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**HOW DOES FAMILY OWNERSHIP AFFECT FIRM'S PERFORMANCE?**

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The purpose of this study is to examine does family ownership affect firm's performance. The topic is highly relevant and interests not only private investors but governments and politicians as well. A large portion of the companies around the world is controlled by families. Especially a major share of the small and medium size companies is held by families. Even in the largest companies, families have a large representation.

Previous literature has recently shown more interest towards the topic. The common view is that family firms outperform or have an equal firm performance than other firms. The theory behind this, called agency theory supports this view. According to agency theory, a separation of ownership and management arise a conflict of interests. As owners try to deal with this conflict they are forced to pay costs that are named agency costs. However, while concentrated ownership can reduce agency costs, it can cause other types of problems.

I use a sample of 500 biggest companies in Finland to test if family firms' performance differs from other companies. In addition to ROA, I use a performance measure created by Talouselämä magazine (TE-grade) that takes into account profitability, solvency and liquidity and creates a weighted average from these, where profitability is weighted by 2. Time period for my empirical part is 2006-2014. Furthermore, I separate state-owned firms and firms that have a large foreign ownership into their separate groups to test how family owned firms compare to them.

The results show that family firms outperform against the whole sample, especially when the performance is measured with TE-grade. With ROA, the positive correlation is not that clear. Firms with foreign ownership have noticeably higher ROA than all of the other comparison groups and a TE-grade similar to family firms.

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**KEYWORDS:** Family firm, Ownership Structure, Agency Theory, Agency Cost.



## 1. INTRODUCTION

Families represent the single largest share of shareholders in companies around the world (La Porta, Lopez-De-Silanes and Shleifer 1999: 511). Ownership structure is a major theme in financial articles and among investors. 33 % of listed U.S. companies and 44 % of listed European companies are controlled by families (Anderson and Reeb 2003: 1304; Faccio and Lang 2002: 365). When the ownership share is large enough, it can be determined that a large owner has a control of the company. With large ownership shares, families can hold top-management positions and hire people they prefer to manage the company. This increases the control they already have over the company. After the current owners in family firms grow old they usually pass the ownership to their descendants.

In addition to families, other large shareholders are usually states or institutional investors (Le Porta et al. 1999: 511). Especially states tend to own the largest companies in different countries. This might be due to the regulation on some sectors or a historical relic. A control over a firm can be acquired in different way and it is not necessarily to own direct stocks of the company to have a control over it. Shares with unequal voting rights, pyramid structures and cross-holdings enable shareholder to acquire control with smaller ownership shares and with indirect investments.

Ownership structure can have a major effect on company value and performance. This is big a concern to other investors. Whether the large owners are passive or active also influences the company and other stakeholders. A large shareholder can be a positive factor when it comes to monitoring the management to work for the good of the firm. However, large shareholders can cause conflicts between themselves and minority shareholders. If family or a state owns a significant part of a listed company and is not trading with their own share, it can hurt the value of the company for the bidding and trading is not efficient. Minority shareholders and small investors have to think if the benefits of having a large shareholder outweighs the possible costs.

### 1.1 Background and motivation

Berle and Means (1932) were the first ones to study the effects of ownership structure to firm performance. They introduced a theory which argues that separated ownership produces unnecessary cost for a company. Costs are occurred when the management of the

company is outsourced and owners are not actively involved in the management. It creates a conflict of interests between the owners and the management, as the managers do not always work for the good of the company, but rather try to keep their job and make as much personal profit as possible. This theory was later called agency theory. Agency theory states that concentrated ownership reduces costs and increases the value of the company.

Business ownership policy is usually also a question of politics. Governments around the world debate what the role for the state as an owner is, or should it have any and whether to favor some other ownership types over other, for example: in taxation. In Finland, family businesses suffer from high inheritance taxation when the firm is passed down to descendants. The Finnish Family Firm Association wants to replace the inheritance tax with a profit tax that is not automatically paid when the firm is inherited, but only in a situation if the descendants sell the firm after they have inherited it. Extreme opposite opinions say that the firm should always be sold in a case of succession, because passing the business down to descendants does not bring any additional value to the company.

## 1.2 Purpose of the study

The purpose of this study is to find out whether ownership has any effect on firm performance or not. To be more specific, I focus on family ownership. By combining existing literature and the theoretical framework together with empirical findings I provide insight about the ownership in the biggest 500 companies in Finland and how does it affect the firm performance. The first part of the thesis will review agency theory as a main theory behind the effects ownership structure. Then I focus more on the existing literature by reviewing some recent studies with different approaches researching ownership structure. Empirical part will compare the firm performance with different ownership structures focusing on family firms, firms with foreign ownership and state-owned firms.

## 1.3 Finnish markets and ownership in Finland

Finland is well-known from its mobile and forest industry and its large enterprises, such as Nokia, Kone and UPM-kymmene. Recently, when Nokia and the forest industry in Finland have been diminishing, other companies have developed new innovations, such as: Angry Birds from Rovio and a list of mobile phone apps, i.e. the Hay Day, Clash of Clans and

Clash Royal from Supercell. Although Finland is best known from these large companies, it is a country with a large portion of small and medium size enterprises (SMEs) that have less than 250 employees. Over 90 % of the companies in Finland are SMEs (Hansson, Liljebloom and Martikainen 2011: 396).

A report from Finnish Ministry of Employment and the Economy written by Tourunen (2009) narrates the significance of family firms in Finland. Companies in Finland are usually owned by private investors, public entities, cooperatives, state, pension funds, institutional investors, churches, foundations, funds and foreign investors. Families own 30 % of the biggest companies, 46 % of SMEs and 74 % of the companies with at least one employee. Tourunen (2009) report states that the share of the Finnish ownership of the companies has dropped and the number of firms with foreign investors has been increasing.

Family firms and their performance is a relatively new research topic in Finland. Previous studies have focused more on the agency problem and not as much on the effects of family ownership in a wider scale. Only during and after the nineties researches began to focus on family firms (Heinonen 2003: 12).

#### 1.4 Hypothesis

The first hypothesis concentrates on family firms and their performance. The null hypothesis is that family ownership does not bring any significant value to the company. Alternative hypothesis is supported by agency theory and argues that family ownership would bring additional value to the company and family firms would perform better.

$H_0$  = Family ownership does not have any significant correlation with firm's performance.

$H_1$  = Family ownership does have a positive correlation with firm's performance.

Second hypothesis continues the first hypothesis by adding other ownership types. The null hypothesis is that ownership does not make any significant difference on firm performance. Alternative hypothesis is that family firms outperform other ownership types. Existing literature usually compares family ownership to all other ownership types and does not sample out other ownership structures. As such, alternative hypothesis is therefore not strongly supported by previous literature.

$H_0$  = There is no difference in firm's performance among different ownership types.

$H_1$  = Family firms outperform other ownership types.

### 1.5 Contribution

Most studies that have been conducted of this topic use public stock companies in their research. Only few studies use non-listed companies in their data sample. Also, there are very few published studies with Finnish data. All the previous masters' thesis researching the effects of ownership structure that I run across with while doing research, were conducted by using companies listed in Nasdaq OMX Helsinki. The number of companies in Nasdaq OMX Helsinki limits to a bit over 100 companies, whereas I have nearly 500 companies on my dataset. Furthermore, I use both non-listed and listed firms.

In addition, while this thesis focuses on family ownership, on the empirical part I examine also two other main ownership types in the biggest companies in Finland: large foreign owners and state. This thesis will provide insight on how different ownership types affect the firm's performance. It will also give information about different features of these companies and how do the companies with other ownership types differ. Dewenter and Malatesta (2001) studied the effects of state-ownership and came to a conclusion that state-owned firms underperform compared to other firms, but because of the political means, this can be acceptable. Different owners have different incentives to manage the business which also affects firm performance.

## 2. LITERATURE REVIEW

Ownership structure is a significant factor that has an effect on firm performance and thus, it is a widely studied subject. In this thesis, I review articles that study the effects of family ownership on firms' performance. Some of the previous studies about family ownership consider only companies which have founder-CEO, some companies with descendants as managers. Some studies combine these ownership types and compare them. Few of the existing studies categorize family ownership as either passive or active. Most of the studies are done by examining stock listed companies. The literature review includes studies from three different areas: the US, Europe and Asia.

### 2.1 Previous studies from the US

The results from different research papers varies a lot for and against family firms. Studies generally use the same types of performance measurements as a dependent variable, such as Return on Assets (ROA), Return on Equity (ROE) and Tobin's Q. Independent variables can differ significantly and therefore the results are not consistent across the board. Other main factors affecting the results are the time period and the area where the data was collected from. Fairly commonly accepted view among different studies (Grossman and Hart (1986) and Shleifer and Vishny (1986)) is based on agency theory, stating that: concentrated ownership can reduce conflicts between owners and management and therefore increase firm's performance. Demsetz and Lehn (1985) challenge this view by stating that firm's ownership structure changes so that it is always aiming to maximize the firm's value. In their study, they find no significant indication that ownership structure affects the firm's performance.

In addition to Demsetz and Lehn (1985), Demsetz and Villalonga (2001) continue the study on relations between ownership structure and firm performance. They take a random sample of 223 companies out of 511 companies from the original Demsetz and Lehn (1985) study. The sample includes companies from all different sectors from the US during the 1976-1980. In their regressions, they use Tobin's Q as a performance measure which was not used in the Demsetz and Lehn (1985) paper. Demsetz and Villalonga (2001) also add leverage, fixed assets and managerial ownership as the new variables in addition to the previous ones. Coherent to Demsetz and Lehn (1985), Demsetz and Villalonga (2001)

find no significant correlation between firm performance and ownership structure. While concentrated ownership can reduce agency conflicts, it has other disadvantages that dilute its benefits.

One of the most cited research paper studying the effects of family control is a study by Anderson and Reed (2003). They focus on the effects of founding-family management and how does a family-CEO affect the firm's performance, which is measured by Tobin's Q and ROA. The sample is from 1992-1999 including 403 companies from the S&P 500 list excluding banks and public utilities. The results clearly show that family firms outperform nonfamily firms. Despite the size of the company, family firms have 10 % higher Tobin's Q and a higher ROA than nonfamily firms. Based on the study, the firm value increases when family member serves as a CEO. However, the correlation between family ownership and firm performance is not linear. Family ownership best supports the performance when it is under 30 %. After family ownership share is over 30 %, there are visible negative effects on the firm performance.

Different from the previous studies, Villalonga and Amit (2006) study the agency conflicts not only between owners and managers, but also between large and small shareholders. They aim to solve which of the two types of agency problems is more expensive for the minority shareholders. The study uses Fortune 500 companies from the years 1994-2000 and compares family firms to nonfamily firms. Findings state that family ownership brings value to the firm only in certain forms. When founder works as a CEO or as a chairman of the board, findings are coherent with Anderson and Reeb (2003). Leading to firm value being above normal and agency costs staying small. When the next generation inherits the firm and works as CEO or as a chairman of the board, the firm will lose its value. According to Villalonga and Amit (2006), it is safer for the minority shareholders to stay out of the family firms. Additionally, pyramid structures, dual-class shares and cross-holdings enable families to use control in family firms and because of these, minority shareholders value is decreased.

A research paper published on the same year with Villalonga and Amit (2006) by Perez-Gonzalez (2006) supports the findings from Villalonga and Amit (2006) paper. Perez-Gonzalez (2006) studies the effects that the change of the CEO has on the firm performance. The study focuses on the correlation between family CEO and firm performance when the CEO position is inherited either by blood or by marriage and

compare this to other firms with external CEOs. The data sample is from COMPUSTAT-database from the years 1980-2000. The data includes 335 of all U.S. companies that are publicly traded. Incoming CEOs for family firms are divided into two groups by education: one group has the CEOs that attended for a graduate program while the other group has the CEOs that did not have a graduate level education. Unlike previous studies, Perez-Gonzalez (2006) uses operating return on assets (OROA) as a main performance measure with industry adjusted models and net income to assets and market-to-book ratio as secondary performance measures. The results on incoming family CEO's effects on firms performance correlate with Villalonga and Amit (2006) study stating that if the position is inherited by blood or marriage, the firm performance suffers. However, there is a significant positive difference if the future CEO has a graduate degree. By hiring a CEO within the family that has a graduate degree, the operating performance of the firm stays more or less at the same level.

In addition to Villalonga and Amit (2006), agency conflicts between large and small shareholders were also studied by Ali, Chen and Radhakrishnan (2007). In their study, Ali et al. (2007) examine the companies from S&P 500 between years 1998-2002 dividing the sample into 177 family firms and rest as non-family firms. List of the family ownership was given by BusinessWeek (2002). As such, the sample classification is similar to my study as I also use a list provided by Talouselämä 500 –magazine (2015). A firm is classified as a family firm if a family is among the largest shareholders and/or a family member serves in the top management or in the board. Ali et al. (2007) highlight that family firms suffer less from agency costs between management and owners than other firms, but the costs between large and small shareholders are higher in family firms than in widely held firms. This statement is congruent with Villalonga and Amit (2006) study where they found that agency costs between large and small owners are more expensive for investors than agency costs between management and owners. However, Ali et al. (2007) results differ from Villalonga and Amit (2006) by saying that family firms managed by descendants are more profitable than other firms. According to Ali et al. (2007), overall agency costs for family firms that are managed by descendants are still less than in non-family firms.

Miller, Le Breton-Miller, Lester and Cannella Jr. (2007) research the meaning of the definition of family firms in the previous studies. They state that it is hard to simplify a complex governance structure. Previous literature has a lot of different definitions for

family firms and it is hard to sum up one common definition. Additionally, Miller et al. (2007) also question: if how the business is defined has a significant importance on the results. Their data includes 1000 firms during the years 1996-2000 from Fortune list, as well as an alternative sample of 100 randomly selected public companies to test the possible bias. The study aims to examine the supposition of the notion that family firms do outperform other firms, although they do present a number of contrary results where family firms were deemed to underperform. By confirming the founder effect and excluding lone-founder firms, the study focuses on examining, if there is a positive correlation between family ownership and firm performance. Miller et al. (2007) find no evidence that family firms would be superior compared to other firms. These results highlight that the definition of family firms plays an important role on the results.

<b>Study</b>	<b>Data</b>	<b>Conclusions</b>
Demsetz and Lehn (1985)	U.S.	Ownership has no significant effect
Demsetz and Villalonga (2001)	U.S.	Ownership has no significant effect
Anderson and Reed (2003)	S&P 500	Family firms are at least as good
Villalonga and Amit (2006)	Fortune 500	With founder-CEO, family firms are better
Perez-Gonzalez (2006)	COMPUSTAT (U.S.)	Descendant CEO hurts firm performance
Ali, Chen and Radhakrishnan (2007)	S&P 500	Family firms outperform
Miller, Le Breton-Miller, Lester and Cannella Jr. (2007)	Fortune 1000	Lone-founder firms outperform

**Figure 1.** Summary of the previous studies from the US.

## 2.2 Previous studies from Europe

After presenting few of the most cited and most recent papers researching family firms' performance with U.S. data, I go through most relevant research papers from Europe. Maury (2006) compares family firms' performance with non-family firms using a sample of 1672 companies from Western-Europe from years 1996-1999. Firm is defined as a family firm if family has control of the management. Findings of the study indicate for a better performance for family firms if family holds at least one of two top-management positions (CEO or head of the board). Performance was measured by Tobin's Q and ROA. If family is not actively involved in decision making, family ownership has no effect on firm's performance. When family's control exceeds a certain level the benefits of family ownership start to fade and the value of the company decreases. The results of Maury (2006) study are very similar with Anderson and Reeb (2003) research, which was conducted with U.S. data. Family ownership best serves the company and its shareholders if family ownership is relatively small, but the family is still actively involved in the management. Growing ownership share of the family might increase the performance of the company but not necessarily increase the value of the company and additionally could be harmful for other shareholders.

Barontini and Caprio (2006) conduct a similar study to Maury (2006) using 675 publicly traded European companies from 11 different countries across Continental Europe. Time period for the study is 1999-2001 and as in most of the previous studies, Barontini and Caprio (2006) use Tobin's Q and ROA as performance measures. According to the study, family firms outperform non-family firms in valuation and operating performance. This argues with Barclay and Holderness (1989) view that large owners can have a negative impact on other investors to bid for the company thus decreasing company's value. As in previous research papers (Anderson and Reeb (2003) and Maury (2006)), the effects of family ownership on performance is emphasized when founder sits as a CEO of the company or as the head of the board. If descendants are involved in the company, it is better they would not to hold a top-management role. If descendants serve as a CEO, positive benefits from family ownership are diluted. These results are contradictory with Villalonga and Amit (2006) and Perez-Gonzalez (2006) studies.

A similar study to Barontini and Caprio (2006) was conducted by Sraer and Thesmar (2007) with French stock companies during the years 1994-2000. According to them, as

much as two thirds of the listed French companies are controlled by families. In the study, family firms were divided into three groups: (1) companies run by a founder-CEO, (2) companies inherited and run by descendants, and (3) companies with an external CEO. The results show that family firms performed better in each of the three categories compared to non-family firms. Performance was measured with ROA, ROE and dividends to profit ratio. Market-to-book ratio was used to measure the valuation. Family firms outperformed widely held firms in all the categories, but dividend to profit measure. Like previous studies, Sraer and Thesmar (2007) confirm the founder effect also in their research. Firms managed by the founder outperform all the other companies. The reason for this is presented to be superior labor productivity which explains most of the difference. Referring to previous literature, Sraer and Thesmar (2007) state that the better performance for inherited firms managed by descendants came as a surprise to them.

Within European studies Barontini and Caprio (2006) and Sraer and Thesmar (2007), contradictory results on family firms' performance were encountered in a Hillier and McColgan (2009) study. They research companies listed in London stock exchange between years 1992-1998 focusing on the management of the company. The aim is to find if there is a difference in family firms' behavior to hire CEOs or chairmen of the board and how does this difference affect the family firms' performance. Article states that families have a high control over the firms they own and they might be poorly managed. Family firms tend to hire less external experts for top management positions as well as external CEOs or chairmen of the board. This is mentioned to have a negative effect on family firms' performance. In family firms, CEO is more likely to resign because of poor performance than in other companies. After the resignation operative business gets better and stock prices go up increasing the value for shareholders. In case the leaving CEO is also the founder of the company, the stock prices will increase even more than normal. The study also finds a significant improvement in the firm operating performance after the departure of the family CEO. These results are overall very contradictory with other studies, especially the ones focused on the founder effect. Where almost all of the other studies confirm that firms with founder-CEO outperform others, Hillier and McColgan (2009) find that the resignation of founder-CEO benefits the shareholders the most.

A large portion of the existing research focuses on large, publicly traded corporations in their studies, because it is easy to find the data from these companies. Cucculelli and Micucci (2008) use a sample of Italian small and medium-size companies (SMEs). Italy is

a country with numerous small manufacturer businesses, making it a perfect setting to analyze the effects of family ownership on smaller firms, and to compare if the results are consistent with the large corporation samples. The data was collected by a survey. After sending a survey to 7500 companies, they received 3548 answers. The study was conducted during the years 1994-2004 and the performance measurements used are ROA and ROS, because the sample includes also non-listed firms. Cucculelli and Micucci (2008) findings are consistent with Villalonga's and Amit's (2006) and Perez-Gonzalez's (2006) studies, where the firm performance suffers if descendants inherit the firm. The performance suffers more if descendants start to work as the CEO or the chairman of the board. By hiring an external manager to manage the firm, inherited family firms would be more capable in keeping their existing performance levels. These results are also consistent with Miller's et al. (2007) view where they state that, after excluding the founder effect, the results can vary depending on the definition of family firm.

Hansson, Liljeblom and Martikainen (2011) study the effects of different ownership structures with Finnish data. They examined unlisted Finnish enterprises (SMEs) and found prove for family firms' better performance, similar with studies by Maury (2006), Barontini and Caprio (2006) and Sraer and Thesmar (2007). The research was conducted with a similar method as Cucculelli's and Micucci's (2008), by sending a survey for a number of companies. After the second round, Hanson et al. (2011) received a total of 982 responses and after more searching; they found data for 852, which is the total sample for their paper. The results show that better performance is highlighted if family member serves as a CEO of the company. However, the profitability ratios ROA and ROI will settle down in time to match with other companies. This indicates the fact that when descendants inherit the firm the profitability of the firm will start to decrease. This validates the founder effect. Hanson et al. (2011) contribute to previous literature by surveying the number of employed family members in a company and the correlation between the number of employed family members and performance. Family owners have a tendency to favor their own family members when hiring new people. In the paper, this is said to impair the performance of the firms and dilute the positive founder effect if the founder serves as a CEO. The more family members work in a family firm the more it harms firm's performance. This highlights the negative feature of family firms, where a member can be hired for a positions without a decent know-how.

<b>Study</b>	<b>Data</b>	<b>Conclusions</b>
Maury (2006)	Western-Europe	Active family ownership has a positive effect
Barontini and Caprio (2006)	Continental Europe	Family firms outperform in valuation and profitability
Sraer and Thesmar (2007)	France	All types of family firm outperform
Hillier and McColgan (2009)	London stock exchange	Family ownership hurts the performance
Cucculelli and Micucci (2008)	Italy	Descendant CEO hurts firm performance
Hansson, Liljeblom and Martikainen (2011)	Finland	Family firms outperform

**Figure 2.** Summary of the previous studies from Europe.

### 2.3 Previous studies from Asia

Because of the growing status of Asian economy, I represent few of the recent studies from Asia considering ownership structure. Fan and Wong (2002) state that the listed companies in East Asia generally have large shareholders. According to La porta et al. (1999), 20 % of the largest 20 companies in South-Korea are controlled by families. Same number for Singapore's largest 20 companies is 30 % and for Hong Kong it is as high as 70 %. An article Ding, Zhang and Zhang (2008) from China also mentions that states and families are the two major shareholders in Asia. Ding et al. (2008) compare the performance between family owned firms and state-owned firms. Sample period is 1999-2004, which were the years that GDP grew heavily in China. Article argues that the large GDP growth from China is partly due to the growing private sector. Performance measurements used are: revenue to number of employees, revenue to cost of a unit, net profit to employee, ROA and market-to-book ratio. The results show that family firms clearly outperform

state-owned firms. Especially on the farming and light industry sectors, where private companies have been active for longer period of time, family firms have higher performance. Heavy industry and chemical industry sectors are doing decently compared to others, because private companies were not allowed to do business on these sectors until recently.

On a wider scale, Jiang and Peng (2011) studied the performance of family firms in eight East Asian countries. They excluded Japan, because it is too developed compared to rest of Asia and China, because most of the companies in China are owned by the state. However Jian and Peng (2011) refer to the paper Ding et al. (2008), that recently more and more private companies have entered the public markets. The firm performance is measured with cumulative stock returns. The article Jian and Peng (2011) finds no significant difference between the performance of family owned and other companies. The results vary from country to country and therefore a coherent conclusion cannot be made.

Chu (2011) uses Taiwanese data to research the firm performance of family firms. The dataset includes 786 companies and the time period is 2002-2007. Chu (2011) uses ROA to measure performance. The findings of the paper are very close with studies done with European data (Maury (2006), Barontini and Caprio, (2006), Sraer and Thesmar (2007) and Hansson et al. (2011)). As in previous studies, Chu (2011) reports evidence of founder effect. Firms with founder working as a CEO or a chairman of the board have the highest performance of all companies. If family ownership is passive, it has a negative effect on firm performance. Family ownership with active control brings value to the company and outperforms others.

Inconsistent with previous papers, Ibrahim and Samad (2011) research paper finds that Malaysian family firms underperform other firms in valuation. Family firms have significantly smaller Tobin's Q. When measured profitability with ROA and ROE, family firms have higher ROE, but smaller ROA. The data is from years 1999-2005 and included 474 companies. Jiang and Peng (2011) also research Malaysian family firms in their paper among other countries. The results are contradictory to Ibrahim and Samad (2011), since Jiang and Peng (2011) study showed that Malaysian family firms outperform others. This could be reasoned with the use of different performance measures. Whereas Ibrahim and Samad (2011) use Tobin's Q, ROA and ROE, Jiang and Peng (2011) used cumulative stock returns. Other explanations might be found by examining the data sample and the

definition of family firm. As Miller et al. (2007) pointed out in their research, a number of variables can change the final results.

<b>Study</b>	<b>Data</b>	<b>Conclusions</b>
Ding, Zhang and Zhang (2008)	China	Family firms outperform
Jiang and Peng (2011)	East Asia (8 countries)	Mixed results from different countries
Chu (2011)	Taiwan	Family firms are at least as good
Ibrahim and Samad (2011)	Malaysia	Family firms underperform in valuation

**Figure 3.** Summary of the previous studies from Asia.

### 3. DIFFERENT FORMS OF OWNERSHIP

Ownership can have many different structures and forms around the world. Historical factors are one big reason for this variation. In some countries state and banks have a big role as owners, whereas in other countries families control a large share of the companies. La Porta et al. (1999) studied ownership structure within 27 wealthy countries. They noticed that only in countries with high shareholder protection, the companies are widely held. A majority of the companies in these 27 countries are managed either by a family or the state. Controlling owners have usually big impact on the firm's management compared to their cash flow rights. This is said to be mainly because of pyramid structures and active management.

In this chapter, I go through different ownership structures in different continents and provide insight on how they can affect the control of the company. In Europe and in Asia the pyramid structure enables to control a firm even without a direct 50 % ownership share. Shares with different voting rights are also one way to secure the control over a firm.

#### 3.1 The relationship between ownership and control

United States and United Kingdom represent countries with high level of shareholder protection and thereby the company ownership in these countries is very wide. Large corporations have numerous shareholders and one shareholder can have more voting power than others only because they own more shares. In some places the ownership structures can be more complicated, because one share can have larger voting power than other type of shares. (Brealey, Myers and Allen 2011: 882–883)

In Asia, the concentration level of ownership is high. Additionally, ownership and control can be highly divided. This can be because of different pyramid structures and dual-class shares. Japanese companies diverge significantly from other Asian companies (Fan and Wong 2002: 420). Many economies of Asian countries are controlled by wealthy families. In Hong Kong, largest 10 families control 32 % of the listed companies. In Thailand, largest 10 families own 46 % and Indonesia, largest 10 families own almost 58 % of the listed companies. In Asia families do not necessarily need to own majority of a company in order to control the company. They can gain control to the company by using pyramid structures, cross-holdings or shares with superior voting rights. (Brealey et al. 2011: 887)

Because Japan differs considerably from the rest of Asia, it is usually dealt as its own. The reason why Japan is different from the rest of Asia is a network of companies called “keiretsu”. Typically keiretsu is organized by a large bank. Bank or other institutional investors own generally shares from companies that are a part of their keiretsu. Companies from the same network tend to favor each other when doing business. A common factor for these companies is that a big part of their liabilities is offered by the bank organizing the keiretsu or other financial institutions inside the keiretsu. Managers of the companies sit in boards of other companies and this increases the coherence of the network. (Brealey et al. 2011: 883–884)

### 3.2 Pyramid structure

Companies owning other companies form pyramids. Operating company is usually in the bottom of the pyramid and above it is usually a holding company that might be owned by another holding company. This structure can have a lot of layers and make the pyramid very complex. Control is used by having ownership or management positions in other companies. Pyramids are typically formed, when a family company succeeds and the family decides to found a holding company or decides to buy a part of another company (Almeida and Wolfenzon 2006: 2664). Pyramid structures are common in Asian and in some parts of Europe. (Brealey et al. 2011: 887–888)

Pyramid structure can enable to control a large share of the company with a small investment. For example, in a three layer pyramid with one operating company and two holding companies on top of it, one can control a 100 million dollar company with only a 26 million dollar investment. If the first holding company owns 51 % of the second holding company, which again owns 51 % of the operating company, it is possible to fully control the operating company through the first holding company. In this case the ownership share is only 26 % ( $0,51 \times 0,51 = 0,26 = 26 \%$ ). It is also possible to control a company with less than 50 % share, which reduces the percentage needed to control a bottom company in a pyramid even more. (Brealey et al. 2011: 888)

### 3.3 Shares with unequal voting rights

The ownership in publicly listed companies is divided to shares. Owning a share means owning a part of the company. Publicly traded shares have usually equal rights but in some

cases, same company can have different types of shares in its capital and these shares can have different features. These shares are typically not a part of public trading and they may give the owner multiple votes compared to a normal share. Publicly traded shares usually have one share one vote –principal, whereas shares with greater voting rights can give ten votes for one share. Owner with smaller number of shares can still have control over the business. (Masulis, Wang and Xie 2009: 1700)

Unequal shares are commonly used in Canada, Denmark, South-Korea, Switzerland, Italia, Sweden, Finland, Brazil, Norway and Germany. They might appear in other countries such as United States, United Kingdom, Chile, Hong Kong, Australia, South-Africa and France, but they are not so common in these counties. Countries like Japan, Belgium, Spain, Singapore and China have prohibited the use of shares with unequal voting rights. (Brealey et al. 2011: 889)

## 4. AGENCY THEORY

Most studies reflect their hypothesis and possible findings to agency theory when researching about ownership and how different owners and ownership structures affect the companies' performance. Agency theory examines the effects when owners do not manage the company by themselves, but rather use agents to do that. This scenario is highlighted in the big public companies, where there are thousands of small owners. (Berk, DeMarzo and Harford 2012: 11–13.) In addition to the conflicts between the owners and the managers, there is a type II agency problem. Type II agency problem occurs between minority and majority shareholders. Large shareholders can use their power for their own interests and in some cases this might reduce the value for small shareholders. Berle and Means (1932) were the first ones to study the effects that ownership has on performance of the company. They spoke about the conflicts between the owners and the management and brought out the possible costs that might occur when the agents manage the company and not the owners. The term “agency theory” has become more common in the later research papers.

### 4.1 Agency problem between owners and management

When a business grows and ages, it usually leads to a separation of the management and ownership. A separated ownership leads to a situation where the owners will hire an outside manager (agent) to lead the company on behalf of the owners (principals). In many cases this is not an optimal situation for the owners as the managers may go for the solutions that are more suitable for them, but not for the owners. This will lead to an agency problem between the owners and the managers, referred as a type I agency problem. In the worst case, this will bring unnecessary costs for the owners. The most common example of this scenario are large, global, multimillion publicly listed corporations. They can have millions of small owners who all have an insignificant share of the company and the company is therefore managed by outside agents hired by the company. (Bodie, Kane and Marcus 2014: 6.)

The purpose of a company is to create profit for the company and maximize shareholders' value. However, aiming to maximize the value of the company is not necessarily the best option for the managers of the company. This conflict of interest causes costs for the company. The theory that tries to explain these costs is called agency theory. (Copeland,

Weston and Shastri 2005: 449–450.) Because of this conflict of interests, a company must have right kind of incentives for the managers so that by maximizing the shareholders' value, they will also benefit themselves. This will encourage them to work for the benefits of the owners, as managers will also benefit. The scenario would be easier to implement if the top management or just CFO had full power over a company's important decisions. Delegating the tasks to only one certain person or a team in a large company is hardly possible for the following reasons (Brealey et al. 2011: 319–320):

- 1) Large companies can have numerous amounts of different projects from which to choose. The top management would never have time to go through all of them. They must rely on reports and analysis done by other teams.
- 2) The top management does not necessarily have the information and knowledge needed to be able to make big decisions affecting the company. For instance, if the company would decide to build a new factory, the managers would hardly be able to make a good decision regarding on where to build it. There are a lot of different factors involved and therefore these kinds of decisions are made in their own departments. In this case, the decision would be made in the logistic department.
- 3) Some investments might not be in the capital budget. For example marketing aimed for expanding a market, securing old customers, research and development and training your own workforce.
- 4) The top management and local managers make decisions on different basis. The local plant manager thinks more about securing their business on that area and not so much of the big picture. However, they have more knowledge when it comes down to knowing their own business area and how the plant works.
- 5) The top management can also make decisions based on their own interests and not the owners'. They can be affected by the same seduction the lower levels and therefore letting the top management make all the decisions is in wain.

However good the incentives are, the managers still might not always work for maximizing the shareholders' value. They might genuinely try to do so, but as they work for aiming to maximize the shareholders' value, they will come across with different enticements to work more for themselves than for the company (Brealey et al. 2011: 319–320):

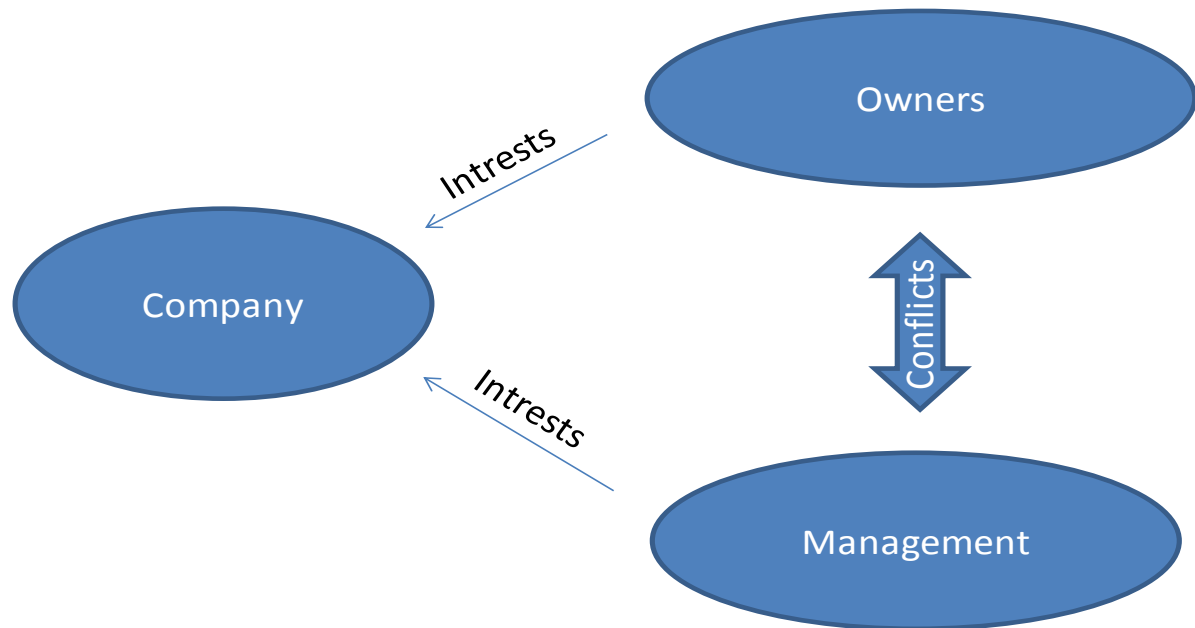
*Laziness.* Going through and analyzing various projects is a hard task and requires a lot of effort. The manager could be tempted to take a shortcut and choose the first one that looks good with a quick look. He could spend more time researching the project that he has already picked, but does not necessarily look closely enough for other alternatives.

*Benefits.* If we assume that our manager does not get any bonuses, only a standard monthly salary, he may acquire bonuses to himself in different measures by putting too much money for customer meetings, flying in first class, driving a luxury sport car paid by the company and so on. Especially during good times, when bonuses could be large, temptation to acquire bonuses on their own is large.

*Bigger is better.* Ignoring other perks, it is safe to say that managers prefer to be managers in a large company rather than small. Bigger however is not always better. Expanding business can reduce profit margins. Additionally, managers tend to be reluctant to reduce the number of units, departments or areas that they are in charge of.

*Projects for own personal interest.* Person making a choice between different projects is easily seduced to choose the project that interest her or him the best and that matches hers or his abilities the best. One can also make the decision based on their future role in the project. If the project requires outside help and the decisions maker's role reduces the person is more tempted to pick to projects that requires more of their talent.

*Risk taking.* Managers usually have more to lose if the company suffers than owners have. Shareholders generally divide their holdings to different companies and are more willing to take risk than managers. Managers get their living from the company and losing a job could lead to a catastrophe. Thus, choosing less risky projects is safer for the managers although high risky projects could be more beneficial.



**Figure 4.** Agency problem and conflicts.

#### 4.2 Agency problem between small and large owners

Ownership shares are seldom divided equally between owners. Especially, if the company is a large publicly held corporation. Different owners can be individual investors, families, financial institutions and states. Because in the last hand, owners are the ones making decisions regarding company's operations, there is a clear gap between large and small shareholders. Large owners can easily make decisions that benefit their actions relentless of the consequences that small shareholders could suffer. If a large shareholder itself is widely held, the benefits from the large ownership stake are diluted among various individuals. These widely held large shareholders could be banks, financial institutions or other holding or public companies. Thus, the incentives for buying shares from other shareholders are small. So is also the interest of monitoring the management. The problem starts to circle and leads back to the type I agency problem. For family companies the incentives to buy other shares and monitor managers are higher and therefore the type I agency problem is likely to be stronger than the type II agency problem. (Villalonga and Amit 2006: 387)

When a firm is owned by a family, the owners are more interested in controlling the business than in other cases, where the business is not owned by a family. Family strives to

strengthen their control over a company by placing own family member in the top positions in the company, for example in the board or as a CEO. The boards of family firms are generally controlled by the family members and are more independent than other boards (Anderson and Reeb 2003: 1306). This enhances the family control over the company and increases possible conflicts between the family and other smaller shareholders. Because the family wants to secure their position in the company's decision making, they can be sometimes willing to do unethical acts such as manipulating company's accounting to make it look as the family control is not reason for possible negative cash flows (Ali et al. 2007: 239).

#### 4.3 Agency costs

Jensen and Meckling (1976) describe an agency relationship as an agreement where an outside person is authorized to act for another person or persons in a situation where the principal gives a right to an agent to make decisions on hers or his behalf. In a situation where both parties aim to maximize their own benefits, it is reasonable to consider that the agent will not always make decisions that are best for the principal. Agency costs are made in order to make sure that the agent works on principal's benefit. The agents are usually provided by different kind of incentives to get them closer to a situation where working for their own personal interest benefits the owners and other way around. However good the incentives are, it is inevitable that the agent does not make a wrong decision for the principal at some point. Therefore, principals will have to monitor the job done by the agent and this leads to agency costs.

Jensen and Meckling (1976) divide agency costs in to three categories:

- 1) Monitoring costs
- 2) Costs of the incentives
- 3) The residual loss

Agency costs raised from the acts of the managers are easily reduced by monitoring and controlling the agents. Problems arise when responsibility of the monitoring is on owners who do not have as much knowledge or expertise as the top management. The money spent

on the monitoring is beneficial for a certain point, as from which point onwards the costs from monitoring outweigh the gained benefits. (Brealey et al. 2011: 320.)

Agency costs brought out by the agency problem cannot be totally eliminated by monitoring alone. Other measures need to be used in order to commit the management to maximize the value for the shareholders. The managers are usually provided by different salary and bonus arrangements where their paid is linked to the value of the company. By maximizing the company's value they will also get more salary. Thus, working for their own interest, they work also for the best interest for the shareholders. In some cases, temptations for a greater bonus can lead the managers to work again for their own interest by manipulating the information handed out from the company in a hope for a better stock price. The managers can also be more reluctant to give away any bad news with the intention of maximizing their own profits. (Bodley et al. 2014: 6-7; Brealey et al. 2011: 324–326.)

Ang, Cole and Lin (2003) examine the results from Jensen et al. (1976) paper. In their own paper Ang et al. (2003) prove the existence of agency costs by going through 1708 small companies. The basis of the study is a company where the owner-manager has total 100 % equity of the company and so the agency costs will be zero. These companies are then compared to other companies where ownership stakes are divided partly or widely. The results of the study state that the agency costs do exist. The costs are significantly higher when an outside agent is managing the firm. The study also states that if the ownership share for the largest owner is small, the costs will be higher. Additionally, there is a positive correlation between the number of outside shareholders and the agency costs.

#### 4.3.1 Agency cost of debt

Typical agency conflicts are either between the owners and the managers or between the large and the small owners. In addition to these, also debt holders have their own interest and desires on how the company should be managed and on which projects it should invest. This causes agency problem between equity and debt holders, which can have its own effects on firm's performance. Anderson, Mansi and Reeb (2003) were first ones to study this issue. They compare agency cost of debt between founding family companies and other companies and declare that the founding family companies have significantly smaller costs for debt than the other companies. Anderson et al. (2003) reason that it is

because of the fact that family companies have higher interest to keep the business operating and therefore they take fewer risks which benefits debt holders.

Agency theory clearly states that if the ownership of the company is divided by several different owners and agents manage the company, the company will suffer from the conflict of interest. Agency costs are smaller if the owners manage the firms and in theory, non-existent if the owner has a 100 % equity stake of the company. However, while agency theory states that widely divided ownership structure is bad for the company, this may not always be the case. Large variation in the ownership structure can have benefits that agency theory does not take into account. On the other hand, it can cause other costs if the ownership is concentrated only for few individuals. In the next chapter I go through some possible pros and cons for divided and concentrated ownership structure.

## 5. POSSIBLE EFFECTS OF FAMILY OWNERSHIP

In this chapter I go through different factors related to ownership structure that might have an effect on how family firms perform against other kind of companies with different ownership structures. Family firms are just one type of companies where one party has a significant voting power for the company's decisions. Other big owners can be for example: states, financial institution, pension funds or other companies. Regarding to agency theory, these kinds of companies should perform better because of fewer agency costs. Agency theory is a theoretic frame for this study, which does not consider any possible benefits for widely divided ownership structure, nether any possible disadvantages for companies with controlling owner(s). This section gives insight on the different factors related to ownership structure affecting firm performance.

### 5.1 Definition of family business

Previous literature has a large number of different definitions of family business. Overall view is that family has to be able to control the strategic decisions. Some research papers use different definitions in their studies by dividing family firms for example based on passive or active ownership or based on the ownership stake or the fact if a family member holds a top management role (Maury (2006)). A number of studies have similar definitions for family firms. Anderson and Reeb (2003), Villalonga and Amit (2006) and Sraer and Thesmar (2007) studied the effects of founder-family presence in the company and used a family firm definition if the founder-family is still a large shareholder and/or has a presence in the top management.

Miller et al. (2007) undergo 28 papers concerning family ownership. All of these papers use a slightly different criteria for family business. Some research papers have a criteria of 20 % ownership stake (Villalonga and Amit (2006) and La porta et al. (1999)), whereas other paper have a minimum requirement of 5 % (Perez-Gonzalez (2006)), 33 % (Barth, Gulbrandsen and Schone (2005)) or even 50 % of the ownership (Ang, Cole and Lin (2000)). Miller et al. (2007) argue that the significance for the definition is prominent. By exploring the effects of the different definitions they conclude that the results are dependent on the definition criteria. By changing the criteria for family business it is possible to alter the results the family ownership has for the firm performance.

This thesis defines the ownership type based on the Talouselämä 500 –magazine which follows the definition guidelines from Finnish Family Firms Association that uses same criteria as The European commission. The European Commission (2016) has four common definitions of family business:

- 1) *The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child, or children's direct heirs.*
- 2) *The majority of decision-making rights are indirect or direct.*
- 3) *At least one representative of the family or kin is formally involved in the governance of the firm.*
- 4) *Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.*

## 5.2 Possible pros for family firms

According to agency theory, companies with large shareholders should suffer less costs than companies with numerous small shareholders. Demsetz and Lehn (1985) support this claim by noticing that large shareholders have bigger interests to minimize the agency costs. Especially families are usually closely connected to their company and are more eager to reduce the costs and to get rid of any freeloaders. When the wellbeing of the family is dependent on the company, the interest to secure the future are very high.

Family that founds the company tends to hold on to their control for a long period of time. Compared to small investors or private equity investors who divide their risks among different projects and companies, family owned firms have a longer time period to manage the company. Investors hope to see more risk taking and large profits, whereas family members strive to keep the business healthy and operative for future generations. Time frame affects investment decisions and family firms invest rather to projects that can last for long periods of time than aim for short period returns. (Anderson and Reeb 2003: 1305.) Stakeholders value long term partners that invest with long time period. Companies

that have longer time frame when choosing projects are not so sensitive for risks. Therefore, family firms have higher chances of getting loan and easier to get business partners. (Anderson, Mansi and Reeb 2003: 283.)

The ownership shows itself differently to stakeholders when there is a person or a family creating a face for the company's owners. Family firms are not faceless like widely held corporations or financial institutions and this affects business relations. Different stakeholders and customers recognize the owners, which has been seen as a positive thing. Ownership with a face creates responsibility to take care of your own stakeholders also when the economy is dragging. This reduces the risk for stakeholders and thus reduces agency costs. The other side of the coin is that a responsible owner can be reluctant of letting go of bad or unnecessary business associates or might postpone needed changes because of stakeholders' pressure. In this case, the company suffers in a long term and therefore also the stakeholders will suffer. (Kinnunen, Laitinen, Laitinen, Leppiniemi, Puttonen 2011: 167–168)

#### 5.2.1 Company size effect

Many studies have examined the correlation between company size and firm performance and valuation. Almost all of the studies share a common view that risk adjusted returns for smaller companies are better than for large companies (Knupfer and Puttonen 2012: 168–169). Smaller companies outperform bigger companies. In general, smaller companies are owned by fewer people and represent more the concentrated ownership. Also, the family ownership is more common form among smaller companies. A large portion of family firms are small or medium size businesses. When company grows and expands, its ownership structure starts to become more and more widely held. (Jiang and Peng 2011: 16)

Because small companies outperform large ones and most of the family firms are small firms, it could be assumed that family firms would outperform other firms. Even though I use a sample of 500 biggest companies in Finland, the company size effect can influence the results. However, I will not pay a lot of interest on the company size effect, because among the 500 biggest companies, the size effect should be relatively low. It is also interesting to see if the companies with different ownership structures differ from each other for example in size. The variation of other factors can also influence the firm

performance. It is safe to say that ownership as its own factor does not greatly influence firm performance directly but through other factors.

### 5.3 Possible cons for family firms

A significant share of the ownership offers owners the right to determine financial decisions for the company. Large shareholders are able to make decisions that benefit themselves but are harmful for smaller shareholders or even for the company. Fama and Jensen (1985) examine how large shareholders may have different interests when making decisions than smaller shareholders. Small shareholders are expected to calculate the net present value for the projects by following generally approved valuation methods and by so maximizing the value of the company. Large shareholders, such as families are more often interested in the growth and the continuity of the company and research and development than just maximizing the value.

Barclay and Holderness (1989) point out, that a large shareholder can have affect others interests to bid for a company. This automatically reduces the value of the company because the trading is not efficient. The liquidity problem caused by a large shareholder is also documented by Attig, Fong, Gadhoun and Lang (2006) where they note that large shareholders can have selfish motives leading to a larger information asymmetry. Large shareholder can be keen to the company and is not willing to trade on their share of the stocks. Therefore only a portion of the stocks is available for trading. This has an increasing effect on bid-ask spread for the stock of the company thus reducing the liquidity of the stock. This view is also supported by Bhide (1993). According to his paper, large shareholders may have the ability to reduce agency costs but having a large shareholder hurts the liquidity of the stock because of the information asymmetry.

Anderson and Reeb (2003) state that especially families are eager to manage the company they own by themselves. Hence, the company's management is mostly family members. In this situation, the control of the company does not vary as it would in a widely held company and same persons can be in charge of the company for many years in a row. In the family companies the variations in the top management is smaller and it is harder to get to the top than in other companies. This will increase the change of a pernicious CEO to keep managing the firm. In their paper, Hillier and McColgan (2009) find that if a

company fires a family CEO, the stock value increases and operating performance improves.

Publicly listed companies have the possibility to modify their balance sheet and capital structure. Families usually have most of their capital already tied to the company, so issuing more shares is not so easy for family firms. Family firms are also exposed to so called “incompetent son” –problem. If the next person to lead the company is elected inside the family, there is a risk that the person is not the best suitable person, or in worst case does not have necessary skills and the company suffers significant losses. (Kinnunen et al. 2011: 168)

A case study of the Times Mirror Company (TM) by DeAngelo and DeAngelo (2000) focuses on the effects of the company performance of TM after hiring an outside CEO. TM had had eight bad years before hiring an outside CEO. In three years after the new CEO, the abnormal stock price proliferation was more than 150 %. The owner family has the opportunity to redeem the company’s wealth below cost, take advantage of the nearby business district and cash out additional dividends. DeAngelo and DeAngelo (2000) claim that the willingness to cash extra dividends out of the company may affect the possibilities for the company to grow, thus leading to a poorer performance and underappreciation of stock price.

#### 5.4 Endogeneity

Previous studies about family ownership have brought up a question about the endogeneity of the results where the results may be affected by reversed causality. Families might be more encouraged to keep their ownership shares during good times and sell when the company performance is not so good. In regression results, this will improve the firm performance of family firms compared to other firms. Anderson and Reeb (2003) recognize the possibility that families may exit the company before or during a recession. Families generally have a good view of the industry segment and they hold access to inside information about the company, which may lead them to sell their holdings when the company is looking good from outside. This scenario is also speculated by Adams, Almeida and Ferreira (2009). They study Founder-CEO effect and point out that Founder-CEO is more likely to sell the company when the business is going good. They point out also another explanation for this where they argue that because people want to retire rich

and financially stable, they are more provoked to sell the company when it is in good shape.

The problem of endogeneity is hard to study and therefore it is merely speculated on previous literature. Andres (2008) questions the issue of endogeneity for few reasons. Families have held their ownership stakes on a same level for over many years. In both Andres (2008) and Anderson and Reeb (2003) papers families have hold their ownership on average about 80 years. The average ownership stake for families in Andres (2008) paper where the data was collected from Germany from years 1998-2004 remains around 60 % during the whole sample period. These indicate that families are not interested to sell their holdings during bad times, but rather they have a longer time horizon for their business which makes them hold their ownership stake during good and bad periods. There is even evidence that families increase their shares in bad economical slopes when they have a possibility to buy shares with low price.

## 6. DATA AND METHODOLOGY

This section of the thesis has the empirical part of the thesis. Main focus for the empirical part is to find whether there is a correlation between family ownership and firm performance and is this correlation negative or positive. Furthermore, this study examines effects of alternative ownership types focusing on state and foreign ownership.

### 6.1 Data description

Dataset for this thesis has 468 Finnish companies including listed and non-listed firms. The list of companies is collected by using a list from *Talouselämä 500* -magazine (TE500) of the 500 biggest Finnish companies. The list has 500 biggest companies based on revenue reported from the year 2014. Following the previous studies (see, e.g. Anderson and Reeb (2003), or Villalonga and Amit (2006)), I have excluded financial and insurance companies from the TE500 list. Sample period is from the years 2006-2014. Dummy variables for different ownership types are collected from the list provided by *Talouselämä 500* magazine. Other variables are collected by using the Orbis database. Total number of firm-year observations is 4212.

Most family firms are small and owned by one or few people. The percentage of family firms decreases in bigger companies. According to European Commission (2016), over 60 % of all the companies are family businesses. Table 1 shows that families control about 24 % of all the TE500 companies. State is a major owner in 9 % of the companies and foreign investors in 42 % of the companies. European Commission states, that a listed company meets the requirement for a family business, if 25 % of the voting rights are possessed by the same family members that or their descendants. Non-listed firms can be seen as family businesses if at least one family member is involved in the operative business in the company.

**Table 1.** Ownership types for TE500 companies.

	Family firms	Foreign owner	State-owned	All firms
Number of firms	114	197	40	468
% of all firms	24 %	42 %	9 %	100 %

## 6.2 Firm performance measures

Previous studies usually have a sample with only listed companies in it. Demsetz and Villalonga (2001), Adresson and Reeb (2003) and Maury (2006) all use Tobin's Q as a performance measure in their papers. Tobin's Q is parallel to book-to-market ratio with an exception that it takes the whole value of assets into account, not just the book value of general stocks. It is can be calculated dividing market value of assets by estimated replacement cost (Bodie et al. 2014: 593.) Because in my thesis I use also non-listed firms, I will not be using Tobin's Q. Instead I focus more on return on assets (ROA) and a measure created by TE500 that is a combination of return on investment (ROI), solvency ratio and current ratio.

### 6.2.1 Return on Assets

Among Tobin's Q, ROA is one the most commonly used performance measures in this field of research. For example, Anderson and Reeb (2003) and Maury (2006) use ROA as an alternative measure for Tobin's Q and a study by Hansson et al. (2011) using a dataset of non-listed Finnish firms uses ROA as a performance measure. ROA focuses more on the profitability, whereas Tobin's Q and market-to-book and book-to-market measures are more value measures. Because I use both listed and non-listed firms, I focus on the operating performance and exclude the valuation measurements. ROA measures how profitable the firm is compared to its assets. (Ross, Westerfield and Jordan 2013: 64.)

$$(1) \text{ Return on assets} = \frac{\text{Net income}}{\text{Total assets}}$$

### 6.2.2 Talouselämä 500 grade

Talouselämä 500 –magazine (TE500) grades the biggest 500 companies each year using their own performance measure Talouselämä-grade (TE-grade). TE-grade considers main measures for profitability, solvency and liquidity. It is a combination of three key figures:

$$(2) \text{ Return on investment} = \frac{\text{Net income} + \text{interest}}{\text{Invested capital}}$$

$$(3) \text{ Solvency ratio} = \frac{\text{Equity}}{\text{Total assets}}$$

$$(4) \text{ Current ratio} = \frac{\text{Financial assets} + \text{inventories}}{\text{short-term liabilities}}$$

Each of the ratios is graded on a scale 4–10. TE-grade is a weighted average of these grades so that return on investment (ROI) is weighted by 2. Therefore TE-grade takes a value between 4 and 10. Higher the number, better the firm has performed overall. To my knowledge, none of the previous studies or thesis has used TE-grade as a performance measure.

### 6.3 Descriptive statistics

Table 2 represents summary statistics for different firms with different ownership types. The values are average numbers and the last part named as all firms, includes also other firms than just family, foreign or state owned. Revenue and total assets are rounded up to hundreds of thousands. Solvency ratio is calculated by dividing equity by total assets.

**Table 2.** Summary statistics for different firms.

	Family firms	Foreign owner	State-owned	All firms
ROA %	6,73	8,62	7,51	7,23
TE-grade	8,11	7,96	7,50	7,82
Revenue (1000 €)	432 700	318 200	585 800	680 800
Total assets (1000 €)	344 100	267 400	1 129 300	627 100
Number of employees	1 998	930	1 948	2 091
Solvency ratio %	44,5	37,1	40,9	40,6

According to table 2, family firms have lowest profitability measured by ROA, but highest overall grade from TE500. One explanatory factor is that family firms have the best solvency ratio and TE-grade takes solvency into account. Firms with foreign investors as controlling owners seem to have the best profitability, but the lowest solvency. Furthermore, foreign investors also seem to own rather small companies. Total assets and number of employees are noticeably smaller for firms with foreign ownership than for other companies. In addition, family firms tend to be smaller on average than all firms. State-owned firms represent a group of the largest companies by fare.

#### 6.4 Methodology

Main focus for my thesis is the possible difference between performance of family and non-family companies. Second main interest is to see if other ownership types have any effect on firm performance. I conduct a multivariate analysis and I use dummy variables to demonstrate different ownership types. The regression model I use is similar to Anderson and Reeb (2003) model and is as follows:

$$(5) \text{ Firm Performance} = \beta_0 + \beta_1 (\text{Family Firm}) + \beta_2 (\text{Foreign Owner}) + \beta_3 (\text{State-owned}) \\ + \beta_4 (\text{Control Variables}) + \epsilon_i$$

where Firm Performance is measured by ROA and TE-grade. Variables Family Firm, Foreign Owner and State-owned are binary variables that take value 1 if the company's ownership status matches the variable and 0 if not. Control Variables include logarithmic values of total assets and revenue, number of employees and solvency ratio that is calculated by dividing equity with total assets. I use White-cross section to correct the heteroscedasticity and period fixed effects. In robust section I use cross-section weights in order to increase the adjusted R-squared and therefore I have excluded period fixed effects from those regressions.

## 7. EMPIRICAL RESULTS

This section will include the regression results for the empirical part. First I do a univariate test with mean test using three main ownership types including family, foreign and state owners and other variables. Table 4 shows the correlations between main variables with t-values included. In the multivariate section, I use a model described in the methods section with two different independent performance variables: ROA and TE-grade. The results are reported in tables 5 and 6. Furthermore I do robust test to see if the results hold when I exclude extreme values from the independent variable.

### 7.1 Univariate tests

Table 3 shows summary statistics for different firms and the results from mean test. It includes mean, median, standard deviation and the score from t-test for all the main variables. Mean test is calculated by comparing mean values between all firms and firms with specific ownership types. It is noticeable, that all firms include also firms from the comparison group and therefore some of the mean test results may be higher or lower than it would be if comparing only to other firms. Especially firms with foreign ownership represent a large portion of the sample, so the t-values for firms with foreign ownership can be biased. Nevertheless, table 3 gives a good view over the whole data sample.

The results from table 3 strengthen the results from table 2. Family firm do have a significantly higher TE-grade compared to all firms, with smallest standard deviation. When measuring performance by profitability, only statistically significant difference from the whole sample is that firms with foreign ownership outperform others. Although solvency ratio is worst for foreign owned firms and best for family firms, it does not seem have a negative impact on profitability. In the matter of fact, it seems to have a significant negative correlation on profitability. Furthermore, foreign investors have a tendency to own smaller firms. All of the size measures are significantly smaller for foreign owned firms, which indicate that foreign investors are not interested to own the largest companies in Finland. Other reason is that the largest companies in Finland are owned by the state. In general, revenue, total assets and number of employees all have a negative correlation to profitability. It may be concluded that smaller firms within the biggest 500 companies in Finland perform better than the biggest companies.

**Table 3.** Summary statistics and mean tests.

		<b>Family Firms</b>	<b>Foreign owner</b>	<b>State-owned</b>	<b>All Firms</b>
<b>Firms</b>		<b>114</b>	<b>197</b>	<b>40</b>	<b>468</b>
<b>ROA %</b>	Mean	6,73	8,62	7,51	7,23
	Median	6,22	6,57	3,61	5,63
	Standard deviation	8,86	15,66	15,36	12,60
	<i>t</i> -Test	-1,14	3,39***	0,37	
<b>TE-grade</b>	Mean	8,11	7,96	7,50	7,82
	Median	8,40	8,40	7,60	8,10
	Standard deviation	1,23	1,44	1,43	1,37
	<i>t</i> -Test	5,32***	2,56**	-3,78***	
<b>Revenue (1000 €)</b>	Mean	432 732	318 221	585 823	680 802
	Median	177 287	169 255	188 206	187 209
	Standard deviation	761 716	496 096	1 036 982	2 387 561
	<i>t</i> -Test	-3,12***	-5,93***	-0,69	
<b>Total assets (1000 €)</b>	Mean	344 093	267 432	1 129 338	627 113
	Median	114 346	107 264	304 148	140 862
	Standard deviation	726 974	667 264	3 558 723	2 292 829
	<i>t</i> -Test	-3,71***	-6,08***	3,52***	
<b>No. of employees</b>	Mean	1 998	930	1 948	2 091
	Median	637	425	298	554
	Standard deviation	5 432	1 950	4 959	6 467
	<i>t</i> -Test	-0,40	-6,76***	-0,37	
<b>Solvency ratio %</b>	Mean	44,5	37,1	40,9	40,6
	Median	43,7	35,2	40,6	39,7
	Standard deviation	22,7	25,7	25,2	24,1
	T-Test	4,44***	-4,78***	0,22	

T-values that are statistically significant are marked with asterix. 1 % (\*\*\*) 5 % (\*\*) 10 % (\*).

The presence of firm size effect can be also seen from the correlation table. Table 4 presents correlations between different variables and the t-values for those correlations. This time size measures: total assets and revenue are in the logarithmic form in order to avoid a bias caused by extreme values. However, these two variables together with number of employees all have negative and in most cases statistically significant correlation with

both of the performance measures. It is noticeable that TE-grade has a large and highly significant correlation with the profitability measure ROA. Although TE-grade includes ROI, which is relatively close to ROA, a correlation of 63 % is still high. A high correlation can lead to a situation where there is no variation between the two performance measures. In the multivariate tests, I test and see if this is the case.

**Table 4.** Correlation table.

	ROA %	TE-grade	Log Revenue	Log Total Assets	No. of employees	Solvency ratio %	Family firm	Foreign owners	State-owned
ROA %	1,00 -----								
TE-grade	0,63 <b>39,52</b>	1,00 -----							
Log Revenue	-0,03 -1,36	-0,12 <b>-5,75</b>	1,00 -----						
Log Total Assets	-0,13 <b>-6,39</b>	-0,18 <b>-8,78</b>	0,79 <b>62,64</b>	1,00 -----					
No. of employees	-0,04 <b>-1,99</b>	-0,02 -0,76	0,54 <b>31,09</b>	0,50 <b>27,91</b>	1,00 -----				
Solvency ratio %	0,22 <b>11,13</b>	0,32 <b>16,26</b>	-0,05 <b>-2,56</b>	-0,04 <b>-2,09</b>	-0,05 <b>-2,23</b>	1,00 -----			
Family firm	-0,04 -1,74	0,13 <b>6,54</b>	-0,05 <b>-2,52</b>	-0,10 <b>-4,72</b>	-0,02 -0,89	0,12 <b>6,09</b>	1,00 -----		
Foreign owners	0,15 <b>7,57</b>	0,08 <b>3,74</b>	-0,20 <b>-9,77</b>	-0,24 <b>-11,78</b>	-0,14 <b>-6,78</b>	-0,13 <b>-6,56</b>	-0,40 <b>-21,25</b>	1,00 -----	
State-owned	0,03 1,46	-0,09 <b>-4,21</b>	0,01 0,39	0,13 <b>6,33</b>	-0,02 -1,03	-0,03 -1,33	-0,21 <b>-10,21</b>	-0,22 <b>-10,96</b>	1,00 -----

T-values that are statistically significant at 5 % level are bolded.

In table 4 I examine how different firms with different owners perform compared to all TE500 firms. Especially I am interested on how family firms perform against other companies. Compared to firms with foreign ownership and state-owned firms, family firms have higher TE-grade, but smaller ROA. The positive correlation with TE-grade is highly significant, whereas the negative correlation with ROA is insignificant. Firms with foreign ownership have both statistically significant positive correlations. Particularly ROA for firms with foreign ownership is higher than for other companies. This could be an indicator that whereas family firms are more concerned about solvency and current ratios in order to keep to business operative for future generations, foreign investors pay more attention to profitability and maximizing their own value from the company.

## 7.2 Multivariate tests

In the multivariate testing, I use the same model described in the methods section where I use ROA and TE-grade as performance measures. I test to see what kind of correlations different ownership types have for the performance measures in this model, especially I am interested about family ownership. Furthermore, I examine if the multivariate tests are coherent with the univariate tests, or are there any discrepancy between these results. The results from multivariate tests should give more thorough results where to conduct conclusions than univariate tests.

Regression results with ROA as an independent variable are presented in table 5. I use period fixed effects and correct heteroscedasticity with White-cross section. Because ROA is not available in our database for all of the firm year observations, the total number of firm-year observations for table 5 is 3429. Some of the firms might not have nine years of recorded operating due to mergers and acquisitions or other reasons. Also the University's database (orbis) might lack some information.

All of the ownership types have statically significant positive correlation with ROA. Compared to previous results from tables 3 and 4, the results from table 5 are mostly congruent with univariate tests. Family firms do have the lowest ROA in the comparison group. The average ROA for family firms was below the average of all firms so the positive coefficient can be seen as a bit of a surprise. State-owned firms have the highest coefficient together with firms with foreign ownership that are both statistically highly significant. Size of the firm measured with the logarithm of total asset have a negative

effect on ROA, whereas the logarithm of revenue and the number of employees are positively correlated with ROA. The biggest deficiency in our model seems to be the adjusted R-square which tells that my model explains only 12 % of the ROA. In the robust tests I examine if this has any effect on the results.

**Table 5.** Regression results with ROA as an independent variable.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept	5,27	2,94	1,79*	0,073
Family Firm	0,74	0,30	2,42**	0,015
Foreign owner	4,35	0,25	17,45***	0,000
State-owned	4,89	0,34	14,51***	0,000
Log Total Assets	-4,08	0,43	-9,47***	0,000
Log Revenue	3,23	0,26	12,54**	0,000
No. of employees	0,00	0,00	2,89***	0,004
Solvency ratio %	0,15	0,01	17,82***	0,000
R-squared	0,125	Mean dependent var.		7,38
Adjusted R-squared	0,121	S.D. dependent var.		12,53

T-values that are statistically significant are marked with asterix. 1 % (\*\*\*) 5 % (\*\*) 10 % (\*). Total number of observations is 3429.

Compared to ROA, using TE-grade as an independent variable gets very similar results, that are presented in table 6. TE-grade is available for 2350 firm-years. All of the ownership types have again positive coefficient with TE-grade. Although this time for state-owned firms it is not statistically significant. Furthermore, coefficients in the table 6 are smaller than in table 5, this can be because TE-grade varies only between 4 and 10, while ROA has values from -80 % to 95 %. Adjusted R-square is marginally higher for the model with TE-grade. Another significant factor is the number of firm-year observations that is smaller for TE-grade. Talouselämä 500 –magazine has not reported TE-grade for all of the companies for unknown reasons. I use only the firm-years where TE-grade is available and exclude other firm-years from the regression.

**Table 6.** Regression results with TE-grade as an independent variable.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept	9,33	0,35	26,38***	0,000
Family Firm	0,44	0,05	9,00***	0,000
Foreign owner	0,45	0,04	11,12***	0,000
State-owned	0,06	0,04	1,57	0,117
Log Total Assets	-0,43	0,07	-5,97***	0,000
Log Revenue	0,10	0,07	1,43	0,152
No. of employees	0,00	0,00	10,50***	0,000
Solvency ratio %	0,02	0,00	18,74***	0,000
R-squared	0,178	Mean dependent var.		7,81
Adjusted R-squared	0,173	S.D. dependent var.		1,37

T-values that are statistically significant are marked with asterix. 1 % (\*\*\*) 5 % (\*\*) 10 % (\*). Total number of observations is 2350.

Overall the results from the regressions show that family firms do outperform the sample of all firms. However, they do not outperform firms with foreign ownership and they underperform also to state-owned firms in profitability which is a bit of a surprise based on the previous studies Dewenter and Malatesta (2001) and Ding et al. (2008). Only variable that has a negative correlation with firm performance is total assets. Bigger the total assets are, worse the company will perform.

### 7.3 Robust tests

To test the robustness of the regression results, I do some modifications to the dataset and use cross-section weights. This dramatically increases the adjusted R-square of the model. I have excluded the lowest and highest extreme 5 % values for both performance measures. For table 7, I also reduced the number of observations to see if there is difference in the results by modifying the sample. I used firm-year observations only for the years where TE-grade number was also available. So the years where only ROA was available are excluded from the regression in table 7. Hence, the total number of firm-year observation is 2043. Using a smaller sample increases adjusted R-square and makes the significance levels slightly smaller. By using the whole dataset and excluding the extreme 5 % observations (total sample of 3089 firm-year observations), only significant change is that

coefficient for family firm would be significant at 5 % level. All other variables are stable, and there is no significant change in the coefficients so I do not report these results separately in any table.

Even after the robustness test for ROA, family firms have positive coefficient, although not as significant as before. Same has happened to other variables as well. Adjusted R-square is significantly higher and the significance levels for all but total assets and number of employees have dropped. After the robustness check, state ownership has no significant correlation with ROA anymore. The results of family firms outperforming state-owned firms correlate with studies Dewenter and Malatesta (2001) and Ding, Zhang and Zhang (2008). Firms with foreign ownership still have a significantly positive correlation with ROA.

**Table 7.** Regression results with ROA as an independent variable. Quantile values for top and bottom 5 % are excluded.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept	20,89	1,23	16,96***	0,000
Family Firm	0,38	0,22	1,71*	0,087
Foreign owner	2,87	0,27	10,79***	0,000
State-owned	0,09	0,21	0,41	0,680
Log Total Assets	-3,51	0,16	-21,32***	0,000
Log Revenue	1,47	0,23	6,29***	0,000
No. of employees	0,00	0,00	10,54***	0,000
Solvency ratio %	0,04	0,00	11,81***	0,000
R-squared	0,726	Mean dependent var.		10,07
Adjusted R-squared	0,725	S.D. dependent var.		19,52

T-values that are statistically significant are marked with asterix. 1 % (\*\*\*) 5 % (\*\*) 10 % (\*). Total number of observations is 2043.

Compared to table 6 with TE-grade as an independent variable, table 8 reports analogous results. Coefficient for family firms remains significantly positive even after the robustness

test. Only insignificant variable in the model is state-ownership. Eliminating top and bottom 5 % quantiles does not seem to have a significant effect on the results. Coefficients are more the same than in table 6. T-statistics are a little bit higher, but no significant change can be reported. Using cross-section weights increases the adjusted R-square but it appears to have no notable effect on the results. However, while family firms outperform against the whole sample, they still underperform against firms with foreign ownership. The difference in the coefficients is not large, but still notable. Especially when the average TE-grade was higher for family firms it is interesting to see that in the multivariate model, firms with foreign ownership have higher performance measures. In addition, solvency ratio that is positively correlated with TE-grade, has higher correlation with family firms and is bigger in previous tables for family firms does not explain the difference between family firms and firms with foreign ownership anymore.

**Table 8.** Regression results with TE-grade as an independent variable. Quantile values for top and bottom 5 % are excluded.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept	10,27	0,20	51,20***	0,000
Family Firm	0,45	0,03	12,97***	0,000
Foreign owner	0,58	0,04	14,53***	0,000
State-owned	0,05	0,04	1,34	0,180
Log Total Assets	-0,59	0,05	-11,60***	0,000
Log Revenue	0,18	0,05	3,50***	0,001
No. of employees	0,00	0,00	14,61***	0,000
Solvency ratio %	0,02	0,00	22,03***	0,000
R-squared	0,364	Mean dependent var.		10,89
Adjusted R-squared	0,362	S.D. dependent var.		8,01

T-values that are statistically significant are marked with asterix. 1 % (\*\*\*) 5 % (\*\*) 10 % (\*). Total number of observations is 2144.

## 8. SUMMARY AND CONCLUSIONS

The purpose of this thesis is to find if the ownership structure of the firm affects firm's performance. To precise, this thesis focuses on family ownership and compares family firms against other companies. The data is collected using Talouselämä 500 –list (2015), which includes 500 biggest companies in Finland. Financial firms are excluded from the sample. The time period for my research is 2006–2014. Families represent the largest share of owners of the companies around the world. In Finland families own around 30 % of the biggest companies. The taxation for family firms is a constant political topic in Finland. Finnish Family Firm Association argues, that it is beneficial for the family firms and Finnish economy if the family business is able to keep operating under the next generation. Opposite opinions claim that there is no reason why family firms should have tax reliefs in order to keep the business in the family and that all owners, big and small should be treated equally.

This thesis will give insight on whether it would be beneficiary for Finnish economy to support family firms. In addition to family firms, I categorize two other main ownership types in Finnish markets; State-owned firms and firms with foreign investors as large owners. I compare the results from these ownership types using two different performance measures. The first performance measure I use is ROA and the second is TE-grade that is created by Talouselämä 500 –magazine. TE-grade is a combination of profitability, solvency and liquidity where profitability (ROI) is weighted by 2 and it can take values from 4 to 10. To my knowledge, this measure has never been used in the previous research papers and it is only available for TE500 (500 biggest companies in Finland).

The theoretical framework for this thesis is agency theory. According to agency theory, the separation of ownership and management in the company leads to a conflict of interests between owners and managers (type I agency problem). Owners are therefore forced to find ways to make sure the managers are working for the best of the owners and not for themselves. This rises costs for the owners that literature knows as agency costs. Based on agency theory, concentrated ownership is more favorable form of ownership than widely held. I also introduce agency problems between large and small owners (type II agency problem). Because I do not concentrate on the valuation of the firm in the empirical part for the reason that not all of the firms in my sample are listed, I leave type II agency

problems on a less notice. Furthermore, I give a quick insight to agency cost of debt, a relatively new concept in the financial literature that examines if the cost of debt is dependent of the ownership status of the firm.

Family firms are the most numerous group of companies that represent concentrated ownership. In addition to agency theory, family firms have other unique features that are observed in this thesis. On the plus side, family firms have longer time horizon with investment and business operations. Family firms also have known owners, so they are not like the big faceless multinational corporations. These make family firms a pleasant business partner. On the minus side, having a large owner maximizing their own interests can hurt minor shareholders. Concentrated ownership often leads to illiquid share and affect other will to bid for the company. This hurts the company value. Families generally control the business by holding some of the top management positions. By doing so there is a risk that the person choose to hold the position because of the surname, does not have the needed knowledge. In conclusion, family ownership has both benefits and costs.

Previous literature gives a good overview of the issue and basis for the empirical part. Studies from three different continents (US, Europe and Asia) vary partly from each other but include common findings as well. Based on the previous literature, the common view is that family firms outperform other firms. Studies also verify the founder effect. If a firm is still managed by the founder, the results for firm performance are significantly higher than for other firms. Some paper claim that the founder effect is the mere reason for the superior performance by family firms (Miller et al. (2007) and Villalonga and Amit (2006)). When the business is managed by the descendants of the founder, the results from previous studies vary more. It is essential that if the descendants take a controlling role in the company, they should have the skills to hold that position. Otherwise the company will face the “incompetent son –problem” and the firm performance will suffer. Furthermore, it seems that for the minority shareholders it is important that the shareholder protection is on a good level, or otherwise large shareholders (families) can exploit their position at the expense of the minority shareholders.

The results from the empirical part show that in Finland family firms outperform other firms. This conclusion is more pronounced with TE-grade as the performance measure. Part of the reason is that family firms have higher solvency ratio that is included in the TE-grade. The results hold even after the robustness tests. Compared to other ownership types,

family firms have significantly lower firm profitability (ROA) against the firms that have foreign owner. Additionally, firms with foreign ownership have higher TE-grade, but the difference is far smaller than for ROA. Firms with foreign ownership are on average a lot smaller than family firms and especially smaller than state-owned firms that represent the largest companies in the sample. The size measure total assets has a largely negative impact on the firm performance. Against state-owned firms, family firms have smaller ROA, but after the robustness tests this difference becomes questionable. In summary for an investor it would be wise to invest to a company that has a large foreign owner. Even so, family firms outperform when compared to the whole sample and especially they succeed when the performance is measured with TE-grade.

This thesis does not separate family firms into categories, thus founder-family firms and family firms managed by the descendants are in the same group. For further research, it would be interesting to see if the results from other countries are coherent with Finnish markets. It would also be better to answer the question if family succession should be supported by the government or not. Firms with different owners seem to separate from each other at least in the size. Ownership rarely affects the performance as it is, but through other factors, i.e. size, liquidity and capital ratio. To be able to know how a different ownership changes the way the business operates would give an insight on what are the factors that lead to a better performance.

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## APPENDIX

**Appendix 1:** Observed companies and ownership status.

	COMPANY	OWNERSHIP STATUS			
1.	NOKIA OYJ				Other
2.	NESTE OYJ				Other
3.	STORA ENSO OYJ				Other
4.	UPM-KYMMENE OYJ				Other
5.	KESKO OYJ				Other
6.	KONE OYJ	Family firm			
7.	SUOMEN OSUUSKAUPPOJEN KESKUSKUNTA				Other
8.	OUTOKUMPU OYJ				Other
9.	MICROSOFT MOBILE OY		Foreign owner		
10.	NORTH EUROPEAN OIL TRADE OY				Other
11.	WARTSILA OYJ		Foreign owner		
12.	METSALIITTO OSUUSKUNTA				Other
13.	ST1 GROUP OY	Family firm			
14.	CARGOTEC OYJ	Family firm			
15.	FORTUM OYJ			State-owned	
16.	ST1 NORDIC OY	Family firm			
17.	METSO OYJ				Other
18.	VALMET OYJ				Other
19.	HUHTAMAKI OYJ				Other
20.	AMER SPORTS OYJ				Other
21.	ABB OY		Foreign owner		
22.	CAVERION OYJ				Other
23.	KEMIRA OYJ	Family firm			
24.	OY TEBOIL AB		Foreign owner		
25.	FINNAIR OYJ			State-owned	
26.	VALIO OY				Other
27.	WIHURI OY	Family firm			
28.	OY VEIKKAUS AB			State-owned	
29.	KONECRANES OYJ				Other
30.	POSTI GROUP OYJ			State-owned	
31.	ORION OYJ				Other
32.	HOK-ELANTO LIIKETOIMINTA OY				Other

33.	ONVEST OY	Family firm			
34.	HKSCAN OYJ				Other
35.	OY KARL FAZER AB	Family firm			
36.	SSAB EUROPE OY		Foreign owner		
37.	LEMMINKAINEN OYJ	Family firm			
38.	LUVATA OY		Foreign owner		
39.	SANOMA OYJ	Family firm			
40.	YIT OYJ				Other
41.	SUPERCELL OY		Foreign owner		
42.	ORIOLA-KD OYJ				Other
43.	VR-YHTYMA OY			State-owned	
44.	STOCKMANN OYJ ABP				Other
45.	ATRIA OYJ				Other
46.	ELISA OYJ				Other
47.	TELIASONERA FINLAND OYJ		Foreign owner		
48.	TIETO OYJ				Other
49.	AHLSTROM CAPITAL OY	Family firm			
50.	LIDL SUOMI KOMMANDIITTIYHTIO		Foreign owner		
51.	TAMRO OYJ		Foreign owner		
52.	NOKIAN RENKAAT OYJ				Other
53.	ALKO OY			State-owned	
54.	GASUM OY		Foreign owner		
55.	OUTOTEC OYJ				Other
56.	VEHO OY AB	Family firm			
57.	MUNKSJO OYJ		Foreign owner		Other
58.	SUOMEN LAHIKAUPPA OY		Foreign owner		
59.	FISKARS OYJ ABP	Family firm			Other
60.	AHLSTROM OYJ				Other
61.	RETTIG GROUP OY AB	Family firm			
62.	UPONOR OYJ	Family firm			Other
63.	OSUUSKAUPPA HAMEENMAA				Other
64.	SKANSKA OY		Foreign owner		
65.	HANKKIJA OY		Foreign owner		
66.	PAULIG AB	Family firm			
67.	DNA OY				Other
68.	PKC GROUP OYJ				Other
69.	RAHA- AUTOMAATTIYHDISTYS			State-owned	

70.	PIRKANMAAN OSUUSKAUPPA				Other
71.	YARA SUOMI OY		Foreign owner		
72.	NORILSK NICKEL HARJAVALTA OY		Foreign owner		
73.	TUKO LOGISTICS OSUUSKUNTA				Other
74.	TOKMANNI OY		Foreign owner		
75.	OSUUSKAUPPA ARINA				Other
76.	BAYER OY		Foreign owner		
77.	NCC RAKENNUS OY		Foreign owner		
78.	CONSOLIS OY AB		Foreign owner		
79.	PLANMECA OY	Family firm			
80.	SANITEC OYJ		Foreign owner		
81.	KAUPPAHUONE LAAKKONEN OY	Family firm			
82.	SRV YHTIOT OYJ	Family firm			
83.	KUUSAKOSKI GROUP OY	Family firm			
84.	POHJOLAN VOIMA OY				Other
85.	OSUUSKAUPPA KPO				Other
86.	ROLLS-ROYCE OY AB		Foreign owner		
87.	CRAMO OYJ				Other
88.	SANDVIK MINING AND CONSTRUCTION OY		Foreign owner		
89.	OSUUSKAUPPA KESKIMAA				Other
90.	LASSILA and TIKANOJA OYJ				Other
91.	TURUN OSUUSKAUPPA				Other
92.	RAMIRENT OYJ				Other
93.	DT FINLAND OY		Foreign owner		
94.	OSUUSKAUPPA PEEASSA				Other
95.	FINGRID OYJ			State-owned	
96.	TIKKURILA OYJ				Other
97.	DELTA MOTOR GROUP OY		Foreign owner		
98.	POYRY OYJ	Family firm			Other
99.	ISS PALVELUT OY		Foreign owner		
100.	3STEP IT GROUP OY	Family firm			
101.	VAPO OY			State-owned	
102.	MEYER TURKU OY		Foreign owner		
103.	VIKING LINE ABP				Other
104.	YLEISRADIO OY			State-owned	
105.	PATRIA OYJ			State-owned	

106.	SUUR-SEUDUN OSUUSKAUPPA SSO				Other
107.	RAISIO OYJ				Other
108.	TRADEKA-YHTIOT OY				Other
109.	KYMEN SEUDUN OSUUSKAUPPA				Other
110.	FINNLINES OYJ		Foreign owner		
111.	ETELA-POHJANMAAN OSUUSKAUPPA				Other
112.	LUJATALO OY	Family firm			
113.	ANDRITZ OY		Foreign owner		
114.	SALCOMP OYJ		Foreign owner		
115.	FINNFROST OY				Other
116.	COMPONENTA OYJ	Family firm			
117.	ALTIA OYJ			State-owned	
118.	GIGANTTI OY AB		Foreign owner		
119.	CGI SUOMI OY		Foreign owner		
120.	ALSO NORDIC HOLDING OY		Foreign owner		
121.	PAROC GROUP OY		Foreign owner		
122.	PONSSE OYJ	Family firm			Other
123.	VACON OYJ		Foreign owner		
124.	VATTENFALL OY		Foreign owner		
125.	SCHENKER OY		Foreign owner		
126.	ASPO OYJ				Other
127.	SUOMINEN OYJ				Other
128.	TOYOTA AUTO FINLAND OY		Foreign owner		
129.	SAPPI FINLAND OPERATIONS OY		Foreign owner		
130.	VVO-YHTYMA OYJ				Other
131.	ARLA OY		Foreign owner		
132.	KWH-KONCERNEN AB	Family firm			
133.	WIKLOF HOLDING AB	Family firm			
134.	RAO NORDIC OY		Foreign owner		
135.	SATAKUNNAN OSUUSKAUPPA				Other
136.	FUJITSU FINLAND OY		Foreign owner		
137.	TALLINK SILJA OY		Foreign owner		
138.	FINAVIA OYJ			State-owned	
139.	SLO OY		Foreign owner		
140.	OSUUSKAUPPA SUUR-SAVO				Other

141.	JOHN DEERE FORESTRY OY		Foreign owner		
142.	OY SINEBRYCHOFF AB		Foreign owner		
143.	HEWLETT-PACKARD OY		Foreign owner		
144.	SCANFIL OYJ	Family firm			
145.	APETIT OYJ				Other
146.	R-KIOSKI OY		Foreign owner		
147.	VOLVO CAR FINLAND OY AB		Foreign owner		
148.	OSUUSKAUPPA VARUBODEN-OSLA HANDELSLAG				Other
149.	VALMET AUTOMOTIVE OY				Other
150.	OSUUSKUNTA KPY				Other
151.	FREEPOR T COBALT OY		Foreign owner		
152.	LVI-DAHL OY		Foreign owner		
153.	OSUUSKUNTA ITAMAITO				Other
154.	SATO OYJ				Other
155.	VANTAAN ENERGIA OY			State-owned	
156.	POHJOIS-KARJALAN OSUUSKAUPPA				Other
157.	KAYTTOAUTO OY	Family firm			
158.	TAMPEREEN SAHKOLAITOS OY			State-owned	
159.	VERKKOKAUPPA.COM OYJ	Family firm			
160.	PRYSMIAN FINLAND OY		Foreign owner		
161.	ETELA-KARJALAN OSUUSKAUPPA				Other
162.	WALKI GROUP OY				Other
163.	IKEA OY		Foreign owner		
164.	GE HEALTHCARE FINLAND OY		Foreign owner		
165.	ELENIA OY		Foreign owner		
166.	RUDUS OY		Foreign owner		
167.	SUOMEN TERVEYSTALO OY		Foreign owner		
168.	LINDSTROM OY	Family firm			
169.	OY SNELLMAN AB	Family firm			
170.	OTAVA OY	Family firm			
171.	ETOLA OY	Family firm			
172.	TEKNOS GROUP OY	Family firm			
173.	ARO-YHTYMA OY	Family firm			
174.	EM GROUP OY	Family firm			

175.	AHLSELL OY		Foreign owner		
176.	OY IBM FINLAND AB		Foreign owner		
177.	VAISALA OYJ				Other
178.	VERSOWOOD OY	Family firm			
179.	UNILEVER FINLAND OY		Foreign owner		
180.	SAARIOINEN OY	Family firm			
181.	MAKITA OY		Foreign owner		
182.	OLVI OYJ	Family firm			
183.	BERNER OY	Family firm			
184.	CITYCON OYJ				Other
185.	KOKKOLAN HALPA-HALLI OY	Family firm			
186.	SOLEMO	Family firm			
187.	MEHILAINEN OY		Foreign owner		
188.	TECH DATA FINLAND OY		Foreign owner		
189.	PEAB OY		Foreign owner		
190.	REDERIAKTIEBOLAGET ECKERO	Family firm			
191.	OY HARTWALL AB		Foreign owner		
192.	ALMA MEDIA OYJ				Other
193.	AGCO POWER OY		Foreign owner		
194.	HUNTSMAN PandA FINLAND OY				Other
195.	SIEMENS OSAKEYHTIO		Foreign owner		
196.	METROAUTO GROUP OY	Family firm			
197.	ORAS INVEST OY	Family firm			
198.	BRP FINLAND OY		Foreign owner		
199.	HARTELA-YHTIOT OY	Family firm			
200.	OY TURKU ENERGIA-ABO ENERGI AB			State-owned	
201.	ACCENTURE OY		Foreign owner		
202.	EPV ENERGIA OY			State-owned	
203.	RAPALA VMC OYJ		Foreign owner		Other
204.	WURTH OY		Foreign owner		
205.	OSUUSKUNTA POHJOLAN MAITO				Other
206.	NORDIC REGIONAL AIRLINES OY		Foreign owner		
207.	AURUBIS FINLAND OY		Foreign owner		
208.	ELTEL NETWORKS OY		Foreign owner		
209.	L-FASHION GROUP OY	Family firm			

210.	VIRALA OY AB	Family firm			
211.	SUOMEN NESTLE OY		Foreign owner		
212.	SOUTHEAST TRADING OY				
213.	HARJAVALTA OY	Family firm			
214.	KOSKITUKKI OY	Family firm			
215.	BROMAN GROUP OY	Family firm			
216.	PANASONIC MARKETING CIS OY		Foreign owner		
217.	TUKKUHEINO OY	Family firm			
218.	BOREALIS POLYMERS OY		Foreign owner		
219.	SCANIA SUOMI OY		Foreign owner		
220.	MTV SISALLOT OY		Foreign owner		
221.	CARUNA OY		Foreign owner		
222.	FINTOTO OY			State-owned	
223.	VAASAN OY		Foreign owner		
224.	CONSTI YHTIOT OYJ				Other
225.	SPONDA OYJ				Other
226.	TELESTE OYJ				Other
227.	BOLIDEN KOKKOLA OY		Foreign owner		
228.	RINTA-JOUPIN AUTOLIIKE OY	Family firm			
229.	OY L M ERICSSON AB		Foreign owner		
230.	POLAR ELECTRO OY	Family firm			
231.	LANSIAUTO OY	Family firm			
232.	EMPOWER IN OY		Foreign owner		
233.	OY FORD AB		Foreign owner		
234.	BILLERUDKORSNAS FINLAND OY		Foreign owner		
235.	EXPERT ASA OY		Foreign owner		
236.	OY SCA HYGIENE PRODUCTS AB		Foreign owner		
237.	KAMUX OY	Family firm			
238.	EKOKEM OYJ			State-owned	
239.	ATEA FINLAND OY		Foreign owner		
240.	BOLIDEN HARJAVALTA OY		Foreign owner		
241.	AXUS FINLAND OY		Foreign owner		
242.	HARVESTIA OY				
243.	OY BMW SUOMI AB		Foreign owner		
244.	OY FINNMATKAT AB		Foreign owner		
245.	REXEL FINLAND OY		Foreign owner		
246.	HELKAMA-AUTO OY	Family firm			

247.	OY HALTON GROUP LTD	Family firm			
248.	PIHLAJALINNA OYJ				Other
249.	SAVON VOIMA OYJ			State-owned	
250.	H and M HENNES and MAURITZ OY		Foreign owner		
251.	JYVASKYLAN ENERGIA OY			State-owned	
252.	LEHTO GROUP OYJ	Family firm			
253.	ATTENDO OY		Foreign owner		
254.	PORI ENERGIA OY			State-owned	
255.	NORMET GROUP OY	Family firm			
256.	VOLVO FINLAND		Foreign owner		
257.	LAHTI ENERGIA OY			State-owned	
258.	HELVAR MERCA OY AB	Family firm			
259.	OVAKO IMATRA OY AB		Foreign owner		
260.	FORTACO GROUP OY				Other
261.	KYMPPIVOIMA HANKINTA OY			State-owned	
262.	AGCO SUOMI OY		Foreign owner		
263.	ENERGI FORSALJNING FINLAND OY				Other
264.	OY TRANSMERI GROUP AB	Family firm			
265.	ALGOL OY	Family firm			
266.	F9 DISTRIBUTION OY				Other
267.	OSUUSKUNTA MAITOSUOMI				Other
268.	JARMO RINTA-JOUPPI OY	Family firm			
269.	OY C.J. HARTMAN AB	Family firm			
270.	GOLDEN HEIGHTS OY		Foreign owner		
271.	DHL FREIGHT (FINLAND) OY		Foreign owner		
272.	CONTAINERSHIPS OYJ	Family firm			
273.	INSPECTA HOLDING OY		Foreign owner		
274.	HELSINGIN KAUKOKIITO OY - HELSINGFORS FJARR-EXPRESS AB				Other
275.	SUCROS OY		Foreign owner		
276.	TS-YHTYMA OY	Family firm			
277.	OY AGA AB		Foreign owner		
278.	OMNICOM MEDIA GROUP HOLDING OY		Foreign owner		
279.	SUUR-SAVON SAHKO OY			State-owned	
280.	E. HARTIKAINEN OY	Family firm			

281.	OMYA OY		Foreign owner		
282.	AB RANI PLAST OY	Family firm			
283.	OSUUSKAUPPA MAAKUNTA				Other
284.	NETS OY		Foreign owner		
285.	FQM KEVITSA MINING OY		Foreign owner		
286.	WETTERI OY	Family firm			
287.	TUIKE FINLAND OY		Foreign owner		
288.	OY KATTERNO AB			State-owned	
289.	KEITELE FOREST OY	Family firm			
290.	BE GROUP OY AB		Foreign owner		
291.	MAINTPARTNER GROUP OY				Other
292.	SALOMAA YHTIOT OY	Family firm			
293.	BARONA GROUP OY				Other
294.	ROVIO ENTERTAINMENT OY	Family firm			
295.	SCANDIC HOTELS OY		Foreign owner		
296.	POLKKY OY	Family firm			
297.	ABLOY OY		Foreign owner		
298.	KESKISUOMALAINEN OYJ				Other
299.	INTERNATIONAL PAPER NORDIC SALES COMPANY OY		Foreign owner		
300.	ACCOUNTOR HOLDING OY	Family firm			
301.	LOISTE OY			State-owned	
302.	FORCHEM OY		Foreign owner		
303.	ERIKSSON CAPITAL AB	Family firm			
304.	HUURRE GROUP OY		Foreign owner		
305.	TECHNOPOLIS OYJ				Other
306.	KIILTO FAMILY OY	Family firm			
307.	NCC ROADS OY		Foreign owner		
308.	PEIKKO GROUP OY	Family firm			
309.	POWERFLUTE OYJ		Foreign owner		
310.	PYHASALMI MINE OY		Foreign owner		
311.	STEVECO OY				Other
312.	POLTTIMO OY	Family firm			
313.	DSV ROAD OY		Foreign owner		
314.	OSUUSKUNTA TUOTTAJAIN MAITO				Other
315.	ENERGIAMEKLARIT OY				Other
316.	AIRBUS DEFENCE AND SPACE OY		Foreign owner		

317.	GS-HYDRO HOLDING OY		Foreign owner		
318.	GRANIITTIRAKENNUS KALLIO OY				Other
319.	SGN GROUP OY	Family firm			
320.	NAMMO LAPUA OY		Foreign owner		
321.	J. KARKKAINEN OY	Family firm			
322.	VAASAN SAHKO OY			State-owned	
323.	THERMO FISHER SCIENTIFIC OY		Foreign owner		
324.	OSUUSKAUPPA KEULA				Other
325.	KOIVUNEN OY	Family firm			
326.	SULZER PUMPS FINLAND OY		Foreign owner		
327.	SUOMALAINEN ENERGIAOSUUSKUNTA (SEO)				Other
328.	MOVENTAS GEARS OY		Foreign owner		
329.	SECURITAS OY		Foreign owner		
330.	WALLAC OY		Foreign owner		
331.	JANSSEN-CILAG OY		Foreign owner		
332.	FONECTA OY		Foreign owner		
333.	AGNICO EAGLE FINLAND OY		Foreign owner		
334.	CP KELCO OY		Foreign owner		
335.	ASUNTOSAATION ASUMISOIKEUS OY				Other
336.	CONTINEO OY				Other
337.	F-SECURE OYJ				Other
338.	PFIZER OY		Foreign owner		
339.	PANOSTAJA OYJ				Other
340.	PORHON AUTOLIIKE OY	Family firm			
341.	ISKU-YHTYMA OY	Family firm			
342.	HOLIDAY CLUB RESORTS OY		Foreign owner		
343.	RTV-YHTYMA OY	Family firm			
344.	LAPPEENRANNAN ENERGIA OY			State-owned	
345.	NOVARTIS FINLAND OY		Foreign owner		
346.	BAUHAUS and CO. KY		Foreign owner		
347.	LAMPOPUISTO OY				Other
348.	JATKE OY	Family firm			
349.	HUS-KIINTEISTOT OY			State-owned	
350.	PALODEX GROUP OY		Foreign owner		

351.	EATON POWER QUALITY OY		Foreign owner		
352.	CORIAANT OY		Foreign owner		
353.	ESPERI CARE OY				Other
354.	POHJOIS-KARJALAN SAHKO OY			State-owned	
355.	TERVAKOSKI OY		Foreign owner		
356.	TURUN SEUDUN ENERGIANTUOTANTO OY			State-owned	
357.	BASWARE OYJ				Other
358.	KEMPPI OY	Family firm			
359.	MOLNLYCKE HEALTH CARE OY		Foreign owner		
360.	ETTEPLAN OYJ	Family firm			
361.	OY TJAREBORG AB		Foreign owner		
362.	BUSINESSFORUM OY		Foreign owner		
363.	PUUKESKUS OY		Foreign owner		
364.	PLUSTERVEYS OY				
365.	ESPOON ASUNNOT OY			State-owned	
366.	ADVEN OY		Foreign owner		
367.	VELJEKSET KESKINEN OY	Family firm			
368.	STAFFPOINT HOLDING OY	Family firm			
369.	RAMBOLL FINLAND OY		Foreign owner		
370.	KSS ENERGIA OY			State-owned	
371.	NORPE OY		Foreign owner		
372.	FIRA OY				Other
373.	FINNSEMENTTI OY		Foreign owner		
374.	OY NIZHEX SCANDINAVIA LTD		Foreign owner		
375.	OSTP FINLAND OY AB		Foreign owner		
376.	SAP FINLAND OY		Foreign owner		
377.	TECHNIP OFFSHORE FINLAND OY		Foreign owner		
378.	SANTEN OY		Foreign owner		
379.	OY EBOOKERS FINLAND LTD		Foreign owner		
380.	BEWI STYROCHEM OY		Foreign owner		
381.	SODEXO OY		Foreign owner		
382.	MARTELA OYJ	Family firm			
383.	PRT-FOREST OY	Family firm			
384.	DANISCO SWEETENERS OY		Foreign owner		
385.	HOLLMING OY	Family firm			
386.	FINNFEEDS OY		Foreign owner		

387.	AUTOSALPA OY	Family firm			
388.	CAPGEMINI FINLAND OY		Foreign owner		
389.	SAINT-GOBAIN WEBER OY AB		Foreign owner		
390.	RAUTE OYJ				Other
391.	NORDIC MORNING OYJ			State-owned	
392.	GLASTON OYJ ABP				Other
393.	NYNAS OY		Foreign owner		
394.	INSTRU OPTIIKKA OY		Foreign owner		
395.	SAINT-GOBAIN RAKENNUSTUOTTEET OY		Foreign owner		
396.	PARKER HANNIFIN OY		Foreign owner		
397.	OY KUEHNE + NAGEL LTD		Foreign owner		
398.	GLAXOSMITHKLINE OY		Foreign owner		
399.	BANG and BON SOMER GROUP AB	Family firm			
400.	KYMENLAAKSON SAHKO OY - KYMMENEDALENS EL AB			State-owned	
401.	AMEC FOSTER WHEELER ENERGIA OY		Foreign owner		
402.	FINN-POWER OY		Foreign owner		
403.	BRONTO SKYLIFT OY AB		Foreign owner		
404.	MURATA ELECTRONICS OY		Foreign owner		
405.	RAUMASTER OY				Other
406.	ERNST and YOUNG OY		Foreign owner		
407.	OY LIVAL AB	Family firm			
408.	A-LEHDET OY	Family firm			
409.	TA-YHTYMA OY				Other
410.	ANVIA OYJ				Other
411.	THE ORANGE COMPANY OY	Family firm			
412.	ATOY OY	Family firm			
413.	KYMPPIVOIMA OY			State-owned	
414.	ROCLA OY		Foreign owner		
415.	DOVRE GROUP OYJ				Other
416.	AFFECTO OYJ				Other
417.	OSUUSKUNTA LANSI-MAITO				Other
418.	DOW SUOMI OY		Foreign owner		
419.	WESTAS GROUP OY	Family firm			
420.	HES-PRO (FINLAND) OY	Family firm			
421.	WHIRLPOOL NORDIC OY		Foreign owner		

422.	PRICEWATERHOUSECOOPERS OY		Foreign owner		
423.	MARIOFF CORPORATION OY		Foreign owner		
424.	LINDORFF OY		Foreign owner		
425.	ORKLA CONFECTIONERY and SNACKS FINLAND AB		Foreign owner		
426.	INCHCAPE MOTORS FINLAND OY		Foreign owner		
427.	REKA OY	Family firm			
428.	KPMG OY AB				Other
429.	FLAKT WOODS OY		Foreign owner		
430.	DIGIA OYJ				Other
431.	OY ELECTROLUX AB		Foreign owner		
432.	CABB FINLAND OY		Foreign owner		
433.	OY MOBILITY FINLAND AB				Other
434.	VASKILUODON VOIMA OY			State-owned	
435.	LIQVIA HOLDINGS OY		Foreign owner		
436.	ORKLA FOODS FINLAND OY		Foreign owner		
437.	SAMPO-ROSENLEW OY	Family firm			
438.	OY SAMLINK AB				Other
439.	LUMON INVEST OY	Family firm			
440.	TRANSTECH OY	Family firm			
441.	REALIA HOLDING OY				Other
442.	SKS GROUP OY	Family firm			
443.	SUOMEN EUROMASTER OY		Foreign owner		
444.	CUPORI OY		Foreign owner		
445.	JYSK OY		Foreign owner		
446.	CATAMOUNT OY	Family firm			
447.	METOS OY AB		Foreign owner		
448.	CLOETTA SUOMI OY		Foreign owner		
449.	ISOJOEN KONEHALLI OY	Family firm			
450.	JUJO THERMAL OY		Foreign owner		
451.	BROADCOM COMMUNICATIONS FINLAND OY		Foreign owner		
452.	BURGER-IN OY	Family firm			
453.	PILKINGTON AUTOMOTIVE FINLAND OY		Foreign owner		
454.	MARIMEKKO OYJ				Other

455.	POHJOIS-KARJALAN KIRJAPAINO OYJ	Family firm			
456.	FINNVERA PLC			State-owned	
457.	SKAALA OY	Family firm			
458.	A-KATSASTUS OY		Foreign owner		
459.	BITTIUM OYJ				Other
460.	DELETE FINLAND OY		Foreign owner		
461.	MEHILAINEN TERVEYSPALVELUT OY				Other
462.	ALANDS PENNINGAUTOMATFORENIN G				
463.	KOIVISTON AUTO OY	Family firm			
464.	TAMINCO FINLAND OY		Foreign owner		
465.	HONG KONG SUOMI OY	Family firm			
466.	GOVERNIA OY			State-owned	
467.	DENTSU AEGIS NETWORK OY		Foreign owner		
468.	BASSADONE AUTOMOTIVE NORDIC OY		Foreign owner		