Performance of Family Firms During the Global Financial Crisis: Does Governance Matter?

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Abstract

We investigate whether better corporate governance impacts the performance of family versus non-family firms during the Global Financial Crisis (GFC). If good governance matters then its impact should be amplified during times of exogenous financial shocks. Furthermore the impact of governance will be more pronounced for family firms as family firms are more resilient, have greater access to survival capital and have a longer term decision making focus. We find that the value of family firms is more sensitive to book value than earnings changes whereas better governance results in a higher earnings relationship with value during the GFC. We also find better governance, irrespective of whether the firm is family or non-family, is associated with better accounting and market performance during the GFC.

1. Introduction

Agency problems have been recognised as perhaps the most pervasive cost of management and ownership separation, which, if not effectively monitored, provide opportunities for managers with access to private information to act opportunistically rather than in the interests of owners (see for example Jensen (1976), Shleifer and Vishny (1997), Abdel-khalik (2002), Hicheon (2008) and Roberts (2005)). However, one form of the modern corporation, the family firm, rightly distinguishes itself from widely held corporate firms (Morck *et al.*, 1988) and some of the associated agency and information asymmetry problems. The underlying premise of much of the family firm research is that family firms behave differently from non-family listed firms (Anderson and Reeb, 2003b, 2004; Brunello *et al.*, 2003; Chen *et al.*, 2008; Chen *et al.*, 2005; Dyer, 2006; Heck *et al.*, 2008; Leenders and Waarts, 2003; Maury, 2006; Miller and Le Breton-Miller, 2006; Miller *et al.*, 2007; Pérez-González, 2006; Villalonga and Amit, 2009; Wang, 2006).

An associated area of research asserts that governance effects firm performance. The literature in this area is substantial with in excess of 50,000 academic articles being published to June 2010 (Brown *et al.*, 2011). This body of research finds mixed support for the proposition that firm performance is enhanced by better governance. The family firm literature also argues that family firms outperform non-family firms on a range of measures (Anderson and Reeb, 2003a; Lee, 2006; Maury, 2006; Villalonga and Amit, 2009). However, there are also challenges to this research in terms of how family firms are defined (Miller et al., 2007) and the performance measures employed (Hasso and Duncan, 2010).

Some research attempts to address these conflicting results by attempting to identify the situations where the governance driver of performance should matter. Johnson et al. (2000) found a significant effect for governance during the Asian Financial Crisis, while Drennan et al. (Drennan *et al.*, 2011) found governance effects the ability to maintain market

listing. This paper seeks to add to both bodies of research by investigating the interaction between corporate governance and family firms during the Global Financial Crisis (GFC). The GFC exposed firms to significant external shocks including drying up of finance, overnight failure of customers and markets, downturns in revenue and spikes in uncertainty and negative sentiment (Crottry, 2009). Such adverse conditions test the ability of the firm, managers and owners to marshal resources and develop strategies to allow the firm to respond to the external shock and therefore survive and perform. If family firms are more resilient, have greater access to survival capital and have a longer term decision making focus, then during the GFC these factors should magnify any performance differences between family and non-family firms.

The remainder of the paper proceeds as follows. Section two reviews prior literature and distils the key theoretical relationships between corporate family firm and governance characteristics and firm performance and presents the testable hypothesis. Section three describes the research design which includes the sample, variable measures and the empirical methods used to the relationship between corporate governance and performance for family and non-family firms. Section four tests the hypothesis and presents the results of the data analyses. Finally, section five offers a discussion of the results and their implications as well as a conclusion to the paper.

2. Literature Review and Hypotheses Development

Our starting premise is that family firms outperform non-family firms due to distinct differences in management and control mechanisms and the unique bonds that link the family to the firm (Adams *et al.*, 2009; Barnhart *et al.*, 1994; Barontini and Caprio, 2006; Bennedsen *et al.*, 2007; Booth *et al.*, 2002; Chen *et al.*, 2005; Denis and Sarin, 1999; Helland and Sykuta, 2005; Liu and Sun, 2005; Mak and Roush, 2000; Manjon, 2007; Maug, 1997; Maury, 2006; McConaughy *et al.*, 1998; Miller and Le Breton-Miller, 2006; Pérez-González, 2006;

Short, 1994; Villalonga and Amit, 2009). The family firm literature has established factors such as decision making and intangible assets that differentiate family firms (Hasso and Duncan, 2010). Furthermore, evidence suggests that family firm factors are associated with family firms outperforming non-family firms (Sirmon and Hitt, 2003). Our proposition is that this relation holds true during the external GFC shock.

Proposition 1: Family firms outperform non-family firms during the GFC.

To explore this proposition we employ Ohlson's (1995) valuation framework that models value as a function of earnings and book value, the core information signals that capture the performance of management be they family or non-family management teams.

$$MV_{it} = \gamma_0 + \gamma_1 X_{it} + \gamma_2 BV_{it} \quad (1)$$

Where MV_{it} is market value of firm *i* in period *t*, X_{it} is firm *i*'s earnings for period *t* and BV_{it} is the book value of equity for firm *i* at the end of period *t*. If we divide through by book value we get:

$$MV_{it}/BV_{it} = \gamma_2 + \gamma_0/BV_{it} + \gamma_1 X_{it}/BV_{it}$$

Define $\alpha_0 = \gamma_2 + \gamma_0/BV_{it}$ to be a fixed effect which reduces the value relationship to the following:

$$MV_{it}/BV_{it} = \alpha_0 + \gamma_1 X_{it}/BV_{it} \quad (2)$$

The family firm literature has tested two aspects of this relation namely whether the dependent variable, a measure of value, and the independent variable, a measure of performance, are different between family and non-family firms. Typically value has been operationalised as market to book value (or price to book value PB), a proxy for Tobin's *Q* (Black *et al.*, 2006; Callahan *et al.*, 2003; Chen *et al.*, 2003; Dwivedi and Jain, 2005; Lemmon and Lins, 2003; Morck *et al.*, 1988), the left hand side of equation (2) above.

Similarly performance is typically operationalised as return on equity (the second term in equation (2)) or a derivation such as return on assets. What does this evidence tell us? If we consider equation (2) above it could be that the observed higher Tobin's *Q* for family firms is due to higher earnings or return on equity. However the conflicting earnings evidence (Hasso and Duncan, 2010) suggests that the nature of the innovation is more complex or that there are other factors that are not specified. Nevertheless there is fairly consistent evidence that family firms exhibit higher Tobin's *Q* (Black *et al.*, 2006; Callahan *et al.*, 2003; Chen *et al.*, 2003; Dwivedi and Jain, 2005; Lemmon and Lins, 2003; Morck *et al.*, 1988). If this observed result is not due to earnings innovations (ROE or ROA) for family firms then equation (2) suggests an alternative argument that family firm factors impact the fixed effect or slope coefficients α_0 and γ_1. The latter slope parameter means that family firms enjoy a higher earnings capitalisation parameter or price earnings (PE) ratio.

The implication for valuation is that researchers need to focus on factors that impact the slope coefficient rather than earnings per se to better understand the drivers of family firm value. One such factor is the nature of the corporate governance adopted by the firm. We argue that if governance has a role in increasing firm performance and value, as suggested by the prior theory and evidence (Bebchuk *et al.*, 2009; Brown and Caylor, 2009; Kapopoulos and Lazaretou, 2007; Khurana and Raman, 2006; Klein, 1998; Miller and Le Breton-Miller, 2006; Miller *et al.*, 2007), then this effect should be most evident when the firms face adverse circumstances and be amplified for family firms. Often firms manage shocks that are endogenous while on other occasions they are completely exogenous such as the GFC. We expect that the governance impact during the GFC should manifest in greater monitoring and transparency, improved financial decision making, and improved risk assessment. Our proposition is that family firms with better corporate governance (more formal governance structures and process in place) will outperform all other firms.

Proposition 2: Better corporate governance will contribute to the performance difference of family firms during the GFC.

To explore proposition two we reformulate the value relationship as a returns analysis by taking a first difference of equation (1).

$$MV_{it} - MV_{it-1} = (\gamma_0 - \gamma_0) + (\gamma_1 X_{it} - \gamma_1 X_{it-1}) + (\gamma_2 BV_{it} - \gamma_2 BV_{it-1})$$

If we divide by opening market value the dependant variable becomes the return for firm *i* in period *t*, R_{it} , and if we add a fixed effect ω_0 (which in theory should be zero) and define $\omega_1 = \gamma_1 / MV_{it-1}$ and $\omega_2 = \gamma_2 / MV_{it-1}$ we get:

$$R_{it} = \omega_0 + \omega_1 (X_{it} - X_{it-1}) + \omega_2 (BV_{it} - BV_{it-1})$$

Recognising that change in book value is earnings we can restate to get equation 3 where return is a function of change in earnings and earnings as follows:

$$R_{it} = \omega_0 + \omega_1 \Delta X_{it} + \omega_2 X_{it} \quad (3)$$

Our argument is that family factors (*FF*) and corporate governance (*GOV*) impact the slope coefficients ω_1 and ω_2 as follows:

$$\omega_1 = \delta_0 + \delta_1 FF_i + \delta_2 GOV_i$$

$$\omega_2 = \varphi_0 + \varphi_1 FF_i + \varphi_2 GOV_i$$

Substituting into equation (3) we get:

$$R_{it} = \omega_0 + (\delta_0 + \delta_1 FF_i + \delta_2 GOV_{ij}) \Delta X_{it} + (\varphi_0 + \varphi_1 FF_i + \varphi_2 GOV_{ij}) X_{it}$$

Multiplying through and collecting terms gives us:

$$R_{it} = \omega_0 + \delta_0 \Delta X_{it} + \varphi_0 X_{it} + \delta_1 FF_i \Delta X_{it} + \varphi_1 FF_i X_{it} + \delta_2 GOV_{ij} \Delta X_{it} + \varphi_2 GOV_{ij} X_{it}$$

Substituting aX_{it} for ΔX_{it} and we get:

$$R_{it} = \omega_0 + (\delta_0 a + \varphi_0) X_{it} + (\delta_1 a + \varphi_1) X_{it} FF_{ij} + (\delta_2 a + \varphi_2) X_{it} GOV_{ij}$$

To test this model we estimate the final reduced form model including controls for size, leverage, age, and industry dummies as follows:

$$R_{it} = \beta_0 + \beta_1 X_{it} + \beta_2 X_{it} FF_i + \beta_3 X_{it} GOV_i + \beta_4 Control_{ji} + \varepsilon_i \quad \text{Model (1)}$$

Model 1 suggests that returns for family firms will be impacted by family factors and governance factors via slope dummy variables. We also investigate several derivations of Model 1. In addition to returns analysis we also consider a two levels specification drawing on the Ohlson (1995) formulation again in Models 2 and 3 as follows:

$$P_{it} = \beta_0 + \beta_1 X_{it} + \beta_2 X_{it} FF_i + \beta_3 X_{it} GOV_i + \beta_4 BV_{it} + \beta_5 BV_{it} FF_i + \beta_6 BV_{it} GOV_i + \beta_7 Control_{ji} + \varepsilon_i \quad \text{Model (2)}$$

Where BV_{it} is Book Value of the net assets firm *i* in period *t*. Model 3 is Model 2 divided by total assets and assuming that the book value ratios are captured by the intercept we get Tobin's *Q* as a function of return on assert with slope dummies for family firms and governance (similar to equation (2) earlier).

$$TobinQ_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 ROA_{it} FF_i + \beta_3 ROA_{it} GOV_i + \beta_4 Control_{ji} + \varepsilon_i \quad \text{Model (3)}$$

Finally we consider two properties of Tobin's *Q*: specifically whether family control and corporate governance impact the change in Tobin's *Q* and the variance in Tobin's *Q* during the GFC.

$$\Delta TobinQ_{i(t\ to\ t+n)} = \beta_0 + \beta_1 X_{i(t\ to\ t+n)} + \beta_2 X_{i(t\ to\ t+n)} FF_i + \beta_3 X_{i(t\ to\ t+n)} GOV_i + \beta_4 StdDevX_{i(t\ to\ t+n)} + \beta_5 Control_{ji} + \varepsilon_i \quad \text{Model (4)}$$

$$SDTobinQ_{i(t\ to\ t+n)} = \beta_0 + \beta_1 X_{i(t\ to\ t+n)} + \beta_2 X_{i(t\ to\ t+n)} FF_i + \beta_3 X_{i(t\ to\ t+n)} GOV_i + \beta_4 StdDevX_{i(t\ to\ t+n)} + \beta_5 Control_{ji} + \varepsilon_i \quad \text{Model (5)}$$

3. Data, Variables and Methodology

3.1 Sample

Our initial sample consists of 2293 non-financial companies listed on the Australian Securities Exchange (ASX). Excluding non-trading companies and those with missing of incomplete data reduces the final sample to 665. Of these 125 or about 23% are identified as family firms in prior research (Yupitun, 2008). The data are collected from annual reports

and database information from AspectHuntley's DatAnalysis and FinAnalysis and Thomson Reuters Tick History (TRTH).

Insert Table 1 about here

3.2 Variables

We define a firm to be a family controlled firm when the family is the largest shareholder and one officer or director (Villalonga and Amit, 2006; Yupitun, 2008). To capture this definition in our analysis we create a dummy family firm variable, *FF*, as follows:

$$FF_i = \begin{cases} 1 \text{ if firm}_i \text{ is a family firm} \\ 0 \text{ otherwise} \end{cases}$$

We employ twelve individual governance variables to capture the multi-faceted governance concept, drawn from the prior literature and shown in Table 2 (Ang *et al.*, 2000; Daily and Dalton, 1994; Davidson *et al.*, 2006; Fama and Jensen, 1983a, 1983b; Kent and Stewart, 2008). The individual governance measures include board size, board independence, duality of the role of board chair and chief executive officer, board meeting, the presence of a nomination committee, the presence of a remuneration committee, audit committee charter, size of audit committee, audit committee independence, financial expertise of the audit committee, audit committee meetings and identity of external auditor.

Insert Table 2 about here

Consistent with previous literature, the we compute a corporate governance composite that summarises the twelve individual corporate governance variables into a single index of governance (Defond *et al.*, 2005; Gompers *et al.*, 2003). All governance variables are transformed to a binary scale by allocating a value of one if the individual corporate governance variable is above the sample median and zero otherwise. The twelve dichotomous variables are summed to produce a governance composite, *GovIndex*, which has a maximum

value of twelve (indicating strong corporate governance) and a minimum value of zero (indicating weak corporate governance) (Defond et al., 2005) as follows:

$$GovIndex_i = \sum_{j=1}^{14} CorpGov_{ji}$$

Where:

$GovIndex_i$ = Aggregate index of corporate governance for firm *i*.

$CorpGov_{ji}$ = *j*th individual corporate governance variable for firm *i* (see Table 2).

We code the top twenty percentile on the *GovIndex* as good governance and use a dummy variable, *Gov*, to represent this in our analysis where 1 is good governace and zero otherwise. We also include controls for size, leverage, age and industry in the estimation models. Company size, *SIZE*, is the log of total assets (Pittman and Fortin, 2004; Sengupta, 1998). Leverage, *LEV*, is measured as total debt divided by total assets (Ashbaugh-Skaife *et al.*, 2006; Klock *et al.*, 2005). Company age, *AGE* is the number of years since incorporation (Diamond, 1989; Pittman and Fortin, 2004). Finally, industry is measured using a fixed effect model where a dummy variable is created for each of the industries in the market (Anderson *et al.*, 2004; Pittman and Fortin, 2004).

3.3 Methodology

Prior research indentifies governance to be endogenously determined.[1] Specifically, there have been concerns about the relationship between governance characteristics of the board, firm performance and the endogeneity that may be implicit in this relationship (Bhagat and Black, 1999; Bhagat and Bolton, 2008; Schultz *et al.*, 2010). The specific issue is whether firm's performance drives the board structure and governance features or the board drives performance, or whether some other variable drives both (the CEO is an obvious candidate).

[1] Endogeneity issues plague much of the governance (see Brown et al. (2011) for a review) and more generally accounting (see Larcker and Rusticus (2010) for a review) and finance see Bhagat and Bolton (2008)).

There is some convincing arguments that the nature of boards that govern corporations today are significantly different from boards in the 1960s (Bhagat and Black, 1999) and that these changes are driven by adverse shocks to the market such as the 1987 stock-market crash (Cadbury, 1999), the savings and loan crisis of the early 1990s (Miller, 1998), the internet bubble of 2000 (Thornton and Marche, 2003) and finally the GFC which is the subject of our study. Our proposition is that the AC matters to a far greater extent when there is an unexpected exogenous shock; that is, the AC comes into prominence when expectations are not met in a rapidly altered external environment. By choosing an exogenous and largely unexpected event, we assess the AC characteristic-performance relationship before the performance can affect the composition of the board. That is, the research design controls for the implicit endogenous effect.

4. Analysis and Results

4.1 Descriptive Statistics

Descriptive statistics for the main variables in the models are reported in Table 3 for the pooled sample and for the family and non-family firm sub-samples. We also report the results for an ANOVA testing the equivalence of the variable means for family and non-family firms. None of the variables are significantly different between family and non-family.

Insert Table 3 about here

The average market return for 2008 is negative for all firms and the sub-samples reflective of the down turn due to the GFC. As shown in Figure 1 the 2006-2007 period was very prosperous on average for firms but that the GFC affected returns in 2008 and 2009 only to bounce back in 2010.

Insert Figure 1 about here

4.2 Model Estimation

We estimated the returns and levels models developed in the theory section to test whether better corporate governance impacts the performance of family versus non-family firms during the GFC. Table 4 reports the results for the five models estimated. However, to test the slope effects as theorised we converted the *GovIndex* variable into a dummy variable *Gov* as defined earlier. We coded the top twenty percentile as good governance as these are the firms that tend to have stronger committee and audit governance features which we expected to have a greater impact on performance during the GFC (Aldamen *et al.*, 2012).

Insert Table 4 about here

Model 1 examines the relationship between 2008 market returns, earnings and the impact of family and governance factors. The results show that returns are negatively related to *SIZE* at the one percent significance level. Earnings, governance and family firm attributes are not associated with market return. Given that governance is driven largely by size this suggests that smaller firms with lower governance performed better in terms of return during the drop in 2008. However the explanatory power of the model is low at two percent and thus the majority of the explanation is simply the larger exogenous impact of the GFC on market prices in 2008.

In Model 2, a levels model, we explore the relationship between share price, earnings and book value. The results in Table 4 indicate that share price is positively related to earnings and book value at the one percent levels respectively. This is consistent with the standard Ohlson (1995) valuation framework. There is no earnings-family firm slope effect which suggests that the earnings for family firms are no more of less relevance for non-family firms. However the positive slope dummy for book value for family firms suggests assets have a higher weighting than for non-family firms, albeit this is not significant. Furthermore governance has a positive impact. Higher governance is associated with a higher

earnings weight but a lower book value weight in the valuation model. However family firms with higher governance had a lower book value weight, significant at the one percent level. Finally firm age is negatively related to price that the ten percent level and size is positively related to price at the five percent level. Taken as a whole these result suggest that in the GFC market value for good governance firms was driven by earnings rather than book value but for family firms the emphasis on earnings was less pronounced. Conversely the value for low governance firms emphasised book value more than earnings.

We also test another levels specification in Model 3 where we explore the relationship between Tobin's *Q* and earnings, governance and the impact of family control. The results show that Tobin's *Q* is negatively related to profitability (ROA) but less so for good governance and family firms. This is partly explained by unreported *ANOVA* analysis that showed that firms with higher governance have lower Tobin's *Q* or market to book ratio but are significantly more profitable (higher ROA, earnings per share and aggregate earnings over time and also less likely to have a loss).

Finally Models 4 and 5 test properties of the Tobin's *Q* levels valuation specification. Model 4 tests whether change in Tobin's *Q* between 2007 and 2010 (taking end of 2006 as the start point) is related to aggregate earnings and standard deviation in earnings, a variation on the Easton Harris and Ohlson's (1992) long events window analysis. The results show that change in Tobin's *Q* is negatively related to leverage but none of the other factors. The final model we tested, Model 5, examines the drivers of variability in Tobin's *Q*. We find no association with governance, family firm status, aggregate earnings or variability in earnings. The only significant driver is firm size that is negatively related to Tobin's *Q* variability.

5. Discussion and Conclusion

Contrary to our expectations, we find that family firms with good governance have a negative impact on the earnings coefficient for our valuation model. That is, investors do not

see earnings announcements by family firms as more value relevant than for non-family firms but in fact they are less value relevant. This is consistent with the only other study of an exogenous financial impact on firm performance. Lemmon and Lins (2003) studied the effect of ownership structure on firm value during the East Asian financial crisis that began in July 1997. The crisis was also a negative shock to the investment opportunities of firms in these markets. They find that corporate ownership structure played an important role in determining the incentives of insiders to expropriate minority shareholders during the times of declining investment opportunities presumably leading to mistrust by investors of family firm earnings disclosures under those conditions.

We find the market value of good governance firms is less reliant of the balance sheet. In contrast family firms seem to be less reliant on income and there is some suggestion that there are also more reliant on the balance sheet. The fact that family firm status affects the value relevance of the balance sheet disclosures suggests the market perceives that it is easier to manipulate earnings in times of crisis that it is the balance sheet. Contrary to prior studies (McConnell and Servaes, 1990; Morck *et al.*, 1988), we do not find that family firms display a significantly higher Tobin's *Q* than do non-family firms. Firms displaying *Q*'s greater than unity are judged as using scarce resources effectively and those with *Q*'s less than unity as using resources poorly (Lewellen and Badrinath, 1997). Family firms are no more efficient during the GFC than are other firms.

The resultant research question from this study is whether family firms can make changes to their governance structure that would reduce the perception that expropriations may be made during times of financial crisis. Specifically, would ensuring the Chair of the Board and the Chair of the Audit Committee are not members of the "family" increase the perception of the independence of the governance structures?

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TABLE 1
Sample Details

Nonfinancial Firms	2293	
Cases with no Revenue (non trading firms)	1022	
Missing Data: Governance, Value, Age, Financial and Performance	615	
Final Sample	656	
Family Firms	124	(19%)
Non-Family Firms	532	(81%)

TABLE 2
Corporate Governance Measures

Variable Name	Variable Description
BDSIZE	Number of directors on the board.
INDP	Proportion of non-executive independent directors on the board.
BDMEET	Number of board meetings.
DUAL	One if the CEO is separate from chair of the board, and zero otherwise.
NOM	One if the company has a nomination committee, and zero otherwise.
REM	One if company has a remuneration committee, and zero otherwise.
AUDCHRT	One if the company has an audit committee charter, and zero otherwise.
AUDSIZE	Number of directors on audit committee.
AUDIND	Proportion of non-executive independent members on the audit committee.
AUDEXP	Proportion of audit committee members with accounting and finance qualifications.
AUDMEET	Number of audit committee meetings.
AUDITOR	One if the auditor is a Big Four, and zero otherwise.

FIGURE 1
Average Firm Return 2006-2010

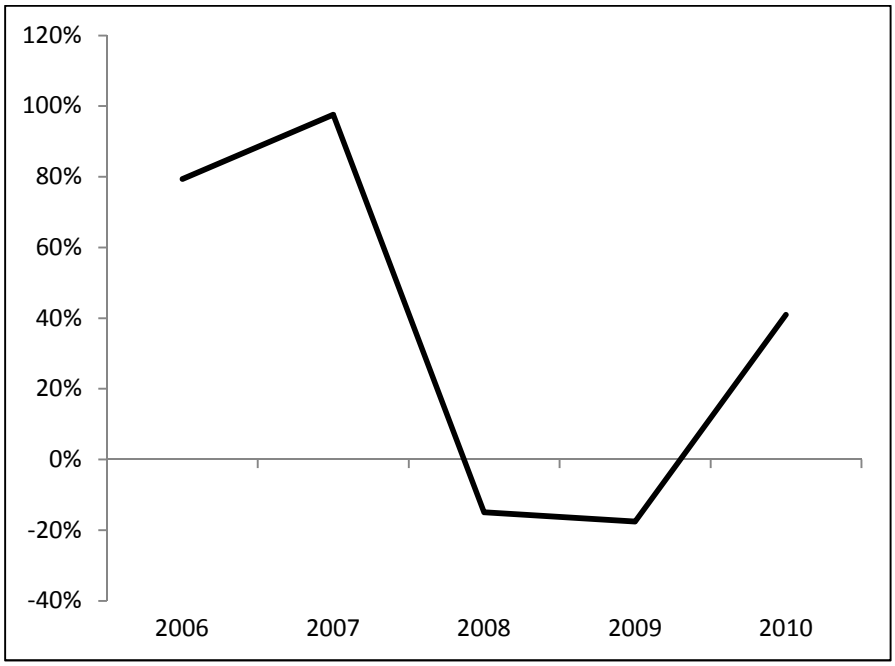

TABLE 3
Descriptive Statistics and ANOVA Test

		Pooled		*Family Firms*		*Non-Family Firms*		*ANOVA*[a]	
Variables	*Definition*	*Mean*	*Std.Dev.*	*Mean*	*Std.Dev.*	*Mean*	*Std.Dev.*	*F*	*Sig.*
GovIndex	Governance Index summated scale, 0 to 12	5.37	3.09	5.47	2.86	5.35	3.15	.142	.706
SIZE	Log of Total Assets	7.64	.87	7.61	.79	7.64	.89	.102	.749
LEV	Leverage – Total Debt to Total Assets, t=2007	.33	.23	.35	.22	.33	.24	1.059	.304
AGE	Years	20.56	17.67	18.61	14.68	21.01	18.28	1.855	.174
P_{it}	Price per share, t = 2008	1.91	5.14	1.64	3.23	1.98	5.49	.432	.511
R_{it}	Return = $(P_t-P_{t-1})/P_{t-1}$, t = 2008	-.15	1.08	-.23	.76	-.13	1.14	.870	.351
$TobinQ_t$	Tobin's *Q* = (Market value equity + Short term debt + Long term debt)/Total Assets, t = 2008	2.07	2.69	1.84	2.12	2.12	2.81	1.074	.301
X_t	Earnings Before Interest and Tax divided by weighted number of shares, t = 2008	.16	.48	.17	.37	.15	.50	.079	.779
BV	Book Value of Net Assets/weighted no. of shares	.85	1.99	.86	1.43	.84	2.10	.003	.954
ROA_t	Return on Assets, t = 2008	-.21	.97	-.11	.78	-.23	1.01	1.543	.215
$X_{i(t\ to\ t+n)}$	EBIT per share summed for t = 2007 to 2010	.57	1.69	.65	1.39	.56	1.75	.327	.568
$StdDevX_{i(t\ to\ t+n)}$	Standard deviation EBIT/ share, t = 2007 to 2010	.08	.18	.07	.09	.09	.19	.997	.318
$\Delta TobinQ_{i(t\ to\ t+n)}$	Change in Tobin's *Q*, t = 2007 to 2010	1.09	5.67	.94	5.26	1.12	5.77	.098	.754
$SDTobinQ_{i(t\ to\ t+n)}$	Standard deviation Tobin's *Q*, t = 2007 to 2010	1.44	3.04	1.48	3.88	1.43	2.82	.024	.878

Notes:
The sample consists of 124 family and 532 non-family firms that were listed on the ASX during the financial years of 2007-2010.
All variables are measured at fiscal year-end 2007 (unless otherwise indicated).
[a] ANOVA compares family and non-family firms for all variables. Two tailed *t*-stat: ***, **, * Significant at 1, 5, and 10 percent levels respectively.

TABLE 4
Governance, Family Control and Valuation

Variables	*(1) Return*	*(2) Price*	*(3) TobinQ*	*(4) ΔTobinQ*	*(5) SDTobinQ*
X	0.052	0.326***			
	(0.430)	(4.684)			
*X*FF*	-.026	0.015			
	(-.381)	(0.264)			
*X*Gov*	-0.061	0.617***			
	(-0.523)	(8.553)			
*X*FF*Gov*	0.004	-0.189***			
	(0.057)	(-3.787)			
BV		0.391***			
		(5.006)			
*BV*FF*		0.074			
		(1.046)			
*BV*Gov*		-.0421***			
		(-5.149)			
*BV*FF*Gov*		0.019			
		(0.278)			
ROA			-0.556***		
			(-15.449)		
*ROA*FF*			0.110***		
			(3.071)		
*ROA*Gov*			0.152***		
			(3.550)		
*ROA*FF*Gov*			-0.059		
			(-1.387)		
$X_{(2007\text{-}2010)}$				-0.003	-0.086
				(-0.027)	(-0.797)
$StdDevX_{(2007\text{-}2010)}$				0.003	0.016
				(0.062)	(0.354)
$X_{(2007\text{-}2010)}$*FF				0.010	0.029
				(0.209)	(0.653)
$X_{(2007\text{-}2010)}$*Gov				-0.013	0.146
				(-0.125)	(1.483)
SIZE	-0.169***	0.060**	-0.053	0.075	-0.292***
	(-3.239)	(2.435)	(-1.331)	(1.416)	(-5.708)
LEV	0.067	-0.019	-0.071	-0.142***	-0.001
	(1.371)	(-.0855)	(-1.756)	(-2.890)	(-0.024)
AGE	0.107**	-0.050*	0.035	-0.006	-0.026
	(2.460)	(-2.579)	(1.013)	(-0.151)	(-0.642)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.025	0.779	0.322	0.005	0.076
F	2.12***	137.67***	21.72***	1.21	4.61***

Notes: Two tail *t*-stat in parentheses: ***, **, * Significant at 1, 5, and 10 percent levels respectively
The table reports model estimations – standardised coefficients/intercept omitted.
Model 1 is a returns model while models 2 and 3 are levels models. Models 4 and 5 test properties of model 3 namely change and variance.