

# The Payout Policy of Family Firms in Continental Western Europe

Alfonso Del Giudice<sup>1</sup>

Catholic University of Sacred Heart, Milano

## Abstract

The idiosyncratic preferences of controlling shareholders play an important role in determining the payout policy of a company. Among controlling shareholders, families are quite common in Continental Western Europe (Faccio et al., 2001, Caprio et al., 2011). We know that family managers often take decisions in the interests of the family rather than in the interests of the company (Bertrand and Schoar, 2006; Morck and Young, 2004). Payout policy of family firms could be implemented in order to satisfy idiosyncratic preferences of the family owner rather than maximizing the value of the company. Using a sample of 777 Western European Companies, I observed the payout policy in the 1997 – 2010 year period. I find that family firms significantly prefer dividends to buyback. Considering family managers, I find that CEO founders do not like to payout dividends, while CEO heirs do prefer dividends. Family firms controlled and managed by founders are more likely to use buyback and show a lower amount of dividend payout. On the other side, heir CEOs disgorge much more cash through dividends. Jensen's FCF theory (1989) seems to hold for family firms managed by founders, because they over retain cash rather than distributing it. Warther's (1993) "sleeping dogs" theory could be a good explanation for heir CEOs' propensity to distribute cash dividends. In fact, they need to satisfy a larger controlling group and also they need to make the other heirs happy enough to avoid interfering into management decisions.

---

<sup>1</sup> Catholic University of Sacred Heart, Economic and Management Science Department, Necchi Street, 5, 20123 Milan, Italy. E-mail: alfonso.delgiudice@unicatt.it. Phone +39.02.7234.2746.

## 1. Introduction

Since the seminal paper of Modigliani and Miller (1961), a vast literature has examined the payout policy of the companies. A comprehensive theory of the payout should explain “how much, when and how”. “How much” is related to the free cash flow that a company is able to generate. Jensen (1989) analyzed the stockholder welfare consequences of managerial failures to distribute FCF: to make investors as well off as possible, managers need to distribute FCF. The timing (“when”) of such distribution is related to company’s lifecycle; the way payout policy is implemented (dividends or buyback) should be irrelevant in a frictionless world. In the world with taxes, the choice between dividends or buyback (“how”) matters when there is a different tax regime for dividends and capital gain.

In this paper, I analyzed a particular aspect that should be of a first-order importance in determining the payout policy of a company: the role of the controlling shareholder. The existence of a controlling shareholder raises a number of interesting questions about “how much, when and how” of a payout policy. For example, a controlling shareholder could prefer dividends over the repurchase because of the desire to increase his personal consumption without the threat of losing company’s control. Eckbo and Verma (1994) studied firms listed on Toronto Stock Exchange and found that only 16% of 66 companies in which managers own outright control paid dividends, while 100% of 77 firms controlled by institutional shareholders paid them. They explained this different behavior for tax reason, because Canada taxes individuals, but not corporate or institutional shareholders, on dividend income received. Renneboog and Trojanowski (2008) demonstrated that the probability of getting dividend in UK is higher when executives own shares. Correia da Silva et al. (2004) find that there is a u-shaped relationship between dividends and the controlling equity held by the largest shareholder. Amihud and Murgia (1997) shown that bank ownership in German companies increases the probability of omitting dividend payments.

So controlling stockholders’ preference could significantly influence payout policy of a company. They could have a different motivation rather than the value into determining payout policy. It is quite common to measure stockholders’ welfare in terms of value; we assume that every stockholder could use the market to convert his wealth into portfolios of consumption that maximize his own utility. We know that controlling stockholders could deviate from this rule, choosing a non-value-maximizing policy because of their idiosyncratic preferences for consumption rather reinvestment in the company, or because of the threat to lose corporate control.

Among controlling stockholders, I analyzed families. Family controlled firms are quite common in Western Europe. In fact, many publicly traded firms have a controlling family owner (La Porta et al., 1999; Claessens et al. 2000; Faccio et al., 2001). Correia and da Silva (2004) summarize numerous studies of listed firms in

Europe, indicating large family stockholding: 55.8% in Belgium, 56.0% in France, 59.7% in Germany, 52.3% in Italy, 28.2% in Netherlands and 38.3% in Spain. Also Claessens et al. (2000) and Faccio et al. (2001) documented that family control is very common in Western Europe. Family shareholders could be very interesting for their idiosyncratic preference that could influence payout policy. We know that they take decisions in the interests of the family rather than the company (Bertrand and Schoar, 2006; Morck and Young, 2004). In fact, when a company is managed by a family member, the probability of an exploitation of minority shareholders is higher, consistent with Jensen's theory (1986). Family manager could retain excess FCF and tunnel resources directly to corporate insiders. La Porta et al. (2000) and Johnson et al. (2000) documented several ways of opportunistic transfer of resources out of a firm to insiders.

Along with these theories, I tried to understand which the interests of the family are. When a company is managed by the founder, he often controls the company and represents the interests of the family. When a company is managed by a heir, sometimes he controls the company jointly with other heirs and the idiosyncratic preferences for consumption are represented by a larger group of individuals. I identified family managed firms, and I distinguished the family firms run by the founder and those run by the heirs. I found that, when a family firm is managed by the founder, the probability of paying out FCF is lower. When the CEO of the company is an heir, then payout policy is more generous. A founder could retain FCF and avoid sharing it with the other shareholders, because he can extract private benefits from the company in other ways. When new generations are added to controlling group, disagreement over corporate decisions could increase (Bertrand and Schoar, 2006). In order to make all family shareholders happy and to keep the power over the company, an heir acting as CEO could have more incentives to implement a generous payout policy. In this scenario, I am applying a variant of "sleeping dog" theory of Warther (1993): he explained that the level of dividends could be set high enough to avoid provoking stockholders into interfering with operating management. I found a family controlled firm variant of "sleeping dog" model, in which heirs pay sufficient amount to keep the shareholders happy, while retaining cash to fund policies that they find attractive but might not pass given diligent monitoring by the other family members. Another motivation could be simply related to the increasing of the controlling group of the company. The larger is the controlling group, the larger is the payout amount to distribute.

## **2. Descriptive Statistics**

### *Data and sample selection*

My aim is to analyze if and how family ownership affects payout policy of European listed companies. I considered a sample of non - financial listed Continental European companies in the period 1997 – 2010 with a total asset cut-off of US\$ 250 million at the end of 1997<sup>2</sup>. The financial data provider is *Worldscope*. This sample was at that time the universe of non-financial publicly traded companies in this geographical area and

---

<sup>2</sup> This sample is an extension of the database I used in the paper with Caprio and Croci (2011).

was formed by 777 companies. The breakdown by Country is as follows: Belgium 24 (3.1%), Denmark 38 (4.9%), Finland 37 (4.8%), France 161 (20.7%), Germany 144 (18.5%), Italy 72 (9.3%), Luxembourg 2 (0.3%), Netherland 77 (9.9%), Norway 40 (5.1%), Spain 46 (5.9%), Sweden 64 (8.2%) and Switzerland 72 (9.3%).

### *Ownership Structure*

The ownership structure and the data about stock repurchases are hand collected from the yearly annual reports. The main three shareholders are identified according to the entity of the owner, together with that of the ultimate owner. The purpose was to identify the family firms according Faccio and Lang (2002) definition: a family firm is a company where the largest shareholder owning more than 10% of voting rights is an individual or a family. I also checked the ultimate owner of the largest shareholders, in order to exactly detect a family controlled firm. The cash flow rights are also collected, because in Continental Europe it is quite common to issue different class shares. Table 1 summarizes the results about sample firm's ownership.

#### [TABLE 1]

In line with the previous studies about European listed companies, I find that on average the main shareholder owns a relevant stake (41.56%), while the second and the third largest shareholders own significantly smaller blocks. Considering the breakdown Family/Non Family, I find that family firms show far more concentrated ownership than non - family firms, with the largest shareholder owning on average a controlling stake (51.72%), while non - family largest shareholder has on average 27.43% of voting rights. Family firms show also a significantly different wedge. The distance between voting rights and cash flow rights is significantly higher for family firms (8.83%) with respect non -family firms (2.86%). The wedge has an important impact also for dividend payout. Faccio et al. (2001) measured the wedge using a ratio between voting rights and cash flow rights using a ratio, and they find that companies with lower ratio tend to pay lower dividends. Finally, another interesting result from table 1 is the relative inconsistency of second and third largest shareholders. In fact, the stake they own is not enough to challenge the power of the main largest shareholder. This result is particularly important for family firms, where the main shareholder controls the company. It would mean a lack of monitoring activities over the controlling shareholders (Pagano and Roell, 1998; Bloch and Hege, 2001); other theoretical predictions assume that monitoring activities depend on the type of block holder, where financial investors tend to be more active than other kind of shareholders (Maury and Pajuste, 2005). This topic can be only treated by empirical measures.

### *Controlling Family Managers*

Together with the ownership structure, I also collected data about firms' management. The main information I get from annual reports are related to the Chief of Executive Officers (CEO). These information allow me to link the top management to the family shareholder. If the management is expressed by the main shareholder, then we can argue that payout policy could be determined according to main shareholders'

idiosyncratic preference (De Angelo et al., 2009). In this case, family's preference for payout policy and for dividends or buyback could be influenced by the idiosyncratic preference of the family. For this reason, I identified the controlling family managers, as it is possible to see in table 2.

[TABLE 2]

As it is possible to see in table 2, on average one third of the family firms has a Family CEO. Within them, it is also important to distinguish between those who are still managed by the founders and those that are managed by heirs. Bertrand and Shoar (2006) find that infra – family disagreement over corporate decisions are quite common in family controlled firms. This kind of disagreements could be exacerbated as new generations are added to controlling groups. In this scenario, managers could use payout policy to pacify founder's heir, distributing sufficient dividends to make them happy. It's a variant of Warther's (1993) "sleeping dog" theory applied in a family controlled firm framework. On the other side, when the founder of the family firm runs the company, he can be tempted to over-retain FCF, according to Jensen's theory (1986). He does not need to pacify other family members, and he can extract resources from the company in other ways rather than paying out dividends or share repurchasing.

[TABLE 3]

Founders represent a significant portion of family CEOs, ranging from 30,97% of the beginning to 18,97% of the last year of observation. The declining fraction is basically due to the nature of a closed sample. On the other side, it could be interesting to detect what happen when the founder dismiss the CEO role of the company.

### *Financial Variables*

Family firms are quite different also looking at financial characteristics. Table 2 summarizes the main control variables commonly used to explain the payout policy of listed firms (De Angelo and De Angelo, 2006; Denis and Osobov, 2008; von Eije and Megginson, 2008).

[TABLE 4]

Family firms are smaller according to *Total Assets* and tend to hold more cash. Moreover, they show a higher *Leverage* level but few tangible assets (*Net PPE*). Looking at the payout policies, family firms distribute less than non - family firms and this result is significantly lower both in mean and in median. Breaking down the total payout between dividends and repurchase, I find that the difference is basically explained by the lower repurchase, which is statistically different both in mean and in median with respect the non – family firms. Table 3 summarizes the payout policies followed by the sample firms in the observation period.

### *Cash dividend payment and share repurchase patterns*

Table 5 summarizes the payout policies followed by the sample firms in the observation period.

[TABLE 5]

In line with previous studies about Europe (von Eije and Megginson, 2008), I find an increase in repurchasing and a higher concentration of cash dividend payment. As it is possible to see in Table 3, there is a significant increase of average amount of cash dividend payments from €44.33 m. of the beginning to €229.56 m. observed in 2010, with a quite constant percentage of payers (80.44% to 79.63%). On the other side, I found also an increase of repurchasing firms, from 9.27% at the beginning to 27.55% at the end of observation period. Together with this increase, also the average amount of payment through stock repurchasing significantly increased during the observation period. Family firms distribute less in term of average amount and differently from Non – Family firms, they do not show declining pattern in the % of cash dividend distributors (82.22% in 1987 and 82.49% in 2010). Family firms seem to be more aligned with the Non – Family firms in the stock repurchase, showing an increasing pattern (from 6.93% to 26.07%). The Family firms' average repurchase amount is significantly lower than Non – Family's.

### **The likelihood to pay cash dividends and to repurchase shares**

To investigate the probability of paying cash dividends and repurchasing shares, I used in the estimation model the main variables commonly used in the most recent literature.

[TABLE 6]

Looking at the *Family*, we can see that dividends are positively related both to the probability to be paid and to the amount paid. On the other side, buyback are negatively related to this variable. A possible explanation is that family firms prefer dividends rather than buyback because of the threat to lose control. The larger dividend amount could be explained controlling for the idiosyncratic preference of the family. In the next regressions, we can see that the larger is the family controlling group, the higher is the preference for dividends. I also find that O/C ratios (voting rights over Cash flow rights) negatively affect the probability of dividend payout, in line with the previous studies (Faccio et al., 2001). *Size* and *Age* of a company show positive coefficients for both payout ways, demonstrating that older and larger companies are more able to accumulate funds rather than younger firms (Salas and Chahyadi, 2006). Tangible assets (Net PPE) show a negative sign. *Leverage* and *Cash* are both negatively correlated to the total payout. Higher leverage may help control agency costs reducing cash distribution, following Jensen's prediction. The companies in the sample show a controlling shareholder holding on average 41.56%, so holding cash rather paying it out could be explained by tunneling theory (La Porta et al., 2000; Johnson et al., 2000). The *ROA* has a positive and significant impact on both dividends and buyback, in line with previous studies (von Eije and Megginson, 2008).

I checked whether there are differences between founder family firms and her family firms. Table 7 show the results of estimation models that include *Founder CEO* and *Heir CEO* variables.

[TABLE 7]

The probability of dividend payment is significantly positively related to *Heir CEO* while the coefficient shows a negative sign for *Founder CEO*. Moreover, *Founder CEO* shows a positive coefficient on buyback. A possible explanation could be that founders manage younger firms, so they need a more flexible way to distribute cash (von Eije and Megginson, 2008). Moreover, according to Jensen's prediction, founders could over retain FCF, thus exploiting minorities. When new generations are added to controlling group, dividends are preferred because the need of more cash to satisfy a larger number of family members and also the need of the CEO to make them as well off as possible to avoid interferences in management decisions. The "sleeping dog theory" holds within the family firms managed by heirs (Warther, 1993). Idiosyncratic preferences of family managers do have a first-order importance on determining payout policy. All the other coefficients are in line with those of table 6.

This evidence raises a number of interesting questions. First of all, dividends could be related to the attempt of managers to pacify shareholders thus facilitating long term misuse of corporate resources. Although family shareholders could have strong incentives to actively monitor management operations, those incentives could be blunted by generous dividend policies. This could happen also when a family member runs the company: the heir, in this situation, could have the same incentive as an external manager to pacify shareholders. De Angelo and De Angelo (2000) documented the case of Chandler family holding Times Mirror Company. This company had a long period of bad performance, but the managers kept on increasing dividends. The family had members in the board of directors and also a few relatives in middle management. In 1994 the family took actions to rectify the deterioration of company's profitability, funding new investment by selectively cutting dividends to minority shareholders. Of course, this disproportionate transaction was not accepted by minorities, and the family removed old management. The new CEO did not cut dividends, but was able to cut costs. De Angelo used this story to give us a picture of a dark side of dividend smoothing, because sometimes managers could smooth dividend growth to lull stockholders to sleep. It could also be the case of a heir running the company.

### **Summary and conclusions**

Analyzing a database of 777 Western European listed companies, I studied the payout policy in the 1997 – 2010 year period. My aim is to understand if and how controlling family shareholders influence payout policy. More than 50% of the companies in the sample are classified as family according to Faccio and Lang (2002) definition. One third of them are managed by a family member. In order to get the information about the alignment of interests between controlling shareholder and management, I distinguished between family founder CEO and heirs CEO. I suppose that when a founder runs the company, we can apply the Jensen's theory (1986) about FCF. In fact, he could over retain cash to avoid sharing it with the other shareholders. The motivation of excess cash holding is explained by tunneling theory: a controlling manager can extract company's resource in several ways. . La Porta et al. (2000) and Johnson et al. (2000) documented several ways of opportunistic transfer of resources out of a firm to insiders. Along with these theories, I tried to understand which the interests of the family are. When a company is managed by the founder, he often

controls the company and represents the interests of the family. When a company is managed by a heir, sometimes he controls the company jointly with other heirs and the idiosyncratic preferences for consumption are represented by a larger group of individuals. I identified family managed firms, and I distinguished the family firms run by the founder and those run by the heirs. I found that, when a family firm is managed by the founder, the probability of paying out FCF is lower. When the CEO of the company is an heir, then payout policy is more generous. A founder could retain FCF and avoid sharing it with the other shareholders, because he can extract private benefits from the company in other ways. When new generations are added to controlling group, disagreement over corporate decisions could increase (Bertrand and Shoar, 2006). In order to make all family shareholders happy and to keep the power over the company, an heir acting as CEO could have more incentives to implement a generous payout policy. In this scenario, I am applying a variant of “sleeping dog” theory of Warther (1993): he explained that the level of dividends could be set high enough to avoid provoking stockholders into interfering with operating management. I found a family controlled firm variant of “sleeping dog” model, in which heirs pay sufficient amount to keep the shareholders happy, while retaining cash to fund policies that they find attractive but might not pass given diligent monitoring by the other family members. Another motivation could be simply related to the increasing of the controlling group of the company. The larger is the controlling group, the larger is the payout amount to distribute.



## References

- Amihud, Y. and M. Murgia (1997), “Dividends, taxes, and signaling: Evidence from Germany”. *Journal of Finance* **52**, 397–408.
- Bertrand, M. and A. Schoar (2006), “The role of family in family firms”. *Journal of Economic Perspectives* **20**, 73–96.
- Bloch, F. and U. Hege (2001), “Multiple shareholders and control contests”. Working paper, HEC Paris
- Caprio, L., E. Croci and A. Del Giudice (2011), “Ownership structure, family control, and acquisition decisions”, *Journal of Corporate Finance* **17**, 1636 – 1657
- Claessens, S., S. Djankov, and L. H. P. Lang (2000), “The separation of ownership and control in East Asian corporations”, *Journal of Financial Economics* **58**, 81–112
- Correia da Silva, L., M. Goergen, and L. Renneboog (2004), “Dividend Policy and Corporate Governance”, New York, NY: Oxford University Press.
- DeAngelo, H. and L. DeAngelo (2000), “Controlling stockholders and the disciplinary role of payout policy: A study of the Times Mirror Company”. *Journal of Financial Economics* **56**, 153–207.
- DeAngelo, H. and L. DeAngelo (2006), “The irrelevance of the MM dividend irrelevance theorem”, *Journal of Financial Economics* **79**, 293–315.
- DeAngelo, H., DeAngelo, L. and R. Stulz (2006), “Dividend policy and the earned/contributed capital mix: a test of the life-cycle theory”, *Journal of Financial Economics* **81**, 227–254.
- DeAngelo, H., DeAngelo, L. and D. J. Skinner (2009), “Corporate Payout Policy”, *working paper*.
- Denis, D. and I. Osobov (2008), “Disappearing dividends, catering incentives and agency costs: international evidence”, *Journal of Financial Economics* **89**, 62 - 82.
- Eckbo, B. E. and S. Verma (1994), “Managerial share ownership, voting power, and cash dividend policy”, *Journal of Corporate Finance* **1**, 33–62.
- Faccio, M., L. Lang, and L. Young (2001), “Dividends and expropriation”, *American Economic Review* **91**, 54–78.
- Faccio, M. and L.H.P. Lang (2002), “The ultimate ownership of Western European corporations”, *Journal of Financial Economics* **65**, 365–395.
- Jensen, M. (1986), “Agency costs of free cash flow, corporate finance, and takeovers”, *American Economic Review* **76**, 323–329.
- Johnson, S., R. La Porta, F. Lopez-de- Silanes, and A. Shleifer (2000), “Tunneling”, *American Economic Review* **90**, 22–27.
- La Porta, R., F. Lopez-de-Silanes, and A. Shleifer (1999), “Corporate ownership around the world”, *Journal of Finance* **54**, 471–517.
- La Porta, R., F. Lopez-de-Silanes, A. Shleifer, and R. Vishny (2000), “Agency problems and dividend policies around the world”, *Journal of Finance* **55**, 1–33.
- Maury, B. and A. Pajuste (2005), “ Multiple large shareholders and firm value”, *J. Bank. Finance* **29**, 1813–1834.

Miller, M. and F. Modigliani (1961), “Dividend policy, growth, and the valuation of shares”, *Journal of Business* **34**, 411–433.

Morck, R. and B. Yeung (2005), “Dividend taxation and corporate governance”, *Journal of Economic Perspectives* **19**, 163–180.

Pagano, M. and A. Roell (1998), “The choice of stock ownership structure: Agency costs, monitoring and the decision to go public”, *Q. J. Econ.* **113**, 187–225.

Renneboog, L. and G. Trojanowski (2008), “Patterns in payout policy and payout channel choice of U.K. firms in the 1990s”, Working paper no. **70/2005**, European Corporate Governance Institute.

Salas, J. and C. Chahyadi (2006), “A decomposition of the dividend payout ratio trend in the 20th century”, *working paper*, University of Oklahoma, Norman.

Von Eije H. and W. L. Megginson (2008), “Dividends and share repurchases in the European Union”, *Journal of Financial Economics* **89**, 347 - 374

Warther, V. (1993), ‘Boards, dividends, and sleeping dogs’. Ph.D. dissertation, University of Chicago.

## Tables

**Table 1 - Ownership Structure**

This table presents descriptive statistics of the 777 sample companies. The ultimate owner is the shareholder who controls a firm via a control chain whose links all exceed the 10% threshold. A firm is defined as a family (non-family) firm if its ultimate owner is (is not) a family member. VR represents voting rights, CFR represents cash flow rights, and W is the wedge, that is the difference between voting and cash flow rights. The number of observations is in firm-years. The symbols \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively, for the tests of difference in means and the median tests between family and non-family firms. The table reports in parentheses the number of firm-year observations for the full sample and subsamples.

	Ultimate Owner			Main Shareholder			2nd Largest Shareholder		3 <sup>rd</sup> Largest Shareholder	
	VR	CFR	W	VR	CFR	W	VR	CFR	VR	CFR
<i>Total Sample (7929)</i>										
Mean	39.60	30.32	9.23	41.56	35.29	6.34	6.71	6.51	4.26	4.29
Median	37.60	26.19	-	41.05	32.90	-	5.09	5.04	-	-
<i>Family (4614)</i>										
Mean	49.50***	36.44***	13.02***	51.72***	42.90***	8.83***	6.92***	6.63**	2.46***	2.55***
Median	50.46***	35.00***	8.49***	52.30***	43.05***	-	5.02	5.00	-	-
<i>Non Family (3315)</i>										
Mean	25.79	21.76	3.99	27.43	24.69	2.86	6.43	6.63	2.99	2.93
Median	16.00	13.59	-	17.00	15.20	-	5.02	5.00	-	-

**Table 2 – Family CEO**

A firm is defined as a Family firm if its ultimate owner is a family member. Family CEO is a dummy variable that takes value 1 if a family member runs the company, and zero otherwise.

Year	Family	Family CEO	%
1997	433	155	35,80%
1998	439	145	33,03%
1999	400	141	35,25%
2000	378	137	36,24%
2001	358	130	36,31%
2002	342	119	34,80%
2003	325	113	34,77%
2004	311	101	32,48%
2005	290	93	32,07%
2006	285	87	30,53%
2007	273	86	31,50%
2008	265	81	30,57%
2009	258	80	31,01%
2010	257	86	33,46%

**Table 3 – Founder and Heir**

Family CEO is a dummy variable that takes value 1 if a family member runs the company, and zero otherwise. Founder is a dummy variable that takes value 1 if the founder is still running the company, and zero otherwise. Heir is a dummy variable that takes value 1 if an heir is running the company, and zero otherwise.

Year	Family CEO	Founder	Heir	Founder%	Heir %
1997	155	48	107	30,97%	69,03%
1998	145	46	99	31,72%	68,28%
1999	141	44	97	31,21%	68,79%
2000	137	37	100	27,01%	72,99%
2001	130	33	97	25,38%	74,62%
2002	119	27	92	22,69%	77,31%
2003	113	22	91	19,47%	80,53%
2004	101	20	81	19,80%	80,20%
2005	93	16	77	17,20%	82,80%
2006	87	15	72	17,24%	82,76%
2007	86	17	69	19,77%	80,23%
2008	81	16	65	19,75%	80,25%
2009	80	16	64	20,00%	80,00%
2010	86	16	70	18,60%	81,40%

**Table 4 – Financial Data**

This table presents descriptive statistics of the 777 sample companies. The number of observations is in firm–years. Total Assets is in € billions (Worldscope item WC02999). Cash represents cash plus tradable securities and it is scaled by Total Asset (WC02001/ WC02999). Net PPE is the net value of Property, Plant and Equipment scaled by Total Assets (WC02501/ WC02999). Leverage is the sum of both long and short term debt over Total Asset (WC03255/ WC02999). MtB is the market – to – book value. ROA is measured as the ratio between Ebitda (WC01250) over Total Assets. Cash Dividend is the sum of both common and preferred share dividends paid by the company and scaled by Total Assets (WC04551). Repurchase is the value of stock repurchased recorded on the annual report of the company and scaled by Total Assets. Total Payout is the sum of Cash Dividend and Repurchase. The symbols \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively, for the tests of difference in means and the median tests between family and non-family firms.

	<i>N. Obs.</i>	<i>Mean</i>	<i>Median</i>
<b>Panel A – Total Sample</b>			
Total Assets	7815	€ 7.1	€1.4
Cash	7811	0,1114	0,0816
Net PPE	7812	0,2981	0,2691
Leverage	7813	0,2572	0,2497
MtB	7785	1,0737	0,7622
ROA	7756	0,1201	0,1180
Cash Dividend	7742	0,0191	0,0124
Repurchase	6613	0,0062	-
Total Payout	6552	0,0259	0,0142
<b>Panel B - Family Firms</b>			
	<i>N. Obs.</i>	<i>Mean</i>	<i>Median</i>
Total Assets	4553	€5.0***	€1.2**
Cash	4551	0,1206***	0,0899***
Net PPE	4553	0,2950**	0,2594***
Leverage	4552	0,2632***	0,2570***
MtB	4539	1,0842	0,7568
ROA	4516	0,1217**	0,1179*
Total Payout	3849	0,0242***	0,0135***
Cash Dividend	4506	0,0186	0,0119
Repurchase	3889	0,0051***	0,0000***
<b>Panel C - Non Family Firms</b>			
	<i>N. Obs.</i>	<i>Mean</i>	<i>Median</i>
Total Assets	3262	€10.1	€1.7
Cash	3260	0,0986	0,0694
Net PPE	3259	0,3025	0,2863
Leverage	3261	0,2489	0,2416
MtB	3246	1,0589	0,7696
ROA	3240	0,1179	0,1180
Total Payout	2703	0,0283	0,0151
Cash Dividend	3236	0,0199	0,0130
Repurchase	2724	0,0077	0,0000

**Table 5 – Payout Patterns**

This table presents descriptive statistics about the payout policies of the companies. The % of Dividend Payers represents the number of companies that paid cash dividend in that year over the total sample. The Average Cash Dividend Amount is the mean of cash dividend payment (in €.000). The % of Repurchase Firms represents the number of companies that repurchased shares in that year over the total sample. The Average Repurchase Amount is the mean of repurchasing amount payment (in €.000). The % of Both Dividend and Repurchase Payers represents the number of companies that distributed cash both by cash dividend and share repurchasing.

Year	% Of Dividend Payers	Average Cash Dividend Amount	% Of Repurchase Firms	Average Repurchase Amount	% Of Both Dividend and Repurchase Payers
<b>Panel A – Total Sample</b>					
1997	80.44%	€ 44,328.20	9.27%	€ 10,331.20	7.85%
1998	84.05%	€ 74,532.93	11.80%	€ 9,606.30	10.25%
1999	84.41%	€ 81,664.44	15.59%	€ 20,084.72	14.59%
2000	85.10%	€ 85,311.82	21.66%	€ 32,896.56	20.74%
2001	85.13%	€ 114,782.40	25.16%	€ 69,250.86	23.37%
2002	79.90%	€ 105,716.50	25.26%	€ 43,534.01	22.34%
2003	79.02%	€ 100,199.70	20.98%	€ 27,789.51	18.44%
2004	79.66%	€ 131,358.00	25.48%	€ 48,263.43	22.43%
2005	82.67%	€ 156,728.60	28.49%	€ 75,485.61	26.10%
2006	85.68%	€ 193,100.50	32.99%	€ 87,026.36	30.91%
2007	86.98%	€ 228,524.20	43.38%	€ 143,591.90	40.35%
2008	89.41%	€ 254,448.40	50.23%	€ 141,845.40	47.07%
2009	80.55%	€ 226,454.50	23.34%	€ 26,562.89	21.28%
2010	79.63%	€ 229,560.90	27.55%	€ 50,597.48	22.22%
<b>Panel B – Family</b>					
1997	82.22%	€ 22,454.75***	6.93%	€ 2,476.00**	5.54%
1998	84.51%	€ 24,960.34***	10.71%	€ 2,951.47***	8.66%
1999	85.00%	€ 34,003.51***	14.00%	€ 6,226.29***	13.25%
2000	86.51%	€ 44,749.63***	19.84%	€ 10,527.40***	19.05%
2001	86.87%	€ 61,329.58***	22.63%	€ 14,988.70***	21.23%
2002	82.16%	€ 58,047.82***	22.51%	€ 11,983.92***	19.88%
2003	80.31%	€ 47,427.85***	19.38%	€ 11,053.79**	16.00%
2004	80.71%	€ 66,787.14***	23.47%	€ 21,765.87**	20.90%
2005	86.21%	€ 83,472.72***	24.83%	€ 26,995.78***	23.10%
2006	87.72%	€ 104,294.40***	31.93%	€ 27,078.95***	29.82%
2007	89.74%	€ 139,202.90***	42.86%	€ 54,849.62***	40.66%
2008	90.94%	€ 148,917.00***	50.94%	€ 51,905.15***	47.55%
2009	82.95%	€ 124,624.00***	25.19%	€ 8,130.53**	23.64%
2010	82.49%	€ 124,636.80***	26.07%	€ 13,730.83**	22.57%
<b>Panel C – Non Family</b>					
1997	78.20%	€ 69,670.14	12.21%	€ 14,812.85	10.76%
1998	83.43%	€ 135,592.30	13.25%	€ 13,342.34	12.35%
1999	83.61%	€ 139,416.10	17.73%	€ 29,421.74	16.39%
2000	82.05%	€ 136,787.40	24.18%	€ 49,409.23	23.08%
2001	82.28%	€ 184,246.70	28.74%	€ 117,648.50	26.38%
2002	76.67%	€ 167,477.50	29.17%	€ 72,167.63	25.83%

2003	77.19%	€ 167,951.60	23.25%	€ 42,138.31	21.93%
2004	78.14%	€ 215,595.90	28.37%	€ 70,878.78	24.65%
2005	77.83%	€ 248,805.00	33.49%	€ 120,452.20	30.19%
2006	82.74%	€ 314,714.90	34.52%	€ 150,339.10	32.49%
2007	82.98%	€ 349,721.20	44.15%	€ 236,558.90	39.89%
2008	87.15%	€ 402,153.20	49.16%	€ 241,715.00	46.37%
2009	77.09%	€ 356,780.50	20.67%	€ 47,491.15	17.88%
2010	74.86%	€ 370,531.60	29.71%	€ 94,330.17	21.71%

---

**Table 6 – Family Firms and Likelihood to Pay Cash Dividends or Repurchase Shares and Amounts Paid**

The dependent variables are respectively: 1) a dummy that takes value 1 if a company paid cash dividends, and zero otherwise; 2) a dummy variable that takes value 1 if a company repurchased shares, and zero otherwise; 3) the total amount of cash dividend payment over the total asset; 4) the total amount of share repurchasing over the total asset. The number of observations is in firm–years. A firm is defined as a family (non-family) firm if its ultimate owner is (is not) a family member according to Faccio and Lang (2002) definition. Family takes value 1 if a company is classified as family, and zero otherwise. The OC Ratio is the ratio between voting rights and cash flow right. Size is the natural logarithm of Total Assets (Worldscope item WC02999). Firm Age is the number of years of a company since the foundation. Net PPE is the net value of Property, Plant and Equipment scaled by Total Assets (WC02501/ WC02999). Cash represents cash plus tradable securities and it is scaled by Total Asset (WC02001/ WC02999). Leverage is the sum of both long and short term debt over Total Asset (WC03255/ WC02999). MtB is the market – to – book value. ROA is measured as the ratio between ROA is measured ad Ebitda (WC01250) over Total Assets. The symbols \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively, for the tests of difference in means and the median tests between family and non-family firms.

	Likelihood to:		Amounts paid by:	
	Pay Cash Dividend	Repurchase Shares	Cash Dividend Payers	Repurchasers
Constant	-8.6703*** [0.6794]	-0.9258* [0.5488]	-0.0162* [0.0094]	-0.1298*** [0.0151]
Family	0.7954*** [0.0828]	-0.1767*** [0.0543]	0.0034** [0.0015]	-0.0064*** [0.0025]
OC Ratio	-0.2947*** [0.0842]	0.1201 [0.0783]	-0.0005 [0.0021]	0.0032 [0.0030]
Size	0.5691*** [0.0325]	0.1216*** [0.0179]	0.0018*** [0.0005]	0.0050*** [0.0008]
Firm Age	0.0017** [0.0008]	0.0001 [0.0005]	0 [0.0000]	0 [0.0000]
Net PPE	0.0177 [0.2184]	-0.3719** [0.1575]	-0.004 [0.0042]	-0.0253*** [0.0073]
Cash	-1.8091*** [0.3650]	0.4097 [0.2732]	-0.0035 [0.0075]	0.0655*** [0.0120]
Leverage	-3.0239*** [0.2613]	-0.5691*** [0.1894]	-0.0518*** [0.0052]	-0.0139 [0.0089]
MtB	0.0034 [0.0162]	0.0022 [0.0118]	0.0034*** [0.0005]	0.0006 [0.0009]
ROA	7.8738*** [0.7029]	0.4684 [0.3560]	0.1510*** [0.0099]	0.1019*** [0.0160]
Year FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES
Observations	7359	7359	7296	6236



**Table 7- Family Managers and the Likelihood to Pay Cash Dividends or Repurchase Shares and Amounts Paid**

The dependent variables are respectively: 1) a dummy that takes value 1 if a company paid cash dividends, and zero otherwise; 2) a dummy variable that takes value 1 if a company repurchased shares, and zero otherwise; 3) the total amount of cash dividend payment over the total asset; 4) the total amount of share repurchasing over the total asset. The number of observations is in firm-years. A firm is defined as a family (non-family) firm if its ultimate owner is (is not) a family member according to Faccio and Lang (2002) definition. Founder CEO takes value 1 if a family company is managed by the founder, and zero otherwise. Heir CEO takes value 1 if a family company is managed by the heir, and zero otherwise. The OC Ratio is the ratio between voting rights and cash flow rightst. Size is the natural logarithm of Total Assets (Worldscope item WC02999). Firm Age is the number of years of a company since the foundation. Net PPE is the net value of Property, Plant and Equipment scaled by Total Assets (WC02501/ WC02999). Cash represents cash plus tradable securities and it is scaled by Total Asset (WC02001/ WC02999). Leverage is the sum of both long and short term debt over Total Asset (WC03255/ WC02999). MtB is the market – to – book value. ROA is measured as the ratio between ROA is measured ad Ebitda (WC01250) over Total Assets. The symbols \*\*\*, \*\*, and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively, for the tests of difference in means and the median tests between family and non-family firms.

	Likelihood to:		Amounts paid by:	
	Pay Cash Dividend	Repurchase Shares	Cash Dividend Payers	Repurchasers
Constant	-8.4496*** [1.0205]	-4.0735*** [0.5815]	-0.0455** [0.0192]	-0.0764*** [0.0246]
Founder CEO	-0.2100 [0.1637]	0.2473* [0.1486]	-0.0018 [0.0032]	0.0093** [0.0041]
Heir CEO	0.4615*** [0.1284]	0.1416 [0.0936]	0.0006 [0.0021]	0.0012 [0.0027]
OC Ratio	-1.5683*** [0.3061]	0.2684 [0.1975]	0.0042 [0.0044]	-0.0036 [0.0059]
Size	0.5829*** [0.0552]	0.2085*** [0.0289]	0.0017** [0.0007]	0.0036** [0.0009]
Firm Age	0.0035*** [0.0012]	-0.0020** [0.0008]	0 [0.0000]	0 [0.0000]
Net PPE	0.5264* [0.2985]	-0.1827 [0.2470]	-0.0042 [0.0053]	-0.0059 [0.0072]
Cash	-0.5066 [0.4760]	0.5887 [0.4029]	0.0039 [0.0088]	0.0370*** [0.0110]
Leverage	-2.7432*** [0.3684]	-0.7717*** [0.2892]	-0.0482*** [0.0065]	-0.0241*** [0.0087]
MtB	0.0115 [0.0256]	0.0104 [0.0223]	0.0021*** [0.0006]	0.0004 [0.0008]
ROA	8.9160*** [1.0264]	1.1848** [0.5590]	0.1432*** [0.0125]	0.0396** [0.0155]
Year FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES
Observations	4357	4357	4318	4318