founder-CEO or when the founder is the chairman with a hired CEO while whether the CEO is a descendant, the value is destroyed. They created the research around three main variables: family holdings of shares and votes, family firm definitions and the depend variable, Tobin's *q*[21]. Furthermore, in their OLS regressions, they include also control, fixed- and random-effects panel data models, and treatment effect to control for the endogeneity of family ownership and management. Authors analyse many aspects of family firms' performances which concern, for example, the expropriation of minority shareholders that are better off when the founder acts as CEO and are worse off when the CEO is an heir. More than the agency costs among manager-shareholders, here is more interesting the declining performance of later generations. The negative effect of later-generations CEO is entirely due to the second-generation, while the effect on *q* by third generation is null with respect the previous one, and surprisingly, the impact of fourth- and beyond-generations on their dependent variable is positive and significant, which means a non-monotonic relationship between generations and firm performances. A result in particular shows that firms with chairman/CEO founder have the highest value of *q* (3.12) while when the chairman is still the founder, but the CEO position is taken by a descendant, the value of *q* drops dramatically (0.61) resulting in the lowest value of all categories. The coefficients reported in Tab.4 on multivariate OLS regressions show very similar results except for the null effect of hiring a non-family CEO with respect to previous

[21] Tobin's q is the ratio of the firm's market value to the replacement cost of its assets

generations and non-family firms[22]. As already stated, the major positive effect is given by a founder CEO/chairman and the most negative by the control of the second generations, confirming the similar studies made on succession issue in family firms by Smith and Amoako-Adu (1999) and Pérez-González (2001). In conclusion, it can be confirmed by this research that family control creates value only under certain conditions and performance are strongly related to the family's generation.

Another great contribution to literature on this topic is given by the study of Morck et al. (1998) and their "Canadian Disease" issue. This expression means that countries (like Canada) where billionaire heirs' wealth is large relatively to GDP grow more slowly with respect to countries where self-made entrepreneur billionaire wealth is large relatively to GDP. They try to explain this macro-question analysing micro-questions about firms in Canada and find out that heir-controlled firms exhibit low financial performances with respect to firms adjusted for age and size. Many are the reasons for this disease and one of these is that entrenched billionaires have preference in preserving their wealth and thus, slowing down growth. Another plausible reason they give to this problem is that entrepreneurship is only partially inherited and thus descendants should regress toward average mean. In their tables, the results showed that when firms are controlled by founders, the coefficient are ambiguous and not significant, but when firms are heirs-controlled the relationship with financial performances become negative and significant. A research conducted by Arteaga et al. (2017) has shown however that in a particular case, the founder has no positive impact on performance. They put the attention to a sample of Spanish family firms that have received a financial aid by the Government to implement a Family Constitution. Their purpose is to understand if this project has had a positive impact on performances or not, going to consider the financial performances within 2 years after the implementation. The results show positive and significant effects, especially when the firms have a non-family CEO, multiple family owners and are controlled by later generations. This last point suggests that family constitution is particularly important when heirs manage their businesses because when the founder does it, there are less conflicts and consequently less need to have a formal organization.

The work of Pérez-Gonzàlez (2006) is interesting for many points of view. It will be taken into consideration also next paragraph, when it will be talked of family and unrelated CEOs, but many hypotheses are useful in this part. He analyses the effect of inherited control on firm

[22] See Appendix B, Tab.4

performances by using data on CEO successions. Among the other findings, he discovered that nepotism hurt labour market competitiveness and firm performance, however the most interesting point is about the education of heir CEOs. Confirming his hypothesis that "LSC family heirs should underperform relative to family heirs who attended selective undergraduate institutions", he found out striking results[23]. Indeed, family LSC CEOs accounts for the total fall in performance observed among the firms that promoted family CEOs; OROA (Operating Return on Asset) drops of a 27.7% decline relative to the pre-succession period. Through a dif-in-dif estimation, Pérez-Gonzàlez (2006) shows also that family LSC CEOs have significant lower performances with respect to both unrelated CEOs who attended selective college and unrelated LSC CEOs. This is surprising because it is not about the academic background, but what matters it is probably the ability and the motivation of a family CEO. Al-Dubai et al. (2014) verify in a sample of 75 public listed companies in Saudi Arabia the hypothesis that family firms with a founder CEO perform better than others. The analysis confirms this idea especially respect to descendant CEOs probably because heirs have to face different and more difficult challenges.

Amit and Villalonga (2014) wrote a systematic literature review on family firms' performances in which their scope was to understand how and how much family involvement affect business. Among others, their analysis also includes the differences in performance between founder CEO and descendant CEO. Their summary is in line with the little review in this paragraph and once again, it highlights the best performances when the founder is also CEO and the lowest when the control is undertaken by the founder's heirs. These results are similar in all the research that involves this issue and, at least, when the descendants are CEOs, the impact in financial performance is null or not significant. However, few exceptions are found, and this is the case of Sraer and Thesmar (2006), made in a sample of family firms listed in the French Stock Market. They see positive effects on performances by founder CEO, outsider CEO and more surprisingly, by descendant CEO. The explanation is probably in the fact that heirs can manage labour force more efficiently by paying lower salary and insuring long-term contracts. Also, turnover for heirs is less likely than for professional CEOs.

In the end, each of the previous studies analyse the issue of founder CEO and heir CEO among a broader analysis on family firm performance. However, most of them conclude that

[23] LSC=Less Selective College

when the founder has the control of the business, performances are better off and only in few cases this is replicated by their descendants.

5.3 Family or non-family CEO. Who performs better?

After having done a summary review on performance among family and non-family businesses and about difference in family firm performances whether they are managed by the founder or the descendants, now it is time to enter in the main topic, which means to examine whether a family firm performs better when has a family CEO or a non-family CEO. In this perspective, it follows a detailed review on 17 empirical studies made over last decades about this issue. Considering the analysis that is done previously in this chapter, it is more likely that non-family CEO outperform respect to later-generations management; however, more doubtful may be the comparison with a founder CEO. If a theoretical point of view is used, the analysis can be different. Indeed, following agency theory it is expected a higher agency cost to monitor non-family manager, but at the same time there is an increase in cost with family managers because of the private benefits and entrenchment, especially for heirs. Using the SEW approach, a family manager is probably better because *familiness* is as important as financial performance, so that it comes hard to compare who is the best management. Overall, it is expected that non-family CEO outperform family-CEO (ceteris paribus) even if, in many family firms, financial performances are not the only target.

One of the most important contribution to the literature on this topic is given by Bennedsen et al. (2007) which have tried to isolate the casual effect of family CEOs on firm performance. They use heterogeneity in outgoing CEOs family characteristics as a plausible source of exogenous variation in succession decision of the management. To do that, they use the gender of the firstborn child of the departing CEO as an Instrumental Variable (IV) as they have seen that a male first child is more likely to succeed his father than a female first-child, even if no difference in performance caused by the gender is demonstrated. Hence, this variable is going to affect the decision to choose a family CEO or a professional one. There is a strong correlation between the gender of the firstborn child and the decision to appoint a family CEO, with an increase of 32.7% when the heir is a male. Using different dependent variables (OROA, ROA, ROCE), the results show a significant and negative correlation between family successions and performances. As evidence of the previous paragraph in this thesis, authors find out no significant different across groups of CEOs before succession.

Authors make the choice of using also a Dif-in-Dif method as a benchmark for their analysis and they find no significant difference before and after a family succession but an increase in performance when a non-family CEO succeeds the founder, and this holds for whatever the dependent variables are. Turning back to their IV model, results are quite similar and a strong negative relationship between family CEOs and firm performance is found as well as a positive and significant correlation between non-family CEO and financial performances.

On the other side, the work of Anderson and Reeb (2003) supports the idea that family management is important and beneficial even in terms of financial performances. They select a sample of publicly listed U.S. firms (S&P500) trying to analyse both the performance of family firms with respect to non-family ones and which CEO performs better among family businesses. For what concerns the analysis of CEO, they found different results depending on the dependent variable used. The only fixed point is that a founder CEO increases the value of the firm both using accounting key performance indicators (ROA and ROE) and with market assessment (Tobin's Q). In the first case, descendants' founder CEOs perform positively, and non-family CEO have a null effect whilst in the second case, the results show the opposite. The authors seek the reason in the fact that market's participants see descendants as unable to manage or perform as the father and then prefer a professional CEO. Similar in some respects is the work of Peréz-Gonzàlez (2006) that it has been already analysed in previous paragraph. Author finds out a striking negative and significant performance of firms when the descendants take over the CEO position. These findings hold both for OROA and for P/B ratio. On the opposite, if an outsider takes the position of the CEO, performances increase. Following the author, as already stated, the major problem is the education that hurts family CEO and consequently, their firm performances. To conclude, conversely to Anderson and Reeb (2003), family manager underperforms with respect to those family firms that hire a professional CEO. Very similar results are found out by Villalonga and Amit (2006) that it is already mentioned in this thesis. Performance is positive affected by the founder as CEO or by the founder as chairman with a hired CEO. In the opposite when a descendant serves as CEO, performances fall, and firm value is destroyed. The authors found that owner-manager conflict in non-family firms is more costly than conflict between family and non-family shareholders in founder-CEO firms. However, this last agent cost when there is a descendant as a CEO is more costly than the owner-manager conflict in non-family firms. This is in line with the results that they have shown in their analysis.

Another relevant work for the purpose of this thesis is the study of Lin and Hu (2007) which goes to analyses rather than the pure relationship between family or non-family CEO on performances, the likely to have a family CEO or a professional CEO with respect to the operating characteristics of the family firm. Their study has been computed on a sample of listed firms in Taiwan, where the legal protection for shareholders is low and this is useful for the scope of the paper. They suppose that in certain circumstances a family CEO may be more profitable, in others a professional CEO is preferable. Indeed, the results show that when high managerial skills are required and largest shareholders has relatively low cash-flows rights, a professional CEO leads to greater performances. On the opposite, if the firm requires low managerial skills and there is a high potential for expropriation, a family CEO is better. Substantially, when the managerial skills are essential for the family firm's operation, hiring a professional manager may create value even if agency costs arise and it is better than a family CEO. To conclude, the relevant finding of the study is the significant relationship between the operational characteristics of the firm and the CEO's background and hence, it is not only the choice of the CEO that affects performance but also the characteristics of the firm are determinant to choose the best manager.

In Europe, the situation is like the rest of the World. As it is shown on the table, the overall results suggest that on average a professional CEO is preferable to manage family firms, even if there are many issues to afford. Indeed, the already mentioned paper of Sraer and Thesmar (2006) by previous paragraph highlight that in general family firms outperform their non-family counterpart, whoever is the CEO (founder/descendant/professional). Following their reasoning, that happens because with family CEO there is a more efficient use of labor and with professional CEO a more parsimonious use of capital. This is also the direction of Barontini and Caprio (2005), where is shown that in European countries even family managers lead to positive performance, even if the best situation for the firm's value is when family members join the board of directors and a professional take the position of the CEO. Of a different position is the study proposed by Sciascia and Mazzola (2008) on a sample of Italian privately held firms. They find negative and significant relationship between involvement of family in management and performance, arguing that negative results of having a family CEO do not compensate for the noneconomic goal orientation of a family firm, as the literature have claimed in the past.

Summing up, family firms perform better when family is involved in ownership rather than in ownership and management (Block et al., 2010) and the problems come when control rights

of the largest shareholder exceed the cash-flow ownership (Claessens et al., 2002). Also, as the huge work of Anderson and Reeb (2003) suggests, family firms on average perform better than non-family firms and this means that the prevalence around the world of family firms in the economies is fully justified. Disentangling the question of *who is the best manager in family firms?* a lot of issues arise and different are the opinions and the results of the literature. In general, professional CEOs perform better but it depends in too many factors that a final verdict is impossible to claim. From an econometric point of view, the relationship between management and performance depends on the use of dependent variable (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010), by control variables, by samples and, as it should be, by the risk of endogeneity and bias. The difficulty on choosing the best CEO is also given by the different industries involved in the sample, by the firms' size, by the fact that they are publicly listed or private held and by the corporate structure of the firm (Sabanci Özer, 2012). Definitely, the most important point in choosing the CEO for a firm is the SEW as already stated and it often may happen that non-economic goals are at least considered as the financial performances. That is why, over the technical issues, in this analysis the involvement of family matters because it is subjective and hence, a final solution does not exist.

Table

Systematic Literature Review on CEOs performance

Authors	Year	Journal	Measure	Main Results		Performance Measure	Country Sample	Time Period
			Family/non-family CEO	Effects of Family Manager	Effecets of Non-Family Manager			
Anderson and Reeb	2003	The Journal of Finance	Founder CEO, descendants CEO, non-family CEO	Founder: positive (ROA, ROE, Tobin's Q); Descendants: positive (ROA, ROE), null (Tobin's Q)	Positive (Tobin's Q); Null (ROA, ROE)	ROA, ROE, Tobin's Q	S&P 500 (U.S.)	1993-1999
Arteaga and Menéndez-Requejo	2017	Family Business Review	Implementation of Family Constitution Effects having a non-family CEO		Positive	ΔROA***	Spain	2003-2013
Banalieva and Eddleston	2011	Journal of International Business Studies	Family CEO	Positive for HRF* Negative for Internationalization	Negative for HRF Positive for Internationalization	ROA, ROS, Profit Margin	Western Europe	1996-2006
Barontini and Caprio	2005	European Corporate Governance Institute	Founder CEO, descendants CEO, non-family CEO	Positive both for founder and descendants	Best performance: non-family CEO (with at least a family member in the board of directors)	ROA, Tobin's Q	European Countries	1999-2001
Ben-Amar and André	2006	Journal of Business Finance & Accounting	Family CEO	Positive		Abnormal returns of the acquiring firm's value	Canada	1998-2002
Bennedson et al.	2007	Quarterly Journal of Economics	Firstborn child successor, non-family successor	Negative	Positive	OROA, ROA, ROCE	Denmark	1994-2002
Berrone et al.	2010	Administrative Science Quarterly	Family/non-family CEO	Insignificant	Insignificant	Environmental Performance: HTTP (Human Toxicity Potential)	U.S.	1998-2002
Lin and Hu	2007		Family CEO, Non-Family CEO	Negative when required high managerial skills Positive when required low managerial skills	Positive when required high managerial skills Negative when required low managerial skills	ROA, Tobin's Q	Taiwan	1991-2000
Morck et al.	1988	Journal of Financial Economics	Family Management	Positive: when family holds lower percentage of shares; Negative: when family holds high percentage of shares		Tobin's Q	Fortune 500 (U.S.)	1980

Peréz-Gonzàlez	2001	Unpublished Manuscript	Family or unrelated succession	Negative (mostly for less educated heirs)	Positive	Profitability on sales, sales growth and Q-ratio	SEC Edgar Database	1974-1994
Peréz-Gonzàlez	2006	American Economic Review	Descendant CEO, professional CEO	Negative	Positive	OROA, P/B	U.S.	1994
Sabanci Özer	2012	International Review of Management and Marketing	Family CEO, Non-Family CEO	Positive for ROA Negative for TD/TA	Negative for ROA Positive for TD/TA	ROA, ROS, Tot. Debt/Tot. Assets	Turkey	2008-2010
Sciascia and Mazzola	2008	Family Business Review	Family Involvement in Management	Negative (and significant)		Seven different performance indicator	Italy	2000-2001
Smith and Amoako-Adu	1999	Journal of Corporate Finance	Family, non-family insider and outsider successor as CEO	Negative	Positive (negative over long term performance for outsider successor)	Long term performance: AROA, AR Short term performance: CAR**	Canada	1962-1996
Sraer and Thesmar	2006	European Corporate Governance Institute	Founder CEO, descendants CEO, non-family CEO	Positive both for founder and descendants	Positive	ROA, ROE, P/B ratio (plus other indicators)	France	1994-2000
Villalonga and Amit	2006	Journal of Financial Economics	Founder CEO, descendants CEO, non-family CEO	Founder: positive Descendants: negative	Positive	Tobin's Q	Fortune-500	1994-2000
Wang	2005	Journal of Accounting Research	Founder CEO, descendants CEO, non-family CEO	Founder: positive (insignificant); Descendant: negative (significant)	Negative	Earnings quality	S&P 500	1994-2002

*HRF=Home-Region Focus

**AROA=Industry-Adjusted Return on Assets; AR=Market-Adjusted Model of Abnormal Monthly Stock Return; CAR=cumulative abnormal residuals (over the period -40 and +20 days of the announcement)

***To see implementation of Family Constitution between time=0 and time=2

5.4 A brief review about Italy

The situation in Italy is not far from the European one. In Ch. 2 it has been already analysed the relevance of family firms in Europe and Italy, together with Germany and Spain, has the highest number of family businesses, mostly in manufacturing sector. A study conducted by EU-EFIGE/Bruegel-UniCredit (2010) has showed that in Italy the percentage of family firms on the total companies of the manufacturing sector is in line with the rest of Europe. The percentage is a bit higher with respect the other countries, when comparing the family ownership on family firms. A striking difference becomes apparent when the study focuses on the percentage of family firms managed by a family member. For SMEs, the percentage of family managed firms over the total number of family firms is 75,30% and 59,40%, respectively for small and medium enterprises, with other countries lying under the 50% for small companies and under 40% for medium ones. The percentage decreases for large size firms but still, Italy has the higher one with respect the other great European economies. Hence, it is easy to see that the problem does not come from a huge presence of family firms, which is a common situation in European economies and in the rest of the World. A hypothesis may be claimed: probably, what matters is - ceteris paribus - the exaggerated family involvement in management in family-owned companies and all the consequences that this carries on.

The results found out by Sciascia and Mazzola (2008) confirms this hypothesis, as shown in table 5. In previous paragraph it is introduced their study, concentred on 620 Italian privately held family firms. Their aim is to compare family and non-family companies in order to understand how family involvement in ownership (FIO) and family involvement in management (FIM) affect performance. The authors tested the hypothesis of non-linear relationships (inverted U-shaped) among the dependent variables and FIO and FIM; this is because they suspect that both involvement of family in business is positive until a certain level, where disadvantages overtake the benefits. On the one hand, assumption of a U-shaped relationship between performance and FIO comes from the fact that the long-time orientation is not visible until a certain level and at the same time, the negative costs caused by excess nepotism and shareholders conflicts may appear when ownership is high. On the other hand, they suppose a U-shaped relationship among performance and FIM because the benefits deriving by low agency costs and stewardship do not become so evident up to a certain involvement of family in management, however after this point, the absence of professional competencies and conflicts among shareholders may deteriorate firm value. These hypotheses

are in line with the literature review on family firms. The results do not verify, in part, their assumptions. Indeed, FIO has no relationship with performance of non-listed family firms and only the coefficient of the level of internationalization variable results in being positive and significant. The situation for the variable FIM is quite different; in fact, it is negatively (and significantly) related to performance and the higher the level of FIM, the lower is the performance. Then, the analysis does not verify the hypotheses, rather it can be supposed that what works for publicly listed family firms do not necessarily holds for privately held family firms, as in the case of the relationship between performance and FIO. Further, what they have supposed about FIM is not properly checked since there is no U-shaped curve but a negative effect at all the level of family involvement in management.

A relevant study to understand the criticisms of Italian economy is the comparison made by Bloom et al. (2008) among 900 medium size manufacturing firms across European countries and US. Authors linger on the managerial gap *vis-à-vis* particularly between US and Italian companies owned and run by families. The first huge difference that they find is about manufacturing labour productivity; indeed, while in Italy it has decelerated during the end of last century and at the beginning of new century the growth rate was next to 0%, in US it has grown over time. This is bad news for Italian economy since manufacturing is a very important sector in terms of GDP and employment. From the managerial point of view, authors find that firms which apply accepted management practices outperform their counterparts even if they have similar size and operate in same industry. In these terms, results suggest that Germany and US have very good managerial practices with respect to Italy, France and UK. Italian firms excel in operational skills, but they fail in modern managerial approaches and in attracting talents. Particularly, the results show that most of the gap *vis-à-vis* with US depends on companies where the CEO are family members. Also, they find out that what matter does not depend on the family involvement in ownership because the family-owned firms with an external CEO has no significant difference with non-family firms. To conclude, it is evident the negative relationship between a family CEO, particularly present in Italy with respect to other countries, with performance. Italian firms do not suffer by operational skills, rather in adopting new managerial approaches that may lead them to also improve labour productivity.

Another important contribute to Italian family firms is given by Cucculelli and Micucci (2006) which analyse the impact of founder-CEO succession on performance. The comparison is between heir-CEO and unrelated-CEO once the founder left the management of

firm. Using a sample of Italian manufacturing firms around four regions (Veneto, Emilia-Romagna, Marche, Abruzzo), they look at the performances before and after succession in a window of three years. The choice of the sample is made to compare very similar industries[24] and to assess the impact in terms of financial performance (ROA and ROS) next to succession turning point. The most important finding of authors is that inherited management negatively affects firm performance, and this holds especially when founder runs companies which outperform the average sector profitability. Even in the case of an unrelated successor performances decrease but less with respect to family successor managers. Also, considering ROS as dependent variable, the difference between these two groups is not evident but if ROA is taken into consideration, the spread becomes huge and inherited management badly underperforms relative to professional CEO. Following the authors, this is probably since unrelated CEO are more likely to reorganize the business more extensively, thus affecting positively ROA. As the authors suggest in conclusion, a well-functioning market for corporate control may be a solution to the great problem of decreasing performances after succession. Further, it is hard for a family to separate family by business because of the SEW and not always, a professional CEO rather than an heir is a warranty of good performance.

Hence, the hypothesis enunciated previously about the exaggerated involvement of family in management of family firms is confirmed by major literature. However, this is not the only issue concerning Italian economy, especially family businesses. Another important insight regarding Italian family firms is the low protection for minority shareholders, which means a huge percentage in terms of cash flows and cash rights of the block-holders and the subsequent underdevelopment of the capital markets (Aganin & Volpin, 2005). Conflicts with minority shareholders are considered as agency costs and as such, they are going to decrease the value of the firms as the manager-shareholders conflict. In line with the rest of the world literature is the impressive profitability of the founder-managed family firms. Especially in countries like Italy, where SMEs are the backbone of the economy, the quality of the entrepreneur are relevant and they directly impact the financial performance (Gerli, Gubitta, & Tognazzo, 2011). As it is shown at the beginning of the paragraph, the presence of family-owned firms is a common phenomenon in all European countries and beyond, but the entrenchment of family involved in management is a typical Italian issue. Furthermore, Italy is affected also by other macroeconomic questions, among all the productivity one which is

[24] Strength presence of the “Made in Italy” and many excellent districts of fashion, wood sector and mechanical industry.

probably, following recent literature, the heaviest burden if compared with other countries both with R&D expenditures (Calligaris, Del Gatto, Hassan, Ottaviano, & Schivardi, 2018)[25].

5.5 Discussion

The overview on family firms' management has highlighted many conclusions that literature has broadly analysed and stated in the past but at the same time, it has led to many considerations. Family business is a particular world where governance structure may be completely different by other business institutions and so, a comparison can be biased. Beside this, it is possible to see if a family firm outperform or not a counterparty which maybe join same market, has similar size or operate in the same country. As well, agency theory works in analysis of non-family firms where the principal-agent model is clear but for family firms a SEW approach may be more useful (Fries et al., (2020); Newbert & Craig, (2017)).

In previous chapter, many papers were analysed to look at the difference in performance of being family firms or not. Giving a unique solution is quite impossible, however come explanations may be claimed. In many studies, there is no significant differences in comparing performance among family firms and their counterparts; however, several researchers found a positive relationship between being family firm and its performance, and mostly this works for publicly listed firms (Wagner et al., 2015). In the first case, scholars justify the not significant difference by saying that the low internationalization and expending in R&D by family firms may be compensated by low agency costs as well (Carney et al., 2013). Nevertheless, this may be an approximate hypothesis since in large size companies, internationalization and R&D are much greater than agency costs. On the other hand, more feasible and easier to explain are the results that family firms outperform non-family businesses in a sample of publicly listed companies while there is no difference or even negative when comparing SMEs and privately held ones. In this case, the thesis regards the legislation that affect these two different groups: for publicly listed companies, there is a precise regulation with many rules to respect in terms of governance structure while in privately held companies, there are no great constraints and issues like entrenchment, expropriation of private benefits and minority shareholders may arise and so, costs become larger than benefits of being a family firm. What matters and makes difference with their

[25] See also (Hall, Lotti, & Mairesse, 2009), (Parisi, Schiantarelli, & Sembenelli, 2006).

counterparts is the long-time horizon of family firms and their patient capital, where there is no pressure by shareholders to gain dividends; this is probably the main reason of the results of Wagner et al. (2015), where a positive correlation of being family firm and performance is verified in case of ROA as financial indicator, whilst this positive relationship weakens when using ROE as a dependent variable.

The study of Villalonga and Amit (2006) is quite clear in explaining the decrease in performance after the first generation. The drop in performance between the founder generation and the second one is impressive; however, this does not hold for later generations too which justifies the data on the great reduction of family firms after the first succession. Definitely, entrepreneurial skills matter but at the same time, it must be mentioned that probably later generations face more difficulties than their precursors because of the increasing size of business and market challenges. Furthermore, heirs may join the family business because of opportunity costs, sense of duty or even for lack of alternatives. This finding holds both in case of owner-manager founder and in case of owner founder with a hired professional CEO. The presence of a unique *boss* allows for a lean decisional procedure, and it avoids most of the agency costs (principal-owner, majority and minority shareholders, among family members). The work of Morck et al. (1998) puts on light another issue which is of primary importance. Future generations tend to preserve their SEW rather then investing in new and risky opportunities, affecting negatively performances mostly in the long-run perspective. Also, education and expertise of heirs is a main issue and most of the times, heirs that substitute their father as CEO has no proper education or the right expertise in managerial skills. This does not explain the difference between first second generation but surely may demonstrate the difference in performance between an inherited management and an outsider CEO (Pérez-Gonzàlez, 2006). Sraer and Thesmar (2006) on the other side found positive relation between being descendant CEO and performance, probably due to the low costs that a family management may have with respect to a professional management, for example, in terms of labour contracts. This thesis is more suitable for SMEs where the loyalty of employer and benevolent relationship are more important than in larger companies.

The main result found through the literature review proposed in this thesis is that family ownership work most of the time, however family involvement in management matters and thus compromise performance. On average, having a family CEO (except for founder CEO) has a negative impact on financial performance. Especially, when it is used an indicator

relative to company market value[26] the effect is disastrous because the low trustworthiness of markets in front of succession among family members. If dependent variable of regressions is a profitability indicator[27], then results are a bit comfortable. By the law of the large numbers, hiring a professional CEO shall ensure about his ability to manage a firm, giving his academical and professional background that on average is higher than family insider members. This is particular evident in firms where high managerial skills are requested, however sometimes a family member CEO may be profitable in countries with low protection for minority shareholders (Lin and Hu, 2007) or in industries where operational skills are more useful than other abilities (Bloom et al. 2008). It is evident that from a technical and analytical point of view an outside CEO is the best choice; besides, the protagonist of the thesis is family business, and it is not possible to measure the performance given by *familiness*. Previous chapters have analysed the importance of preserving SEW and all the benefits that it brings with itself. Aspect like, reputation inside the local society or the political benefits are not negligible, as well the wealth given by creating charity association or sponsorships for sport activities. All these peculiarities of family firms are not assessable at all, and non-family counterparts do not need to account for them. Also, following agency theory, the classical principal-agent model disappears in family firms because having ownership and management from the same side lower costs until zero. Further, nepotism happens not just because founder believe that their sons are better than outsider but because they prefer to keep control on business even at the expense of future earnings. That is why, over last decades, the SEW model has taken hold and a growing literature on family firms is trying to analyse pro and contra of family involvement.

The situation in Italy is the mirror of the main conclusion of this thesis and in line with most of the World, with a difficult situation caused by macroeconomic factors. Even here, the problem does not come from ownership involvement of family in business, rather by the bad management of family managers. Entrenchment is frequent and preservation of SEW becomes exaggerated; on the other side, low investments in internationalization and R&D has brought to a drop in productivity which negatively affects performance. Also, Italian economy has a huge presence of manufacturing firms, which usually are family business and that explain in part how macroeconomic issues have a great impact on family firms, which are the backbone of the country. High expropriation of minority shareholders and underdeveloped capital markets are also key problems in Italian economy and as confirmed by most of the

[26] Many scholars use Tobin's Q as dependent variable
[27] OROA, ROA, ROCE, ROE

studies on this thesis, they have a negative impact on performance of family firms. To conclude, it is not possible to say that Italy is an idiosyncratic phenomenon with respect to the rest of the world, rather it is in line both for the great relevance of family firms (in terms of number of firms, employment, and GDP percentage) and for the problems they have. What matter in Italy must be found in other reasons, which definitely affect family firms performance.

Conclusion

At the beginning, the purpose of this thesis was to understand the importance of family firms and their mechanism which are different from a non-family firm. Furthermore, it went in depth to seek what are the problems and how they can be managed. To conclude, it has been shown which one is the best way to run a family business throughout a literature review on CEOs and performance of companies that they manage.

It has been highlighted during first chapters how much is difficult to define family business because of family involvement at various levels of governance. This issue can be seen also by the fact that each country has different legislation on this topic and also approximate data are available. This explains the challenges faced by economists and researchers when study family firms and compare their performance.

Besides, they have a fundamental role around all the world. Family businesses are the backbone of most of economies, from developing to developed country. Even in Anglo-Saxon system and Japan, where financial markets are well developed and public held company widespread, family firms are still more than their counterpart. What matter is not just the number of these firms on total enterprises, but their significance in terms of GDP and employment.

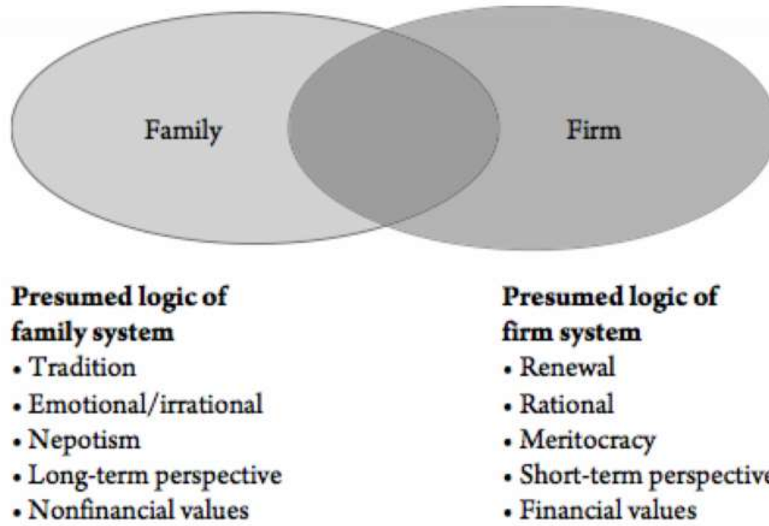
Because of the issues in defining and studying family businesses, over the last decades, many theories to approach this world were born, which fit better family firms. Agency theory is still predominant in companies where shareholders and managers are two separated parts and principal-agent model works well. For family businesses, situation changes, and a more emotional approach is needed. Stewardship and, even more SEW theories, include family ties in their model and treat *familiness* as central. These approaches may explain why in many cases family firms make choices that are not rational and deteriorate financial performance, even if they know it.

What emerged from the review on CEOs and their performance is that there is no one best way to run a business. It is possible to state few hypotheses, but the involvement of family and the Socio-Emotional Wealth are impossible to assess. It has been shown that family ownership does not hurt performance, rather family-owned firms often outperform widely held companies. At the opposite, family involvement in management on average brings family firms to decrease their performance with respect to their counterparts. Indeed, results

on the table show that usually professional or outsider CEOs perform better than family members and there are many reasons. This trend can be seen mostly when the comparison is between inherited managers and outsiders. The problem of succession has long been treated as crucial in family business and empirical results confirm this thesis. Usually, heirs are not able as their parents, which means that they do not have the soft skills. At the same time, they often have less technical skills with respect to non-family managers. All these points bring heirs managers to be the worse performer for family firms, especially in large and listed companies. A particular case is the one of the founder, which has a positive relationship with performance in most of the analyses, both in case he is chairman and CEO, and in case he is chairman with a professional hired CEO. All these findings explain why a great percentage of family firms do not survive to the third generations. Definitely, family involvement in business is not negatively related to performance, especially in case of family involvement in ownership. The problems come with the presence of family members in management, mostly when high skills are required, and great challenges must be addressed.

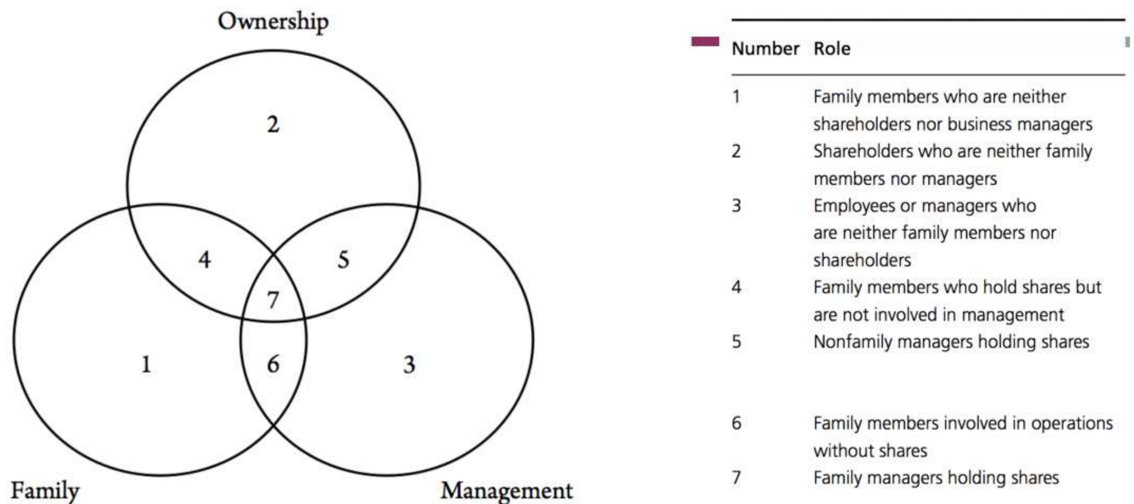
Appendix A

Fig.1 Two-Circle model of the Family Firm System



Source: Zellweger (2017)

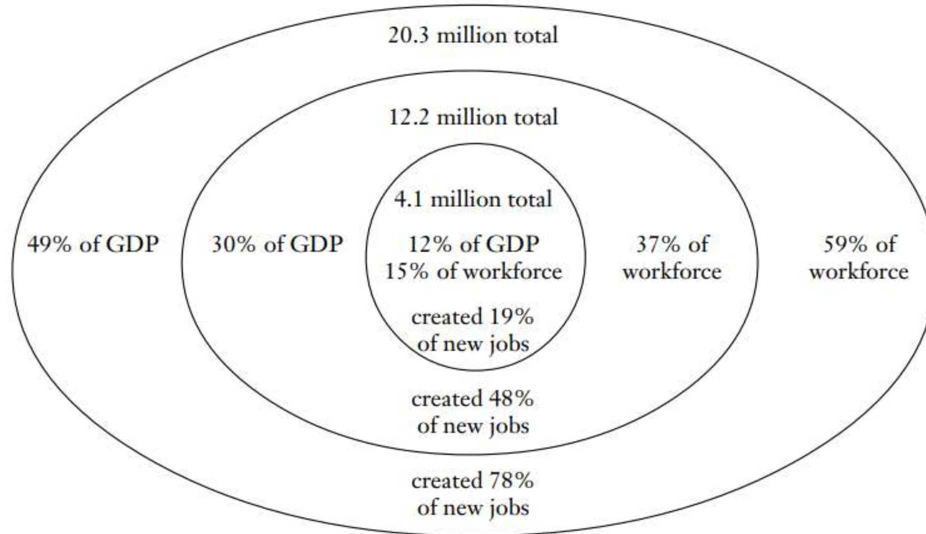
Fig.2 Three-Circle model of family influence



Number	Role
1	Family members who are neither shareholders nor business managers
2	Shareholders who are neither family members nor managers
3	Employees or managers who are neither family members nor shareholders
4	Family members who hold shares but are not involved in management
5	Nonfamily managers holding shares
6	Family members involved in operations without shares
7	Family managers holding shares

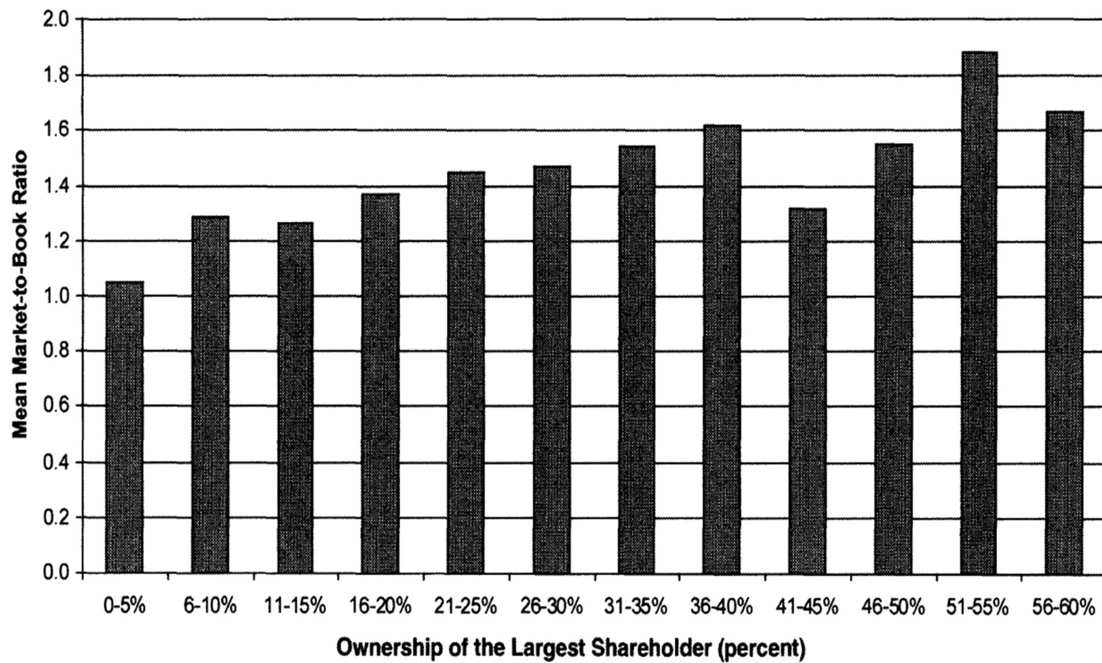
Source: Tagiuri and Davis (1996).

Fig. 3 Family Business Bull's Eye



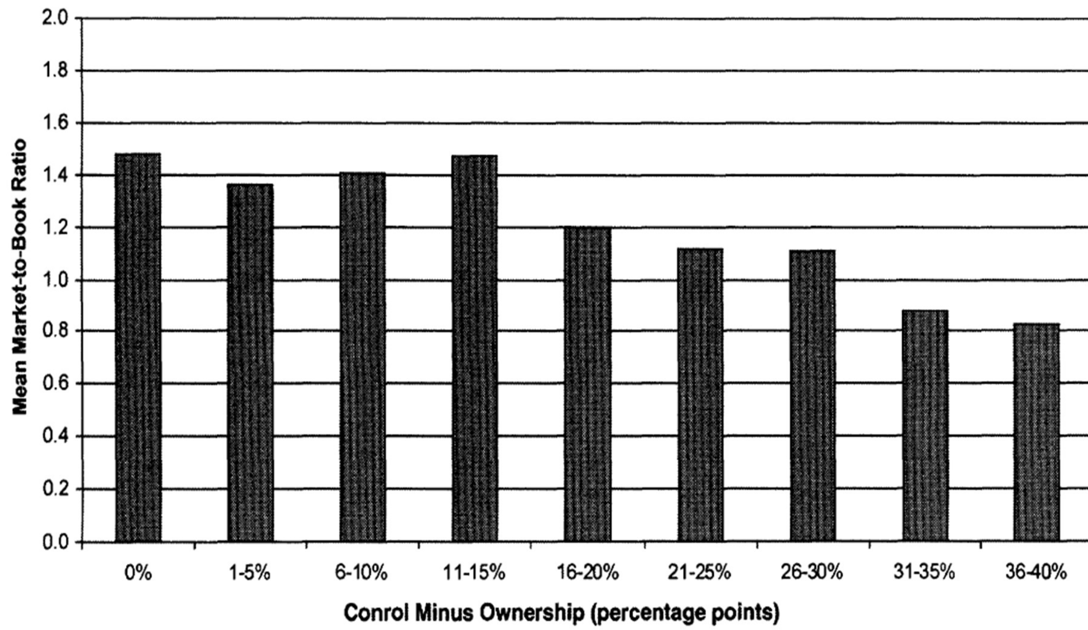
Source: Shanker and Astrachan (1996)

Fig. 4 Company valuation and ownership of the largest shareholder in East Asian corporations, 1996



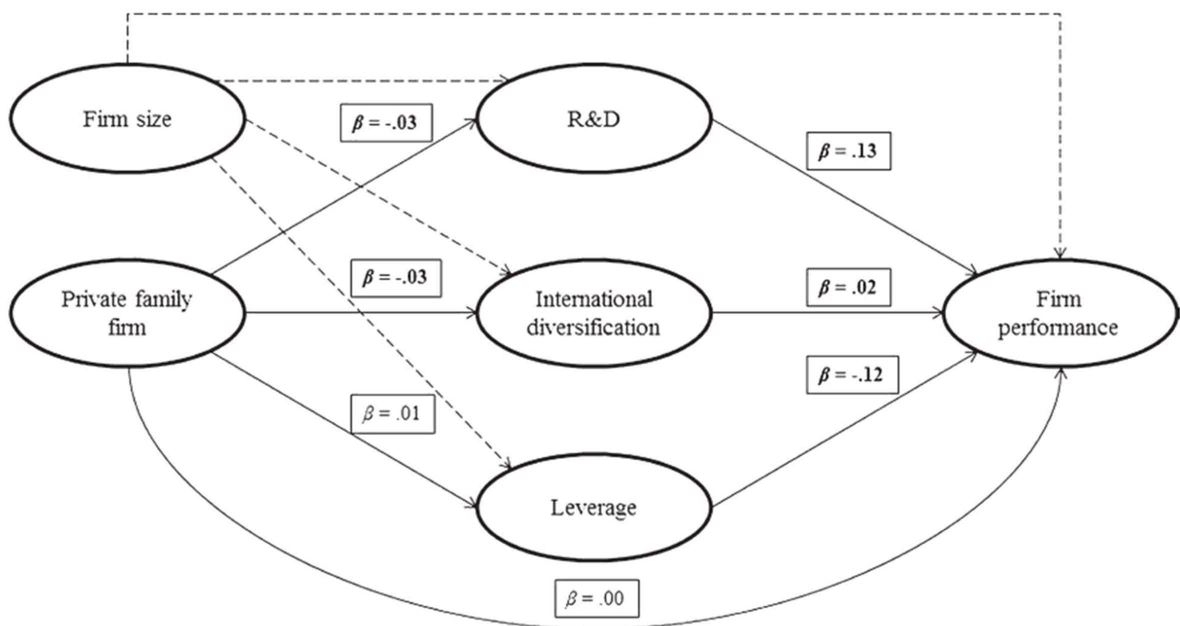
Source: Claessens et al. (2002)

Fig. 5 Company valuation and the difference between control and ownership of the largest shareholder in East Asian corporations, 1996.



Source: Claessens et al. (2002)

Fig. 6



Source: Carney et al. (2013)

Appendix B

Table 1 Symptoms and underlying governance problems in Family Firms

Governance Symptom	Description
Favoritism/adverse selection	Owners appoint family members or dependent nonfamily members to top positions, which leads to a lack of independent and competent control and advice
Harmony	Altruistic feelings and a concern for harmony blur decision making and the quality of monitoring
Glass ceiling	Top positions are restricted to family members only
Consumption of perquisites	Owners pay private expenses with company money
Insider trading	In public firms: family owners exploit their privileged information access when trading with company shares
Nonfinancial goals	Owners pursue socioemotional goals to the detriment of financial value, e.g. supporting loss-making legacy activities
Related-party transactions	Especially in family businesses groups: the performance of a single firm suffers because of the corporate burden, bailouts to firms in financial trouble and buying/selling at nonmarket prices among group companies
Tunneling	Especially in family businesses groups: transfer of funds to the firm where the family has the most cash flow rights
Heightened costs of capital	Nonfamily investors in family firms require compensation for the various risks related to family control
Unspecified involvement of family in the firm	Required qualifications and entry levels for family members who wish to work in the firm are not specified and result in conflict
Inappropriate interference of family owners in the firm	Family owners do not adhere to the governance structures and inappropriately interfere in the firm's operations
Conflict among family owners	Family owners disagree on topics such as risk, growth, dividends and time horizon, obstructing the further development of the firm
Inability of family owners to speak with one voice	Family owners are unable to structure internal communication and decision-making processes

Source: Zellweger (2017)

Table 2 Summary of Agency and Stewardship Theories.

	Agency theory	Stewardship theory
Foundational work	Jensen and Meckling (1976)	Davis et al. (1997)
Relationship	Based on the principal-manager relationship: describes the individual-level agent behaviors and the firm-level agency governance mechanisms that are implemented in response	Based on the principal-manager relationship: Describes the individual-level steward behaviors and the firm-level stewardship governance mechanisms that are implemented in response
Assumption	Economic model of man	Humanistic model of man
Behavior	Opportunistic: Individual/self-serving	Pro-organizational: Collective/other-serving
Governance	Monitoring and incentive systems: mechanisms to curb opportunistic behavior by aligning the interests of the manager with those of the principal	Trust systems: Mechanisms to encourage cooperation and involvement to facilitate the natural alignment of interests between the manager and principal
Outcome	Pro-organizational outcomes; Firm performance by way of cost minimization	Pro-organizational outcomes; Firm performance by way of wealth maximization

Source: Madison et al. (2016)

Table 3

Theoretical Arguments Regarding the Relative (Dis)Advantage of Family Control

	Classical Public Corporation	Family Firm
Relative Weaknesses	**Quadrant I** • Aggravated PA Agency Problems due to Uninvolved Owners	**Quadrant II** • Aggravated PP Agency Problems due to Concentrated Ownership • Less Professional Management due to Retention of Family Control
Relative Strengths	**Quadrant III** • Reduced PP Agency Problems due to Dispersion of Ownership • More Professional Management through External Recruiting	**Quadrant IV** • Reduced PA Agency Problems due to Unified Ownership and Control • Development of Valuable Capabilities due to Stewardly Managers

Source: Van Essen et al. (2015)

Table 4 Multivariate Regressions of Firm Value on Family Firm Generation, and on Founders/Descendants as Chairman/CEO

	Latest Active Generation		Founder-CEO vs. Descendant-CEO		Founder-CB/CEO vs. Descendant-CB/CEO		Founder-CEO vs. Descendant-CEO by Generation		Founder-CB/CEO vs. Descendant-CB/CEO by Generation	
	Relative to Non-Family Firms [a]	Relative to Earlier Generation Family Firms [b]	Relative to Non-Family Firms [c]	Relative to Other Family Firms [d]	Relative to Non-Family Firms [e]	Relative to Other Family Firms [f]	Relative to Non-Family Firms [g]	Relative to Earlier Generation Family Firms [h]	Relative to Non-Family Firms [i]	Relative to Earlier Generation Family Firms [j]
Founder-CEO or CB/CEO			0.92***	0.84***	1.00***	1.08***	0.92***		1.00***	
			(5.11)	(4.51)	(6.34)	(6.75)	(5.08)		(6.34)	
Descendant-CEO or CB/CEO			-0.17**	-0.25***	-0.11*	-0.03				
			(-2.39)	(-3.06)	(-1.69)	(-0.36)				
Hire-CEO or CB/CEO			0.05		-0.09		0.05		-0.09	
			(0.69)		(-1.35)		(0.68)		(-1.37)	
First Generation	0.76***									
	(5.37)									
Second Generation	-0.06	-0.83***					-0.19***		-0.07	
	(-1.11)	(-5.83)					(-2.61)		(-0.94)	
Third Generation	-0.06	-0.01					-0.21	-0.02	-0.22*	-0.15
	(-0.66)	(-0.06)					(-1.41)	(0.16)	(-1.82)	(-1.17)
Fourth Generation	-0.14	-0.08					0.14	0.35*	-0.03	0.19
	(-1.58)	(-0.81)					(0.87)	(1.73)	(-0.22)	(1.26)

Source: Villalonga and Amit (2004)

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I have passed hard times living in Padova and doing this master, few times I thought to leave all and coming back to my town, especially at the beginning of this experience. Besides this, I decided to stay. Today, looking behind me and at the end of this master, I can say that benefits far outweighed the difficulties.

However, I did not make this journey alone. This is why, I would thank many people.

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