

V. EMPIRICAL RESULT

5.1 Summary statistics

In Table II, I present the descriptive statistics for the variables used in the sample. Mean, standard deviation of all variables, and t-statistics of mean, comparative between family firms and non-other firms, lone-founder firms and non-other firms, and family firms and lone-founder firms are also reported in this table. The mean Tobin's Q of family firms is 1.0034 lower than the Q of non-other firms (1.0650) but insignificant. Tobin's Q of lone-founder firms (0.9509) is also insignificantly lower than the Q of non-other firms. However, when compare between lone-founder firms and family firms, Tobin's Q of lone-founder firms (0.9509) are lower than family firms' Q (1.0034), however, insignificant result is reported.

By average, family firms and lone-founder firms have less spending for investment (CAPX/PPE), less firm risk (beta), less using in debt (debt to market equity), and smaller in net sales (firm size), but more in growth (sales growth). Family firms are older than non-other firms, while lone-founder firms are younger than non-other firms and family firms.

The data suggest that family ownership is 42.49% while lone-founder ownership is 35.25%, and family ownership is significantly higher than lone-founder ownership at 99 confident-level.

Both family and lone-founder members play an important role in the firms (hold a management positions, such as CEO or CH), as the statistic shows that 71.52% of family members hold a title of CEO, 65.56% of family members hold a title of CH, and 53.64% hold for both positions. For lone-founder, 60% of lone-founder firms serve as a CEO, 74.28% hold a title of CH, and hold for both positions for 541.42%.

The level of involvement of family members in the firms is significantly higher than lone-founder members at the 99 confident-level.

[Table II is here]

5.2 Regression results

Table III reports the result of OLS regression of Tobin's Q on different characteristics of family and lone-founder firms, specifically, ownership (family and lone founder structure), control (largest shareholder) and management (a member of family or lone-founder serve as a CEO or a CH or both positions).

The statistics show that family firms can create value to a firm in all characteristics, except when members of a family serve as a CEO and serve both CEO and CH. As family, family with largest ownership and family with largest ownership and serve as CEO variables have a positive coefficient. While family with largest ownership and serve as CEO or CEO and CH variables have a negative coefficient. However, the result suggests that only family firms, family firms with largest ownership and family firms with largest ownership and members of the family hold a title of CH show a statistically significant at 90, 99, and 90 confident-level, respectively. (Tobin's Q is reported 0.0882, 0.2789, and 0.1806, respectively). *The result suggests that family firms with largest shareholders can create a 27.89% in value higher than non-family firms.*

Contrast to lone-founder firms, statistics report that lone-founder firms have inferior performance compare to all other firms, as negative Qs are reported in every model. However, the results show a statistically significant only for lone-founder firms with largest ownership.

When family firms and lone-founder firms are combined together, in order to compare with all other firms, the results suggest that family firms have a superior performance, while lone-founder firms have an inferior performance, compare to all other firms. The result also suggests that family controlled firms (with largest ownership) statistically and significantly create value to the firms, larger than lone-founder firms and all other firms do.

For control variables, investment, leverage, outside block-holders, and firm size have a positive coefficient. These suggest that firms with more investment and large size can create

more value to a firm. Leverage shows a positive coefficient suggests that investor's inception about leverage is that it is a mechanism to monitor agents (management), and create value to a firm.

A positive coefficient of block-holders suggests that good corporate governance can also create firm value.

Beta and age show a negative coefficient, which suggests that firms with more risk and older firms destroy value to a firm.

[Table III is here]

For robustness, I also run a panel regression similarly to Table III but in fixed effect and random effect. Table IV report a fixed effect model and table V report a random effect model, and Table VI report OLS regression for industry adjusted Q with variables as in Table III, IV and V do.

Table IV reports the results of panel regression of Tobin's Q on various characteristics of family and lone-founder firms in fixed effect model.

The results report a similar direction with the OSL regression result, which are family can create value to a firm, but not statistically significant.

For lone-founder firms, the results report that lone-founder with largest ownership and lone-founder with largest ownership and serve as CEO position have lower statistically significant of Tobin's Q than non-lone founder firms.

The results also show that lone-founder with largest ownership and lone-founder with largest ownership and a member of a founder hold a title of CEO have more inferior performance than family firms and non-other firms.

[Table IV is here]

Table V reports the result of panel regression of Tobin's Q on various characteristics of family and lone-founder firms in random effect model. The statistics suggest that a family firm characteristic has a higher Tobin's Q than non-family firms as Tobin's Q is reported a positive figure 0.2675. While lone-founder firm with largest ownership statistically and significantly destroy firm value as shown in a negative Tobin's Q of -0.4663.

[Table V is here]

Table VI reports result of OLS regression of value on different characteristics of family and lone-founder firms which are ownership, control and management as shown in Table III, except that industry adjusted Tobin's Q is used as a dependent variable. The results are similar to what presented in Table III, family firms have statistically significant higher Tobin's Q than non-family firms. These imply that family firm, family firm with largest ownership, and family firm with ownership and members of family serve as CH create value to a firm as Tobin's Q show positive coefficient of 0.0882, 0.2276, and 0.1808 respectively.

For lone-founder firms, the results report that lone-founder with largest ownership statistically destroy firm value as Tobin's Q reports a negative coefficient of -0.328.

A result from a combination of family firms and lone-founder firms compare to other firms shows that family firm with largest ownership have a statistically significant higher of Tobin's Q than non-family firms as a coefficient is reported 0.2326.

[Table VI is here]

As mentioned earlier, my model may suffer from an endogeneity problem so Table VII and VIII report a two-step regression analysis for family firm characteristics and lone-founder

firm characteristics, respectively. In order to run a two-step regression, treatreg subroutine in STATA program is used.

Table VII and VIII confirms the result in table III, IV, V and VI, that family firms have a superior performance than non-family firms and lone-founder firms.

Table VII reports that after correcting a problem, family firm, family firm with largest ownership and family firm with largest ownership and members of the family holding a title of CH statistically and significantly create value to a firm with larger magnitudes than ordinary OLS regression (Tobin's Q is 1.936, 1.3024, and 0.5807, respectively).

[Table VII is here]

Table VIII reports that lone-founder with largest ownership has statistically significant inferior performance than non-other firms.

[Table VIII is here]

Table IX shows a summary of all significant findings. For family firms, the results report that a firm value of family ownership firm and family ownership with a control vote (largest owner) are superior to non-other firms. A statistically significant are reported in OLS Regression, Random Effect Regression, and Two-step Regression. No evidence suggests that management can create a significantly higher or lower firm value compare to non-other firms.

For lone-founder firms, the results report that only lone-founder ownership with a control vote (largest owner) can destroy a firm value. A statistically significant are reported in OLS Regression, Fixed Effect Regression, Random Effect Regression, and Two-step Effect Regression.

[Table IX is here]