IT'S ALL IN THE NAME:
EVIDENCE OF FOUNDER-FIRM ENDOWMENT EFFECTS

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JEL Classification: G3
Keywords: Founder firms; Family firms; Endowment effect

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Abstract

Employing a sample with 8,062 family-firm-year observations, we show that founder-named firms are 10% less valuable than non-founder-named firms, and that founder-named-and-managed family firms are 21% less valuable than their non-founder-named-and-managed counterparts. These results are robust to the inclusion of multiple control variables, as well as to alternative model specifications. What can explain a 21% discount among family firms that are founder-named and founder-managed? We posit and confirm that founder-managers are especially susceptible to endowment effects, viewing their firms more from a "current personal use" perspective than from a "potential market exchange" perspective (Kahneman, 2011).

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It's All in the Name:
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We examine the relations among various types of family firms, including those named after their founders (founder-named firms), those managed by their founders (founder-managed firms), and those named after and managed by their founders (founder-named-and-managed firms). Our empirical results establish a strong and consistent pattern among family firm types. Consistent with the previous literature (Anderson and Reeb, 2003; Villalonga and Amit, 2006; Lins, Volpin, and Wagner, 2013; Mullins and Schoar, 2016), we show that family firms are generally more valuable than their non-family counterparts, and that founder-managed firms are more valuable than their non-founder-managed counterparts. More importantly, we provide new evidence that founder-named family firms have significantly *lower* market valuations than their non-founder-named counterparts. When we examine the intersection of founder-named and founder-managed family firms, we find that these firms have the lowest market valuations among all family-firm categories (as well as compared to all non-family firms). These statistically and economically significant results raise an important question: What is it about the naming of a firm after its founder that leads to significantly lower market valuations? We hypothesize that such founders are more susceptible to value-destroying endowment effects.

An endowment effect is present whenever the possessor of an object places a higher value on its "current personal use" than on its "potential market exchange" (Kahneman, 2011). Founders who have their family names directly and publicly associated with the underlying firm are more likely to view the firm in terms of its personal-use value, relative to its market-exchange value. In contrast, "No endowment effect is expected when owners view their goods as carriers of value for future exchanges, a widespread attitude in routine commerce and financial markets" (Kahneman, 2011, p. 297). Owner-managers who are subject to strong endowment effects will tend to exhibit excessive risk (and loss) aversion as they are more reluctant to restructure the firm by engaging in mergers and acquisitions, selling strategic assets, implementing spinoffs, or restructuring operations. A recent *New York Times* article contrasts the level of restructuring activities between founders of founder-named companies and the successors of these founders. Referencing the recent Hewlett Packard company split, the article notes that the original founder of Hewlett Packard would have a much more difficult time selling off a poorly performing segment than did Meg Whitman and Léo Apotheker, the eventual successors of the original founders.[1] Since outside investors prefer owner-managers who view (and manage) the firm in terms of its "potential

[1] Andrew Ross Sorkin, *New York Times* (December 10, 2014): "The Mergers and Acquisitions Cycle: Buy. Divide. Conquer."

market exchange" instead of its "current personal use," we expect to find market valuation discounts associated with founder-named, and especially founder-named-and-managed firms.

In this study, we hand-collect family firm data and related variables for a sample of 8,062 family firm-year observations. Our sample is significantly larger than most other family firm studies, which allows us to conduct more extensive tests. Anderson and Reeb (2003) use a sample of 2,713 firm-year observations, for example, while Villalonga and Amit (2006) use a sample of 2,808 firm-year observations and Cronqvist and Nilsson (2003) use a sample of 1,317 firm-year observations. The samples in Anderson and Reeb (2003), Cronqvist and Nilsson (2003), and Villalonga and Amit (2006), and include both family and non-family firms, whereas our 8,062 firm year observations are all family firm-year observations in the S&P 1500. Within our family-firm sample, about 22% of our firm-year observations are composed of founder-named firms and roughly 55% of our firm-year observations are composed of founder-managed firms. The intersection of these two subsamples (founder-named-and-managed firms) represents approximately 5% of our firm-year observations.

Our main results show that founder-named family firms are almost 8% less valuable than non-founder-named family firms, after controlling for other variables commonly used in the literature. This result is statistically and economically significant. Perhaps even more surprising, we also show that founder-named-and-managed family firms are roughly 21% less valuable than their non-founder-named-and-managed counterparts – again, after controlling for other variables commonly used in the literature. As with our founder-named results, these striking founder-named-and-managed results are robust to alternative model specifications. In sharp contrast to these founder-named (and founder-named-and-managed) firms, we find that founder-managed firms trade at a 5% market value premium. Specifically, when founders manage their companies, the underlying firms trade at a significant market premium, a result that is consistent with Villalonga and Amit (2006). However, when founders both manage and name their companies after themselves, the underlying firms trade at a significant market discount. These empirical patterns suggest the presence of endowment effects among founder-named firms.

Next, we examine the potential mechanisms through which endowment effects can reduce firm value in founder-named (and especially founder-named-and-managed) firms. We posit that managers who are susceptible to endowment effects are less likely to engage in value-enhancing mergers and acquisitions. Our empirical results support this hypothesis. Similarly, we expect that managers who are susceptible to endowment effects are less likely to engage in significant restructuring activities (i.e., they have more difficulty "letting go" of underperforming assets). Following Bens and Johnston (2009) and Francis, Hanna, and Vincent (1996), we measure the extent of restructuring activity using restructuring charges, asset write-downs, and special item expenses. Consistent with the endowment effect hypothesis, we find that founder-named-and-managed firms engage in less restructuring than other family firms. As

an additional test, we examine the stock market reaction to the sudden deaths of CEOs of founder-named-and-managed firms relative to the sudden deaths of CEOs of non-founder-named-and-managed firms. Consistent with expectations, the stock market reaction is significantly more positive for the former CEOs than for the latter CEOs. Overall, our results indicate that founder-named-and-managed firms suffer from an endowment effect that leads to a significant loss in market value.

Finally, we examine alternative explanations for the founder-named value discount. First, we consider whether the value discount is driven by dual class share structures. Gompers, Ishi, and Metrick (2010) show, and we confirm, that founder-named firms are more likely to have dual class share structures than non-founder-named firms. Second, we examine whether the value discount is caused by founder-named firms holding high levels of voting rights relative to cash flow rights. Specifically, we calculate the "wedge" between insider voting rights and cash flow rights. Third, we investigate whether manager overconfidence (as opposed to an endowment effect) could be responsible for our empirical findings. Fourth, we investigate the possibility that the founder-named discount is driven by weak internal corporate governance quality. Our empirical results reject each of these alternative explanations and provide further evidence in support of the endowment effect hypothesis.

Overall, our study adds to the family firm literature in several ways. First, we confirm earlier findings that family firms are more valuable than non-family firms using a much larger data set than used in the previous literature. Similarly, we confirm that founder-managed firms are more valuable than non-founder-managed firms. Second, and more important, we present new and consistently strong evidence that founder-named family firms are significantly less valuable (by roughly 8%) than their non-founder-named family firm counterparts. Our results for founder-named-and-managed family firms are even more striking. We show that these firms trade at a 21% discount to their non-founder-named-and-managed family firm counterparts. These value-discount results are statistically and economically significant, and include an extensive set of control variables commonly used in the literature. To the best of our knowledge, our study is the first to document the founder-named (and founder-named-and-managed) firm discount.

The remainder of the paper is organized as follows. In Section I, we review related literature, while we describe our data sources and sample construction in Section II. We provide our main empirical findings in section III, and provide further analyses of the founder-named-firm market value discount in section IV. Section V concludes the study.

I. Related Literature

A. Family versus non-family firms

Extant literature suggests that family firms are more valuable than non-family firms due to their concentrated ownership structures. Since family members tend to have significant ownership stakes, agency costs might be lower and, all else equal, firm values higher (Berle and Means, 1932; Jensen and Meckling, 1979). Many empirical studies find that firm value is increasing in managerial ownership (Morck, Schleifer, and Vishney, 1988; McConnell and Servaes 1990; Hermalin and Weisbach, 1991; Adams and Santos, 2006; McConnell, Servaes, and Lins, 2008). In the family firm context, Villalonga and Amit (2006), Anderson and Reeb (2003), and McConaughy et al. (1998) find that family managerial ownership is positively related to firm value.

Anderson and Reeb (2003) argue that family firms may be more valuable because families maintain a long-term presence in their companies, thus allowing family firms to be less myopic than non-family firms. In this situation, suppliers of capital may give better contract terms to family firms than to non-family firms because family firms face unique reputation concerns that arise from the family's sustained presence (Mullins and Schoar, 2016). Relatedly, creditors might believe that family firms are less likely to invest in projects that could leave the firm exposed to bankruptcy. Following this line of reasoning, Anderson, Mansi, and Reeb (2003) show that family firms enjoy a lower cost of debt than non-family firms. A lower cost of debt means cheaper access to capital and consequently higher firm value. In short, family firms may be more valuable because founders are more invested in the firm as effective monitors.

In contrast, there are other reasons to expect that family firms might be less valuable than non-family firms. Anderson and Reeb (2003) argue that family firms are often able to control firms even without direct voting power. For example, they show that family firms control 2.75 times as many board seats as their equity stakes would suggest. Shleifer and Vishny (1997) argue that family firms are in a good position to extract private benefits at the expense of other shareholders. Consistent with this argument, Anderson, Reeb, and Zhao (2012) find evidence that insiders in family firms use their unique position to engage in opportunistic short selling. Similarly, Anderson and Reeb (2003) argue that family firms may have "concerns and interests of their own, such as stability and capital preservation, that may not align with the interests of other investors or the firm." In addition, because families tend to be highly invested in the family firm they founded their wealth is undiversified. This lack of diversification can lead to underinvestment and excessive risk aversion that can lead to underperformance, especially during episodes of high uncertainty (Lins et al., 2012).

Family firms may also be less valuable than non-family firms because firm founders often cement their control early on by instituting strong anti-takeover provisions and/or by retaining voting control through the use of multiple share classes. Founder-managers can use this control to extract private benefits. For example, Dyck and Zingales (2004), Nenova (2003), and Zingales (1995) argue that block

votes are valuable in part because insiders use their control to extract private rents. In the family-firm context, Bertrand et al. (2008), Cronqvist and Nilsson (2003), and Morck, Stangeland, and Yeung (1998) argue that family firms may be less valuable than non-family firms because they use the firm to extract private rents from other shareholders. However, families do not always need to create multiple classes of shares to facilitate entrenchment. In most countries (including the US), managers can entrench themselves in other ways. Imperfect contracts and institutions allow managers to find loopholes to remain in power and potentially divert funds to themselves.[2] In the Jensen and Meckling (1979) context, shareholders are aware of these imperfect contracts and discount the value of firms with potentially entrenched management.

B. Founder-named firms

While there is an extensive literature comparing family firms to non-family firms, research on founder-named firms is scarce. Gompers et al. (2010) show that founder-named firms are more likely to have dual class share structures than non-founder-named firms. We show in a subsequent section that our results are not driven by such dual class structures. Other anecdotal evidence suggests that founder-named firms are more likely to have weak internal governance. Examples of founder-named firms in our sample include Dillard's, Hess Corporation, Ralph Lauren, and Dell Corp. Ralph Lauren is an example of a founder accused of extracting private benefits of control.[3] The board of Ralph Lauren was chastised for rewarding the founder (Ralph Lauren) with a car and driver worth $572,596 during 2011.

Investors often allege that founder-named firms (founder-named and founder-named-and-managed firms) think of themselves as operating under a different set of rules. For example, a Prudential Securities analyst accused Dillard's of being a public company run as a private company (Kaufman, 2002). In their 2001 proxy statement, Dillard's describes their compensation peer group as "composed of department stores, specialty stores and other public companies that were family-founded and continue to be family-managed." Despite their relatively poor performance (250% return in the past 5 years compared to 500% return for peer firms), Hess has been accused of having a board "packed with Hess family cronies having done little over the years but collect millions in fees from Hess and rubberstamp every decision that John Hess has put in front of them" (Helman, 2013). In our study, we examine the role of weak internal governance as a possible explanation for the market discount of founder-named firms.

[2] For example, exchange regulations require that boards have a majority of independent directors. While extensive, the definition of director "independence" is imperfect. A CEO's "best friend" since childhood and frequent golf companion can qualify as an independent director as long as this best friend does not work for the firm and has no blood-ties to the CEO.

[3] Martha Stewart Living is an example of a founder-named-and-managed firm (not in our sample) that has been in the news because of the founder's conviction on insider trading charges. In addition to this conviction, in 2009 Martha Stewart (founder and chairperson) received compensation of $7 million at a time when the firm declared a $50.7 million quarterly loss (Stewart, 2012) and the market value of the company was roughly $250 million.

C. Behavioral biases: The endowment effect

The growing field of behavioral economics (and finance) has identified many deviations from rationality due to systematic misperceptions and behavior biases. One such bias, the endowment effect, is caused by sentimental attachment to objects. Richins (1994) defines possession attachment as the extent to which an individual maintains his/her self-concept through ownership of an object. Similarly, Tuan (1980, p. 472) contends that "the fragile sense of self needs support, and this we get by having and possessing things because, to a large degree, we are what we have." In the context of family firms, Zellweger and Astrachan (2008) argue that founders who name firms after themselves (founder-named firms in our study) have extended themselves into these firms; that is, the founders of founder-named firms tend not to distinguish between the firm they founded and themselves. This personal, emotional value is part of what Schumpeter (1934) describes as non-financial value of ownership stakes and leads to differences in what owners are "willing to accept" and what owners are "willing to pay" for an asset (Kahneman, Knetsch, and Thaler, 1990; Knez, Smith, and Williams, 1985; Knetsch and Sinden, 1984).

More importantly, research has found that the endowment effect can lead to suboptimal behavior. For example, in field research studying asset divestments, Duhaime and Grant (1984) show that sentimental attachment to assets is associated with a lower likelihood of asset divestment. Similarly, Pedace and Smith (2013) provide evidence that new baseball managers (who do not suffer an endowment effect) are more likely to trade/divest poorly performing baseball players than continuing managers. In the field of information technology, Sprigman and Buccafusco (2010) find that the creators of intellectual property tend to overvalue their own inventions, which leads to less (and therefore suboptimal) trading of intellectual property. Overall, this line of research suggests that managers who suffer from endowment effects are less willing to let go of the assets they help create. This economically-irrational behavior can in turn lead to losses in firm value.[4] In this study, we propose that founder-named firms suffer from an endowment bias. We directly test this hypothesis by comparing divestment behavior of founder-named firms versus non-founder-named firms.

II. Data Description and Sample Construction

We construct our dataset of family firms using the EXECUCOMP database for fiscal years 1993 through 2009. The EXECUCOMP database covers firms that comprise the S&P 1500. In this sample, we

[4] Research by Arlen, Spitzer and Taller (2002) suggests that the endowment effect may not exist for agents (in a principal-agent framework). However, they do not consider the possibility that the agent is the founder, and they certainly do not consider the possibility that the founder named the company after themselves. Founder-managers who name the company they found after themselves are much more emotionally connected to the firm they manage than most other agents.

first identify family firms using the Anderson and Reeb (2003) algorithm.[5] The definition of a family firm is primarily based on family ownership, although it also includes firms which are controlled by family firms. The family-firm definition also includes firms which are managed by the founder or a relative of the founder. Similar to Anderson and Reeb (2003), we also hand-collect family ownership since previous studies show that family-firm value premiums over non-family firms are at least in part determined by the level of ownership interest. Next, we identify a subsample of founder-named firms among our sample of family firms. Founder-named firms might be based on the founder's full name (e.g., Ralph Lauren), surname only (e.g., Hess, Dillard's), or a combination of founder names (e.g., Anheuser Busch, named after Lilly and Eberhard Anheuser and Adolphus Busch). For all such firms we identify founders or relatives/descendants of founders who maintain significant managerial positions as CEOs or chairmen.

We use COMPUSTAT to collect firm characteristics for all sample firms, and CRSP to collect measures of market and idiosyncratic risk. Our main sample includes 8,062 family-firm-year observations, from a total 18,408 observations including both family and non-family firms. These figures suggest that 44% of our overall sample consists of family firms. While this percentage is higher than Anderson and Reeb's (2003) 35%, their sample includes only the S&P 500 whereas our sample includes all firms in the S&P 1500. Since smaller firms are more likely to be family owned, it seems reasonable to expect a higher proportion of family firms in the S&P 1500 than in the S&P 500. Next, we collect data on dual class shares. Gompers et al. (2010) construct and implement an algorithm to identify firms with dual class share structures. After identifying firms with dual class shares between 1992 and 2002, they calculate insider voting power and cash flow rights for all firms. Based on this information, they calculate the "wedge" between insider voting rights and insider cash flow rights. We use their algorithm to identify dual class shares between 2003 and 2009 in the S&P 1500, and then collect voting and cash flow rights for these firms. We are able to obtain the necessary information to calculate the wedge for 8,048 out of our 8,062 family-firm-year observations.

We use two measures of corporate governance quality for our analyses of internal corporate governance. First, we use the GOV41 measure of corporate governance from Aggarwal et al. (2009). Higher values of GOV41 are associated with stronger corporate governance. One advantage of this measure is that it is an index composed of many measures of governance quality based on previous literature. The index includes measures of board quality, CEO power, and anti-takeover provisions. One problem with the GOV41 measure is that some of the governance attributes in the index might not be relevant for all purposes. In addition, this measure is only available from 2002 until 2009. Our second measure of internal corporate governance quality is the percentage of outside directors. Weisbach (1988)

[5] For a detailed description of the algorithm, see Anderson and Reeb (2003).

and others find that independent boards are more effective than those dominated by insiders. We collect board independence from Riskmetrics. This variable is available for 5,192 of our 8,062 family-firm-year observations.

***** Insert Table I here *****

We present summary statistics for our sample in Panel A of Table I. Approximately 22% our family firms are founder-named firms, and founders are CEOs or chairmen in approximately half of our family firms; we classify these as founder-managed firms. Founders manage (as CEO or chairman) firms named after themselves in 5% of family firms, which we classify as founder-named-and-managed firms, and relatives of the founder manage these founder-named firms in about 10% of the sample. Our main dependent variable is Tobin's q, and our independent variables are based on Anderson and Reeb (2003) and Villalonga and Amit (2006). Variable definitions are provided in the appendix. For our dependent variable, the average Tobin's q for our sample firms is 2.16. For the independent variables, our sample firms have an average of $4.9 billion in assets, sales growth of 12.2%, a dividend yield of 1%, capital expenditures equal to 27% of net property, plant, and equipment, a ratio of total debt to market capitalization of 85%, and research and development costs equal to 5% of sales. In addition, our sample firms have an average beta (market risk) of 1.1, and idiosyncratic risk of 2.7% per year. Finally, the average firm age (since the company first appears in COMPUSTAT) is 21 years, and roughly 50% of our sample firms have two or more operating segments.

These summary statistics are similar to those reported in Anderson and Reeb (2003) and Villalonga and Amit (2006) – with the exception that our firms tend to be of smaller size. This size difference is due to our use of a broader set of firms (the S&P 1500) relative to that used in Anderson and Reeb (2003) and Villalonga and Amit (2006) (the S&P 500 and Fortune 500, respectively). About 11.4% of our family firms have dual class share structures and the wedge between voting and cash flow rights averages 2.82%. Our S&P 1500-based dual class percentage is slightly lower than that reported by Gompers et al. (2010) based on all firms in COMPUSTAT. This difference is likely due to the presence of more small firms in the COMPUSTAT sample relative to our S&P 1500 sample. On average, the boards in our sample have an average of 61% independent directors and the average GOV41 score is 0.61. This Aggarwal et al. (2009) index score is normalized so that 0 represents the lowest governance quality, and 1 represents the highest governance quality.

In Panel B of Table I we compare founder-named firms to non-founder-named firms. As mentioned above, founder-named firms represent 22% of our sample, or 1,764 firm-year observations, so 6,298 firms in our sample are non-founder-named family firms. Family ownership is higher in founder-named firms than non-founder-named family firms (17.2% versus 12.6%, respectively). Founder-named

firms also pay more dividends, make smaller capital expenditures, invest less in R&D, hold more debt, have lower risk (both systematic and idiosyncratic), have lower sales growth, and are older than non-founder-named firms. The risk-related results suggest that CEOs of founder-named firms might be more risk averse than CEOs of firms not named after the founder. Consistent with Gompers et al. (2010), founder-named firms are more likely to have a dual class share structure. Founder-named firms have a larger average wedge between voting rights and cash flow rights, and GOV41 is higher for founder-named than for non-founder-named firms. As for our main variable of interest, founder-named firms have lower valuations than non-founder-named firms based on Tobin's q.

III. Empirical Analyses and Results

A. Founder-named valuation effects

We examine valuation effects of founder-named versus non-founder-named firms in a multivariate setting. Our dependent variable for all regressions in Table II is Tobin's q. Following Villalonga and Amit (2006) and Anderson and Reeb (2003), we include industry (48 Fama-French industries) and year fixed effects. Consistent with Bertrand and Schoar (2008), Anderson and Reeb (2003), and Cronqvist and Nilsson (2003), we use heteroscedasticity-robust standard errors to calculate t-statistics. We estimate seven regressions (models 1 to 7) using various combinations of our main variables of interest, including founder-named firms, founder-managed firms, and founder-named-and-managed firms.

Our results for models 1, 3, 5, and 7 support the earlier findings in Villalonga and Amit (2006) by showing that founder-managed firms are more valuable than firms that are not managed by their founders. In each of these regression models, the estimated coefficients (ranging from 0.08 to 0.16) for founder-managed are positive and significant. In sharp contrast, our results for models 2 and 3 show that founder-named firms have significantly lower valuations than other family firms; that is, the estimated coefficients for founder-named firms (-0.16 and -0.14, respectively) are negative and significant. These results are consistent with an endowment effect. We find even stronger endowment effects when we examine the intersection of founder-named and founder-managed firms. Our results for models 4, 5, 6, and 7 show that founder-named-and-managed firms have significantly lower valuations than family firms that are neither founder-named nor founder-managed. The estimated coefficients for founder-named-and-managed firms vary from -0.37 to -0.52. Since the impact of founder-managed firms is positive, this marked decrease in firm valuation among family firms is attributable to founder-named firms – again, consistent with an endowment effect. To the best of our knowledge, this is the first evidence of a significant discount for founder-named firms among family firms.

Our Table II results are also economically significant. In model 4, for example, we find that founder-named-and-managed firms are about 21% less valuable than non-founder-named-and-managed firms (the coefficient of -0.42 divided by mean Tobin's q of about 2). This economic significance is even stronger when controlling for the founder-managed dummy variable in model 6. A similar analysis of our founder-named firms shows that they are roughly 8% less valuable on average than their non-founder-named counterparts, all else equal. It is important to note that, while founder naming appears to lead to value destruction, founder management (without naming) is associated with value enhancement. Our founder-managed firms have an economically-significant 5% value premium over their non-founder-managed counterparts. We present a diagram summarizing these results in Figure I.

***** Insert Table II here *****

***** Insert Figure I here *****

For the control variables, we find a positive relationship between capital expenditures, research and development expenditures, and firm value, which is consistent with Villalonga and Amit (2006). We report a negative coefficient on firm size, idiosyncratic volatility, and firm age (consistent with Anderson and Reeb (2003)), a negative relation between leverage and firm value (consistent with Villalonga and Amit (2006), Anderson and Reeb (2003), and Cronqvist and Nilsson (2003)), a positive relation between sales growth and firm value (consistent with Cronqvist and Nilsson (2003)),[6] and a negative relation between diversification and firm value (consistent with Villalonga and Amit (2006)). We also find a negative (statistically significant in only five of seven models) relation between insider ownership (minus family ownership) and firm value, in contrast to Anderson and Reeb's (2003) finding of an insignificant relation between insider ownership and firm value. Overall, our control variable results are in line with the extant literature.

B. Family ownership interaction effects

In this section, we examine various interaction effects related to family ownership; specifically, we regress Tobin's q against family ownership interacted with each of our different categories of family firms (all family firms, founder-named firms, and founder-named-and-managed firms). To be consistent with previous literature (e.g., Anderson and Reeb (2003)), we include both the level value and squared value of family ownership in these regressions. For family firms in general, we expect family ownership to be positively related to firm value up to a point (the inflection point), consistent with the findings in Anderson and Reeb (2003).

[6] Villalonga and Amit (2006) find a positive but insignificant relationship between firm value and sales growth.

Table III presents the results of our analysis of firm value and family ownership for the various types of family firms. In all models, the ownership inflection point is provided in the last row of the Table. Since we have different categories of family ownership, we also have more than one possible inflection point. In such cases, we only provide the inflection point for the key variable of interest, which we highlight in bold. In model 1, we first check whether family ownership is positively related to firm value. Consistent with Anderson and Reeb (2003), we find a positive coefficient on family ownership and a negative coefficient on the square of family ownership. The inflection point is at 35% family ownership, which is slightly higher than the inflection point (31%) in Anderson and Reeb (2003). Thus, we confirm that family ownership is positively related to firm value only up to a point. Family ownership beyond this inflection point leads to value destruction.

***** Insert Table III here *****

We turn next to our family firm category of interest, founder-named firms. In model 2, we include both family ownership and the interaction between family ownership and our founder-named variable. The coefficient on the interaction of our founder-named variable with family ownership is negative and significant at the 1% level. In addition, the square of the interaction term is positive and significant at the 1% level. These results mean that family ownership in founder-named firms negatively affects firm value only to a point. The inflection point of this effect, however, is relatively high at 51%. Therefore, our results suggest that the negative value effect of family ownership for founder-named firms weakens as family ownership increases above 50%.

In model 3 of Table III we interact our founder-named-and-managed variable with family ownership. We control for both family ownership. Consistent with the results in model 2, family ownership in founder-named-and-managed firms is negatively related to firm value only when such ownership is below 47%. When we include the interaction of the founder-named variable with family ownership, the coefficients on the interaction terms of our founder-named variable become insignificant (Model 4). Overall, the results in Table III confirm that founder-named firms trade at a discount to non-founder-named firms, and that founder-named-and-managed firms trade at an even larger discount. In the next section, we examine the consequences of having relatives of the founder take over managing founder-named firms.

C. Founder relatives managing founder-named firms

We have shown that founder-named firms are less valuable than non-founder-named firms. Our earlier results also suggest that this value discount is strongest when the founder manages the firm. In this section, we directly test whether founder-named firms managed by relatives of the founder are more valuable than founder-named-and-managed firms. Our results confirm this hypothesis.

In model 1 of Table IV we show that the founder-named discount disappears when relatives of the founder manage the firm. Turning to model 2, we confirm that the founder-named value discount is driven by founders. The coefficient on the founder-named-and-managed variable is -0.41, whereas the coefficient on our indicator for firms managed by relatives of the founder is 0.12. Finally, in model 3, we find that the value penalty of founder-named firms exists only when the founder (who named the firm) also remains as CEO or chairman. These results show that the relatives of founders appear to act more in the interests of shareholders than the original founders. That is, our results suggest that founder-named firms are less valuable than non-founder-named firms only when the founder still manages the company. Overall, these findings provide additional support for our main hypothesis that founder-named-and-managed firms are particularly susceptible to value-destroying endowment effects.

***** Insert Table IV here *****

D. Restructuring and acquisitions by founder-named firms

Our evidence so far confirms the presence of endowment effects among founder-named family firms. In this section, we examine more closely the channels through which such endowment effects are likely to decrease firm value. Specifically, we examine whether founder-named firms engage in less restructuring than other family firms. We expect that founder-named-and-managed firms, because of endowment effects, are less likely to "let go" of significant parts of their firms, and therefore less likely to engage in significant restructuring activities. We follow Bens and Johnston (2009) and Francis, Hanna, and Vincent (1996) and use restructuring charges, asset write-downs, and special item expenses to measure restructuring activities. Similarly, we also expect that founder-named-and-managed firms are less likely to "change the face" of their firms by engaging in significant acquisition activities.

Our results in Table V test whether founder-named firms engage in less corporate restructuring by examining differences in restructuring expenses, write-downs, special item expenses, and acquisition activities. In Panel A, we report the acquisition activities of family firms. We follow Yim (2013) and control for leverage (Leverage), business segments (Diversification), firm size (Size), growth opportunities (BTM), performance (Returns and ROA), cash flow from operations (Cash flow), firm age (Ln (Firm age)), asset tangibility (Tangible assets), technology and regulated industry dummies (High tech and Regulated), and for economic conditions (GDP growth). Large firms, better-performing firms (based on ROA), firms with more segments, and firms with more tangible assets are all more likely to engage in acquisition activities. Firms in high-technology and less regulated industries are also more likely to acquire other companies. Turning to our founder-named variables, we find that founder-named firms are less likely to acquire firms, but only when the original founder is still managing the company.

Consistent with our endowment effect hypothesis, this finding shows that founder-named-and-managed firms are less likely to acquire other firms than are non-founder-named-and-managed family firms.

***** Insert Table V here *****

In Panel B of Table V, we test whether founder-named firms engage in less restructuring than other family firms. In models 1 and 2, we first test whether founder-named firms are less likely to report a tangible or intangible asset write-off than other family firms. In models 3 and 4, we test whether founder-named firms are less likely to report income-decreasing special item charges than other family firms. Finally, we test whether founder-named firms are less likely to report income-decreasing restructuring charges in models 5 and 6. Throughout this analysis, we control for changes in performance by including the following independent variables: ΔROA, ΔIndustry ROA, ΔSales, and ΔIndustry Sales, changes in (and levels of) growth opportunities (ΔBTM and BTM_{t-1}), leverage (Leverage), firm size (Size) and macroeconomic conditions (GDP growth). Poorly performing companies are generally more likely to restructure, and poorly performing firms with fewer growth opportunities are especially likely to restructure. Highly levered firms are under more pressure to restructure than less highly levered firms, and firms are more likely to restructure in bad times (years with low GDP growth) than in good times. Overall, the coefficients on our control variables are consistent with expectations--with the exception of industry ROA showing positive relation with restructuring.

Turning to our founder-named variables, we find direct evidence that founder-named-and-managed firms engage in less restructuring than other family firms. The coefficient on our founder-named-and-managed variable is negative and significant for write-downs, special items, and restructuring. In fact, the coefficient on founder-named-and-managed is even stronger when we also control for the founder-named dummy variable, which suggests that the endowment effect of founders who name the firm after themselves disappears when the founder leaves the firm. Overall, this evidence provides additional support for our hypothesis that the value discount on founder-named-and-managed firms is due to an endowment effect.

E. Stock price reaction to sudden executive deaths

Our results show that founders who both name the company after themselves and manage the firm are especially susceptible to an endowment effect. This behavioral bias leads to sub-optimal investment decisions and a loss in firm value. Our results also show that the value discount disappears after founders of founder-named-and-managed firms leave the firm. In this section, we re-examine the value implications of departures of founders of founder-named-and-managed firms using a sample of sudden executive deaths. We collect sudden executive (CEOs, chairmen, and presidents) deaths between

1972 and 2014 with available CRSP and Compustat data.[7] We then test whether the stock price reaction to deaths of founder-named-and-managed founders is more positive than that of other executives. From the 193 sudden executive deaths with sufficient data for our analysis, eight involve founder-named-and-managed firms. Although this is a relatively small sample, executive deaths represent strong exogenous shocks to the founder-named-and-managed status of our sample firms. We estimate regressions of the abnormal reaction to deaths of executives as a function of CEO and firm characteristics. We present the results of this analysis in Table VI below.

The sample includes all executive deaths in models 1 and 2, and founder deaths in models 3 and 4. We control for CEO age, firm size, past performance, founder status, and corporate governance (board size and board independence).[8] Our variable of interest is the founder-named-and-managed dummy variable that equals 1 if the deceased executive was a founder of a founder-named-and-managed firm and 0 otherwise. We expect a positive coefficient on the founder-named-and-managed firms because the sudden loss of such founders will be perceived as good (value-enhancing) news by the market. That is, if shareholders believe that founder-named-and-managed firms suffer from value-destroying endowment effects, then the death of the founder-manager will increase firm value.

***** Insert Table VI here *****

Consistent with Salas (2010) and Johnson et al. (1985), the stock price reaction to sudden executive deaths is positively related to firm size and negatively related to past firm performance. More importantly, and consistent with our conjecture, the coefficient on the founder-named-and-managed dummy variable is positive and significant in all models. These results show that firm value rises from 5.4% to 6.4% following the deaths of founders managing founder-named-and-managed firms. Although our sample size is small, it is also free of endogeneity concerns. Consistent with our earlier results, we find additional evidence that the CEOs of founder-named-and-managed firms reduce market valuations because of their susceptibility to the endowment effect. Next, we address various alternative explanations for these results and perform additional robustness tests.

IV. Alternative Explanations and Robustness Tests

In this section, we explore four alternative explanations--other than greater susceptibility to endowment effects--that could be responsible for the founder-named firm discount. First, we consider the possibility that the value discount is driven by dual class share structures. Gompers et al. (2010) show that

[7] We follow the sample selection and the abnormal stock return estimation procedures in Salas (2010). We omit detailed descriptions of the sample construction for the purpose of brevity.

[8] We include controls for corporate governance only in models 2 and 4 because measures of corporate governance are only available for a much reduced sample

founder-named firms are more likely to have dual class share structures than non-founder-named firms. If dual class share structures are also detrimental to firm value, then it is possible that founder-named firms trade at a discount because they have multiple classes of shares. Second, we examine whether founder-named firms trade at a discount because the founder's family controls a relatively high percentage of voting power at the expense of cash flow rights. Third, we examine the potential role of manager overconfidence in accounting for our founder-named-and-managed results. Finally, we investigate the possibility that the founder-named value discount is driven by weak internal corporate governance.

A. Dual class share structures

To test whether share structure can explain the founder-named value discount, we first verify Gompers et al.'s (2010) result that dual class share structures are more common in founder-named firms than in non-founder-named firms. We confirm this result in models 1-3 of Panel A of Table VII. We estimate probit regressions using the dual class dummy variable as the dependent variable and the same control variables as described above. We find a positive coefficient on the founder-named firms dummy variable and on the founder-named-and-managed variable in our dual class regressions. When we include both the founder-named and the founder-named-and-managed variables, we find that the coefficient is positive and significant only for founder-named firms. This result shows that descendants of the founder do not usually remove the dual class share structure after the founder leaves. For example, the Ford family retains the dual share class structure today. This evidence also provides additional assurance that the potential incidence of multiple share classes is unlikely to explain why founder-named-and-managed firms are less valuable than firms that are non-founder-named-and-managed.

***** Insert Table VII here *****

We test whether founder-named firms are more valuable than non-founder-named firms after controlling for the incidence of dual class share structures in models 1-3 of Panel B. Consistent with Gompers et al. (2010), the coefficient on the dual class dummy variable is insignificantly different from zero. Turning to our main variable of interest, Tobin's q continues to be 8% lower in founder-named firms than in non-founder-named firms and 21% lower in founder-named-and-managed firms than in non-founder-named-and-managed firms. This result also remains strong after we include both the founder-named and founder-named-and-managed variables in model 3. Overall, we confirm that our results do not change after we control for the incidence of dual class share structures.

B. The wedge: Voting rights versus cash flow rights

Our univariate statistics show that insiders in founder-named firms tend to have significantly higher voting rights than cash flow rights. In this section, we check whether this univariate result holds in

a multivariate regression setting and, more importantly, we test whether the founder-named value discount can be explained by this difference in insider voting versus cash flow rights. To control for the difference between insider voting and cash flow rights we use the wedge variable as defined in Gompers et al. (2010). In Panel A of Table VII, we estimate a regression of the wedge variable against our family variables and other controls (i.e., models 4-6). Consistent with expectations, founder-named firms have higher average wedge values than non-founder-named firms.

Next, we test whether this wedge difference can explain the founder-named value discount. We present results of this analysis in Panel B of Table VII. Following Gompers et al. (2010), we include both the wedge and the squared value of the wedge in our Tobin's q regressions as control variables in model 6.[9] Models 4-6 show that Tobin's q is decreasing in wedge values up to a point (the inflection point). Turning to our family firm variables, the coefficients on our founder-named and founder-named-and-managed variables remain negative and significant, consistent with the results in Table II. Thus, differences in insider voting rights and cash flow rights do not explain the founder-named value discount.

D. CEO overconfidence

It is possible that the CEOs of founder-named-and-managed firms are more susceptible to overconfidence than the CEOs of non-founder-named-and-managed firms. Previous research (Malmendier and Tate, 2005) suggests that overconfident CEOs are more likely to overinvest, which could potentially lead to lower firm values. So instead of an endowment effect, the negative relation between founder-named-and-managed firms and market valuations could be due to an overconfidence effect. Before directly testing this alternative explanation, we note that it is inconsistent with our earlier results. Specifically, Malmendier and Tate (2008) find that overconfident managers make more acquisitions whereas we find that founders of founder-named-and-managed firms make fewer acquisitions. In addition, it is not clear that overconfidence will cause lower firm values. While overconfident managers may overinvest, they also tend to be highly innovative (Galasso and Simcoe, 2011; Hirshleifer, Low, and Teoh, 2012).

We directly test whether our earlier results could be due to CEO overconfidence and report the findings in Table VIII. Specifically, we re-estimate our base regressions from Table II while also controlling for CEO overconfidence. Following Malmendier and Tate (2008), Hirshleifer, Low and Teoh (2012), and Chyz et al. (2015) (among others), we compute CEO overconfidence using the ratio of CEO

[9] In untabulated results, we include insider voting rights and insider cash flow rights (and the squared terms of these variables) instead of the wedge and the squared wedge variables. Our results are essentially the same. In addition, the coefficients on the voting and cash flow rights variables are similar to those in Gompers et al. (2010). These results are available upon request.

stock options which are in-the-money. The measure is binary and takes a value of 1 for CEOs identified as being overconfident if the ratio of stock options in the money is above 67 percent and 0 otherwise.

***** Insert Table VIII here *****

In models 1-3, we find that CEOs of founder-named-and-managed firms are no more overconfident than CEOs of other family firms. In fact, we show that CEOs of founder-named-and-managed firms are less likely to be overconfident than CEOs of other family firms. Next, we test whether our conclusion that founder-named-and-managed firms are less valuable than other firms is robust to controlling for CEO overconfidence. We present the results of this analysis in models 4-6. Consistent with expectations, controlling for overconfidence does not affect our main results. Founder-named-and-managed firms continue to be significantly less valuable than other companies.

E. Internal corporate governance

Internal corporate governance can impact our results in two ways. First, founder-named-and-managed firms might have weaker corporate governance than non-founder-named-and-managed firms. We test for this possibility by including measures of corporate governance quality in our empirical design. Second, it is possible that corporate governance quality matters more in founder-named-and-managed firms than in non-founder-named-and-managed firms. Corporate governance mechanisms are likely to be more valuable in firms with high agency costs. It is possible that the founder-named discount disappears if corporate governance quality is high. These tests require that we incorporate interaction terms between our founder-named variables and measures of corporate governance quality.

We use two measures of corporate governance to test both possibilities: the percent of outside directors on the board, and the GOV41 governance index of Aggarwal et al. (2009). In untabulated results, we first show that the coefficients on the founder-named and the founder-named-and-managed variables remain negative and significant when we control for corporate governance (before including interaction terms). We present the results after including our interaction terms in Table IX. In models 1-3, our measure of governance is the percentage of outside directors in the board. In models 4-6, our measure of governance is GOV41.

The results show that the founder-named value discount remains statistically and economically significant (but reduced in magnitude) after including our corporate governance controls. Specifically, in model 1 the coefficient on the founder-named variable is -0.39 and the coefficient on the interaction between director independence and the founder-named variable is 0.45. Director independence for the average founder-named firm is 0.60 and the total coefficient on the founder-named variable is -0.12.[10]

[10] This is calculated as (0.45 x 0.6) – 0.39.

These results imply a 6% value discount for a firm with an average Tobin's q of about 2. Similarly, the total coefficient on the founder-named-and-managed variable is -0.27,[11] which implies an average value discount of about 13.5%. The results are similar whether we use the percentage of outside directors or GOV41 as our measure of corporate governance quality. For founder-named firms, the value discount is about 9.5%,[12] and for founder-named-and-managed firms, the value discount is about 18%.[13]

Taken as a whole, these results show that differences in corporate governance quality cannot explain the founder-named discount. However, since the founder-named-and-managed value discount is smaller in magnitude in Table IX than in Table II, the results also suggest that improvements in corporate governance quality can reduce the detrimental impact of founders managing founder-named firms. It is also important to note that there is a link between our endowment effect hypothesis and corporate governance quality. One aspect of an effective internal governance structure would be the mitigation of value-destroying endowment effects. Specifically, effective internal governance would channel managerial behavior away from "current personal use" and toward "potential market exchange."

***** Insert Table IX here *****

Overall, we conclude that while these alternative explanations might play some role in generating founder-named firm discounts, none of them can account for the empirical patterns that we document herein. In contrast, the act of naming one's firm after oneself appears to subject such founders to increased levels of endowment concerns.

F. Robustness testing

In this section, we re-estimate our regressions using a broader sample of both family firms and non-family firms. Our broader sample includes 18,408 observations. We report the results in Table X. We first confirm the findings in prior studies that family firms are more valuable than non-family firms (model 1 in Panel A of Table X). Because Tobin's q averages about 2 in our sample, a coefficient of 0.04 implies that family firms are about 2% more valuable than non-family firms. Next, we turn to the main finding in Villalonga and Amit (2006) that family firms are more valuable than non-family firms when the founder is still the CEO or chairman of the board. Model 2 confirms this finding. Firms are about 6% (coefficient of about 0.12 divided by mean Tobin's q of about 2) more valuable if the founder serves as the CEO/chairman than if the founder does not serve as the CEO/chairman. In model 3, we include the family firm dummy variable and the founder-managed dummy variable and confirm the Villalonga and Amit (2006) result that family firms are only more valuable if the founder is still the CEO/chairman.

[11] This is calculated as (1.13 x 0.6) – 0.95.

[12] This is calculated as (0.76 x 0.6) – 0.65, divided by 2.

[13] This is calculated as (2.65 x 0.6) – 1.95, divided by 2.

***** Insert Table X here *****

For our key variables of interest, we confirm that founder-named firms are about 7% less valuable (the coefficient of -0.14 divided by mean Tobin's q of about 2) than non-founder-named firms using a broader sample of family and non-family firms. After including the family-firm dummy variable and the founder-managed dummy variable, our results confirm that founder-named firms are still less valuable than non-founder-named firms. Similar to Villalonga and Amit (2006), we show that the presence of founders (whether through naming, managing, or both) is critically important to understanding firm value differences.

In model 6, we include a founder-named-and-managed dummy variable and find that founder-named-and-managed firms are about 16.5% (i.e., coefficient of -0.33 divided by mean Tobin's q of about 2) less valuable than non-founder-named-and-managed firms. These results remain significant even after including all other family firm variables as control variables (family-firm dummy variable, founder-managed dummy variable, and founder-named dummy variable) in model 7. Overall, the results in Table X confirm our earlier findings that firms named after their founder are significantly less valuable than firms not named after their founder. The empirical evidence is also consistent with a significant endowment effect related to founders who operate founder-named firms.

V. Conclusion

Previous studies have examined the relation between family firms and non-family firms. These studies mostly find that family firms are more valuable than non-family firms (Miller et al., 2007; Villalonga and Amit, 2006; Anderson and Reeb, 2003; McConaughy et al., 1998). In addition to family versus non-family firms, previous studies also show that founder firms are more valuable than non-founder firms (Villalonga and Amit, 2006). While the literature has advanced our knowledge of family firms in general, our understanding of the specific types of family-based firms is still in its infancy. In this paper, we examine in detail the relations among various types of family firms, including founder-named firms, founder-managed firms, and founder-named-and-managed firms.

Our empirical results establish strong and consistent patterns among these family-firm types. After confirming previous literature by showing that family firms are more valuable than non-family firms, and founder firms are more valuable than non-founder firms, we provide new evidence that founder-named family firms have significantly lower market valuations than non-founder-named firms. In contrast, founder-managed family firms have significantly higher market valuations than non-founder-managed firms. When we examine the intersection of founder-named and founder-managed family firms, we find that these founder-named-and-managed firms have the lowest market valuations among all family-firm categories. Our empirical results raise an important question: What is it about the naming of a

firm after its founder that leads to lower market valuations? We posit, and provide consistent evidence in favor of, the presence of value-destroying endowment effects.

If endowment-sensitive owner-managers view their firms more from a personal use perspective and less from an objective market value perspective, then their decisions are less likely to follow a strict imperative of maximizing shareholder wealth. Such owner-managers would be more reluctant to engage in extensive restructuring of their firms (i.e., mergers, product line eliminations, and major asset disposals) than would more detached managers with a "potential market exchange" view of the firm. To the extent that restructuring activities are sometimes necessary and value-enhancing, founder-named-and-managed firms' self-imposed restructuring constraints lead to a reduction in company value. Our empirical results confirm that endowment-susceptible family firms are less likely to implement corporate acquisitions and restructuring programs. In addition, our investigation of stock market reactions to the sudden deaths of CEOs of founder-named-and-managed firms provides additional evidence that such endowment-susceptible CEOs are value-destroying. Consistent with expectations, the stock market reaction is significantly more positive for the former CEOs than for the latter CEOs. Overall, our results show that founder-named-and-managed firms suffer from an endowment effect that leads to a significant loss in market value.

Finally, we explore alternative explanations that might be responsible for the founder-named firm discount. First, we test whether the founder-named value discount could be caused by the use of dual class share structures. Second, we test whether founder-named firms trade at a discount because of the wedge between voting rights and cash flow rights. Third, we examine the possibility that CEO overconfidence might be responsible for the value destruction we find among founder-named-and-managed firms. And fourth, we test whether differences in internal corporate governance can account for the founder-named family firm discount. Our empirical results reject each of these alternative explanations, while providing further evidence in support of the endowment effect hypothesis.

Overall, our study adds to the family firm literature in several ways. First, we confirm that family firms are more valuable than non-family firms, and that founder firms are more valuable than non-founder firms, using an extensive new dataset. Second, we present new evidence that founder-named family firms are significantly less valuable than their non-founder-named family firm counterparts, and that founder-named-and-managed family firms are much less valuable than their non-founder-named-and-managed family firm counterparts. Third, we show that the most likely cause of these deep discounts is the endowment effect. Giving a personal name to an impersonal entity changes the complexion of that impersonal entity. Specifically, the personal name carries with it an endowment effect.

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APPENDIX: VARIABLE DEFINITIONS

Variable	Definition
Dependent Variables:	
Tobin's q	Ratio of the firm's market value to total assets.
ROA	Ratio of income before extraordinary items to total assets.
M&A	A dummy variable that equals one if the firm engaged in M&A activity (from SDC Platinum) and zero otherwise.
Write-down	A dummy variable equaling to one if there is a tangible or intangible asset write-off (COMPUSTAT variables WDP or GDWLIP) in year t and zero otherwise.
Special items	A dummy variable equaling one if there are income decreasing special items (COMPUSTAT variable SPI) in year t and zero otherwise.
Restructuring	A dummy variable equaling one if there is an income reducing restructuring charge (COMPUSTAT variable RCP) in year t and zero otherwise. COMPUSTAT specifically coded items as asset write-downs and restructuring charges starting in 2001 and so write-down and Restructuring have a smaller sample size.
Independent Variables: Variables of interest	
Family	Equals one when the founding family is present in the firm or if the firm is controlled by a family, and zero otherwise (hand-collected).
Founder-managed	Equals one if the founder is the CEO or/and chairman (hand-collected).
Founder-named	Equals one if the company is named after the founder's name, zero otherwise (hand-collected).
Founder-named-and-managed	Equals one if the founder is the CEO or/and chairman in the firm named after founder, zero otherwise (hand-collected).
Relatives in named firm	Equals one if any family member is present in the firm named after founder, zero otherwise (hand-collected).
Family ownership	The fractional equity ownership of the firm's founding family (hand-collected).
Independent Variables: Firm Characteristics	
Dividend Yield	Common dividend / market value of common stock (COMPUSTAT).
CAPEX	Capital expenditure/net PP&E (COMPUSTAT variables CAPEX divided by PPENT).
R&D	R&D expense / sales (COMPUSTAT variables RDX divided by SALE).
Diversification	Equals one if the firm has two or more segments in COMPUSTAT, zero otherwise.
Ln(Firm age)	The natural log of COMPUSTAT listing age.
Market risk	Estimate from market model in which the firm's daily returns over the year are regressed on the daily value-weighted returns (CRSP).
Idiosyncratic risk	Standard error of estimate from market model in which the firm's daily returns over the year are regressed on the daily value-weighted returns (CRSP).
Insider ownership (less family)	Total insider ownership minus family ownership (hand-collected).
Ln(Assets)	The natural log of total assets (COMPUSTAT variable AT).
Sales growth	Changes in sales (COMPUSTAT variable SALE) between years t and t-1.
Leverage	Total liabilities (COMPUSTAT variable LT)/market value of equity (COMPUSTAT variables CSHO times PRCC_F).
Dual class	Equals one if the company has two or more classes of common stock, zero otherwise (hand-collected).
Wedge	This is the difference between insider voting and cash flow rights following Gompers et al. (2010) in percent. This is equal to zero for single class firms (hand-collected).
Overconfidence	A time-invariant measure of overconfidence based on the ratio of CEO options in the money. The measure is binary and takes a value of 1 for CEOs identified as being overconfidence and 0 otherwise.
GOV41	Governance index from Aggarwal et al. (2009). It is an index composed of 41 governance mechanisms.
% Outside directors	The percent of directors on the board who are independent (RISKMETRICS).

Outsider blockholders	The percentage of shares held by all outside blockholders. Outsiders are all individuals or entities that are none of the followings: officers and directors of the firm, non-officer directors, affiliated entities, or employee stock ownership plans (ESOP) (WRDS).
Δ ROA	The change in ROA from t-1 to t. ROA defined below.
Δ Industry ROA	The change in industry ROA from t-1 to t. Industry ROA is the average of ROA by 2 digit SIC code in year t. ROA defined below.
Δ Sales	The percent change in SALE from t-1 to t. SALE is total revenues (COMPUSTAT variable SALE) from year t.
Δ Industry Sales	The percent change in industry sales from t-1 to t. Industry sales is the average of SALE by 2 digit SIC code in year t.
Δ BTM	The change in BTM from t-1 to t. BTM is the book-to-market ratio and equals equity book value (COMPUSTAT variable CEQ) divided by equity market value.
Size	The natural log of the equity market value (COMPUSTAT variable PRCC_F multiplied by COMPUSTAT variable CSHO).
GDP growth	The percent change in gross domestic product between the last quarter of the fiscal year and the quarter preceding the fiscal year (St. Louis Federal Reserve Bank website).
ROA	ROA is income before extraordinary items in year t (COMPUSTAT variable IB) divided by total assets for year t-1 (COMPUSTAT variable AT).
Cash flow	Cash flow from operations (COMPUSTAT variable OANCF) divided by total assets.
Tangible	Net PP&E (COMPUSTAT variable PPENT) divided by total assets (COMPUSTAT variable AT).
Litigation	An indicator variable that equals 1 if the firm operates in a high-litigation industry, and 0 otherwise. High-litigation industries are industries with SIC codes 2833-2836, 3570-3577, 3600-3674, 5200-5961, and 7370-7374 (Francis et al. 1994) (COMPUSTAT).
High tech	Equals one if the company SIC codes are between 2833 and 2836 or between 8731 and 8734 or between 7371 and 7379 or between 3570 and 3577 or between 3600 and 3674 and zero otherwise (COMPUSTAT).

Figure I: Family Firm Categories and Firm Value

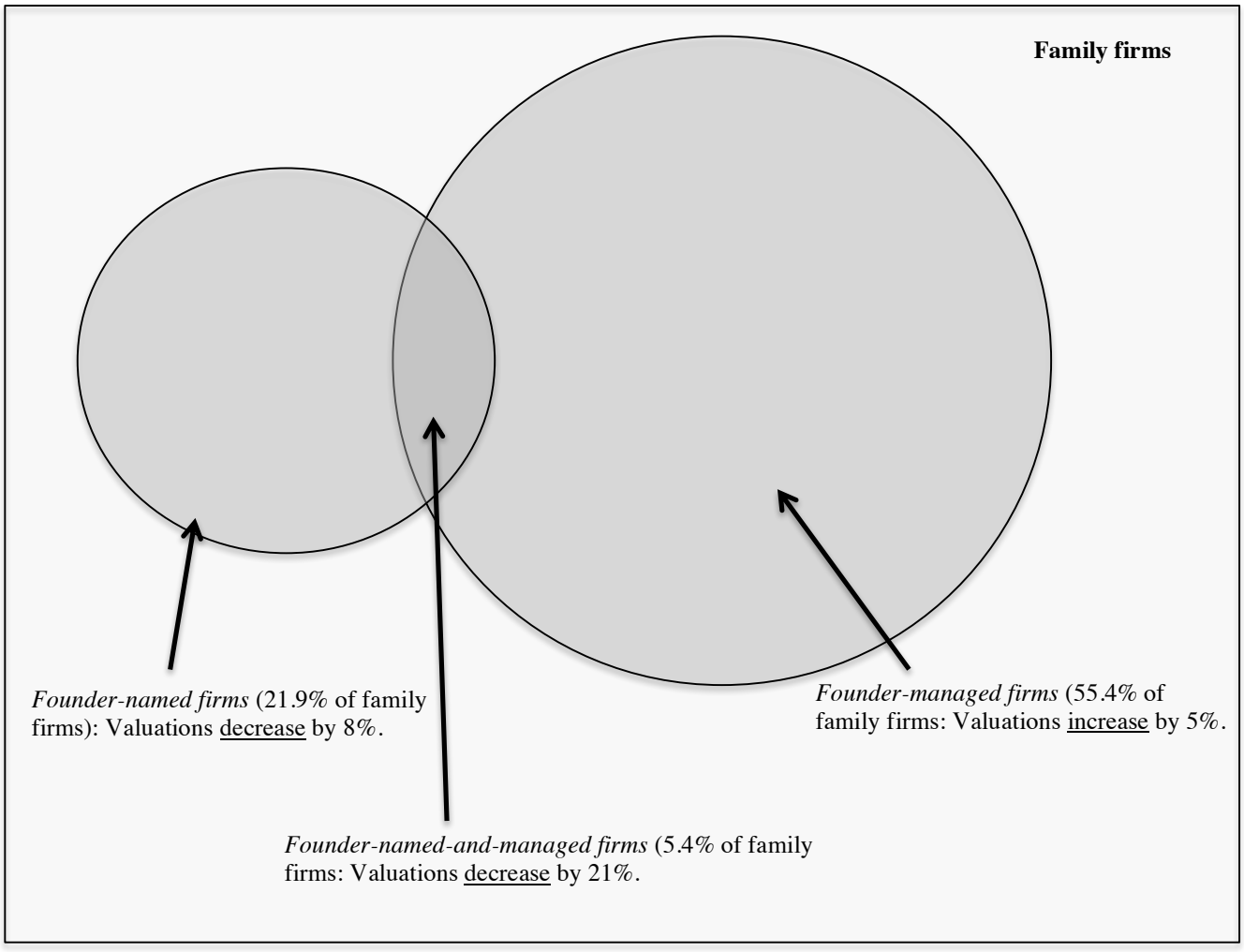

TABLE I: Descriptive statistics

This table presents summary statistics for the variables used in this study. In Panel A we present summary statistics for the sample of family firms. Panel B is used to present summary statistics separately for family firms named after founders and for family firms not named after founders. STD is the standard deviation. P10 is the 10th percentile of that variable; Q1 is the first quartile of that observation; Q3 is the third quartile of that observation; and P90 is the 90th percentile of that observation. All variables are defined in the appendix.

Panel A. Summary statistics

Variable	N	MEAN	STD	P10	Q1	MEDIAN	Q3	P90
Tobin's q	8062	2.158	1.400	1.022	1.253	1.682	2.534	3.967
Founder-managed	8062	0.554	0.497	0.000	0.000	1.000	1.000	1.000
Family ownership	8062	13.618	18.302	0.010	1.700	6.460	18.200	37.700
Founder-named	8062	0.219	0.413	0.000	0.000	0.000	0.000	1.000
Founder-named-and-managed	8062	0.054	0.225	0.000	0.000	0.000	0.000	0.000
Relatives in named firm	8062	0.098	0.297	0.000	0.000	0.000	0.000	0.000
Dividend yield	8062	0.009	0.015	0.000	0.000	0.000	0.013	0.025
CAPEX	8062	0.268	0.165	0.094	0.146	0.230	0.355	0.493
R&D	8062	0.052	0.132	0.000	0.000	0.000	0.052	0.159
Diversification	8062	0.496	0.500	0.000	0.000	0.000	1.000	1.000
Firm age	8062	21.349	13.238	7.000	11.000	17.000	31.000	42.000
Market risk	8062	1.108	0.474	0.558	0.797	1.073	1.385	1.719
Idiosyncratic risk	8062	0.027	0.013	0.014	0.018	0.024	0.034	0.045
Insider ownership (less family)	8062	3.915	7.983	0.100	1.270	2.720	5.300	10.200
Assets	8062	4,869.75	29,881.26	186.18	360.93	880.72	2,507.24	7,536.60
Sales growth	8062	0.122	0.231	-0.098	0.017	0.102	0.213	0.380
Leverage	8062	0.850	2.163	0.069	0.157	0.378	0.822	1.688
Dual class	8062	0.114	0.318	0.000	0.000	0.000	0.000	1.000
Wedge	8048	2.824	10.223	0.000	0.000	0.000	0.000	0.000
%Outside directors	5192	0.606	0.174	0.375	0.500	0.625	0.733	0.833
GOV41	3072	0.612	0.119	0.439	0.537	0.634	0.707	0.756

TABLE I, continued

Panel B. Family firms named after founders vs. family firms not named after founders

Variable	Family Firm named after founder = 1		Family Firm named after founder = 0		Diff. in Means	T-stat	
	MEAN	STD	MEAN	STD			
Tobin's q	1.82	1.03	2.25	1.47	-0.43	-13.95	***
Founder-managed	0.24	0.43	0.64	0.48	-0.40	-33.22	***
Family ownership	17.25	21.79	12.60	17.06	4.65	8.28	***
Founder-named-and-managed	0.24	0.43	0.00	0.00	0.24	23.91	***
Relatives in named firm	0.44	0.50	0.00	0.05	0.43	36.67	***
Dividend yield	0.02	0.02	0.01	0.01	0.01	17.54	***
CAPEX	0.24	0.14	0.28	0.17	-0.04	-10.56	***
R&D	0.02	0.04	0.06	0.15	-0.05	-22.65	***
Diversification	0.59	0.49	0.47	0.50	0.12	9.20	***
Firm age	29.27	14.37	19.13	12.00	10.13	27.10	***
Market risk	1.06	0.44	1.12	0.48	-0.07	-5.48	***
Idiosyncratic risk	0.02	0.01	0.03	0.01	-0.01	-18.76	***
Insider ownership (less family)	4.16	10.02	3.85	7.31	0.31	1.20	
Assets	5320.43	21231.46	4743.52	31886.35	576.91	0.89	
Sales growth	0.09	0.18	0.13	0.24	-0.04	-8.42	***
Leverage	0.96	1.60	0.82	2.29	0.14	2.99	***
Dual class	0.15	0.36	0.10	0.31	0.05	4.83	***
Wedge (8,048 obs.)	3.65	11.13	2.59	9.94	1.06	3.61	***
%Outside directors (5,192 obs.)	0.60	0.17	0.61	0.18	0.00	-0.43	
GOV41 (3,072 obs.)	0.63	0.11	0.61	0.12	0.03	5.40	***
N. Observations	1,764		6,298				

TABLE II: Firm value and family firms

This table presents regression results of the value implications of naming the firm after the founder. The dependent variable in all models is Tobin's q. All our variables are defined in the appendix. All regressions include industry (48 Fama-French industries) and year fixed effects. We present t-statistics in parenthesis that are based on White robust standard errors. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

	Dependent Variable = Tobin's q						
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
Founder-named		-0.1588	-0.1408			-0.0519	0.0277
		(-5.22)***	(-4.58)***			(-1.58)	(0.79)
Founder-named-and-managed				-0.4165	-0.4883	-0.3723	-0.5155
				(-7.87)***	(-8.65)***	(-6.50)***	(-7.87)***
Founder-managed	0.0996		0.0760		0.1540		0.1617
	(3.45)***		(2.61)***		(5.05)***		(4.93)***
Dividend yield	-0.2855	-0.2088	-0.0983	-0.4650	-0.1802	-0.3803	-0.2112
	(-0.26)	(-0.19)	(-0.09)	(-0.42)	(-0.17)	(-0.35)	(-0.19)
CAPEX	1.6554	1.6634	1.6607	1.6638	1.6603	1.6649	1.6596
	(13.89)***	(13.98)***	(13.95)***	(14.04)***	(14.00)***	(14.04)***	(13.98)***
R&D	1.2980	1.2778	1.2832	1.2544	1.2551	1.2535	1.2556
	(6.21)***	(6.14)***	(6.15)***	(6.03)***	(6.01)***	(6.03)***	(6.01)***
Diversification	-0.2348	-0.2313	-0.2312	-0.2293	-0.2269	-0.2285	-0.2272
	(-7.68)***	(-7.57)***	(-7.57)***	(-7.51)***	(-7.44)***	(-7.48)***	(-7.45)***
Ln(Firm age)	-0.0891	-0.0891	-0.0751	-0.1148	-0.0820	-0.1073	-0.0844
	(-3.02)***	(-3.07)***	(-2.53)**	(-4.00)***	(-2.78)***	(-3.69)***	(-2.86)***
Market risk	0.0417	0.0483	0.0429	0.0542	0.0441	0.0534	0.0440
	(1.22)	(1.42)	(1.26)	(1.59)	(1.29)	(1.57)	(1.29)
Idiosyncratic risk	-11.0932	-11.4329	-11.4033	-11.1390	-11.1709	-11.2482	-11.1142
	(-5.57)***	(-5.72)***	(-5.71)***	(-5.60)***	(-5.62)***	(-5.62)***	(-5.55)***
Insider ownership (less family)	-0.0029	-0.0027	-0.0026	-0.0032	-0.0028	-0.0031	-0.0029
	(-1.73)*	(-1.64)	(-1.55)	(-1.94)*	(-1.72)*	(-1.85)*	(-1.74)*
Ln(Assets)	-0.0783	-0.0784	-0.0786	-0.0785	-0.0792	-0.0786	-0.0792
	(-5.34)***	(-5.36)***	(-5.37)***	(-5.37)***	(-5.43)***	(-5.37)***	(-5.42)***
Sales growth	1.0153	1.0139	1.0139	1.0113	1.0102	1.0112	1.0102
	(12.19)***	(12.18)***	(12.18)***	(12.13)***	(12.11)***	(12.13)***	(12.11)***
Leverage	-0.0757	-0.0751	-0.0751	-0.0753	-0.0750	-0.0751	-0.0751
	(-2.75)***	(-2.75)***	(-2.76)***	(-2.75)***	(-2.75)***	(-2.75)***	(-2.75)***
Intercept	3.1795	3.2792	3.2376	3.2311	3.1600	3.2479	3.1475
	(14.14)***	(14.46)***	(14.33)***	(14.30)***	(14.09)***	(14.34)***	(13.98)***
Observations	8,062	8,062	8,062	8,062	8,062	8,062	8,062
R^2	0.291	0.291	0.292	0.294	0.296	0.294	0.296

TABLE III: Firm value and family firm ownership

This table presents regression results for firm value vs family firm ownership. The dependent variable in all models is Tobin's q. All our variables are defined in the appendix. All regressions include industry (48 Fama-French industries) and year fixed effects. We present t-statistics in parenthesis that are based on White robust standard errors. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

	Dependent Variable = Tobin's q			
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**
Family ownership	**0.0070**	0.0101	0.0093	0.0098
	(3.21)* **	(3.81)***	(4.08)***	(3.70)***
(Family ownership)^2	**-0.0001**	-0.0001	-0.0001	-0.0001
	(-2.10) **	(-2.55)**	(-2.69)***	(-2.46)**
Founder-named		**-0.0101**		-0.0002
x Family ownership		**(-3.01)*** **		(-0.04)
Founder-named x		**0.0001**		0.0000
(Family ownership)^2		**(2.67)*** **		(0.60)
Founder-named-and-managed			**-0.0283**	**-0.0285**
x Family ownership			**(-6.04)*** **	**(-5.37)*** **
Founder-named-and-managed x			**0.0003**	**0.0003**
x (Family ownership)^2			**(4.66)*** **	**(4.04)*** **
Dividend Yield	-0.4738	-0.4495	-0.3837	-0.3521
	(-0.43)	(-0.41)	(-0.35)	(-0.32)
CAPEX	1.6685	1.6734	1.6764	1.6744
	(14.04)***	(14.09)***	(14.15)***	(14.13)***
R&D	1.3346	1.3397	1.3265	1.3254
	(6.35)***	(6.37)***	(6.31)***	(6.30)***
Diversification	-0.2369	-0.2400	-0.2317	-0.2316
	(-7.77)***	(-7.87)***	(-7.58)***	(-7.58)***
Ln(Firm age)	-0.1073	-0.0980	-0.1108	-0.1106
	(-3.76)***	(-3.46)***	(-3.88)***	(-3.90)***
Market risk	0.0502	0.0494	0.0535	0.0532
	(1.48)	(1.46)	(1.58)	(1.57)
Idiosyncratic risk	-10.6078	-10.6723	-10.6009	-10.5946
	(-5.28)***	(-5.32)***	(-5.28)***	(-5.27)***
Insider ownership	-0.0016	-0.0013	-0.0012	-0.0012
(less family)	(-0.89)	(-0.76)	(-0.69)	(-0.69)
Ln(Assets)	-0.0705	-0.0689	-0.0688	-0.0695
	(-4.73)***	(-4.63)***	(-4.63)***	(-4.67)***
Sales growth	1.0145	1.0100	1.0079	1.0090
	(12.18)***	(12.13)***	(12.09)***	(12.10)***
Leverage	-0.0768	-0.0756	-0.0770	-0.0765
	(-2.75)***	(-2.72)***	(-2.76)***	(-2.73)***
Intercept	3.1040	3.0506	3.0756	3.0871
	(13.24)***	(12.92)***	(13.00)***	(13.06)***
Observations	8,062	8,062	8,062	8,062
R^2	0.291	0.292	0.294	0.294
Inflection point	35%	51%	47%	48%

TABLE IV: Firm value along family firm lineage

This table presents regression results for the value implications of naming the firm after the firm across the family lineage. The dependent variable in all models is Tobin's q. All our variables are defined in the appendix. All regressions include industry (48 Fama-French industries) and year fixed effects. We present t-statistics in parenthesis that are based on White robust standard errors. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

	Dependent Variable = Tobin's q		
VARIABLES	**(1)**	**(2)**	**(3)**
Relatives in named firm	0.3746 (8.37)***	0.1218 (3.14)***	0.2950 (6.02)***
Founder-named	-0.3081 (-8.74)***		-0.2171 (-5.28)***
Founder-named-and-managed		-0.4054 (-7.61)***	-0.2033 (-3.22)***
Dividend yield	-0.5539	-0.6214	-0.5643
	(-0.50)	(-0.56)	(-0.51)
CAPEX	1.6689	1.6614	1.6678
	(14.06)***	(14.02)***	(14.06)***
R&D	1.2625	1.2539	1.2522
	(6.07)***	(6.03)***	(6.02)***
Diversification	-0.2326	-0.2317	-0.2310
	(-7.62)***	(-7.56)***	(-7.55)***
Ln(Firm age)	-0.1038	-0.1247	-0.1102
	(-3.61)***	(-4.35)***	(-3.82)***
Market risk	0.0522	0.0554	0.0541
	(1.53)	(1.63)	(1.59)
Idiosyncratic risk	-11.4698	-11.0604	-11.3654
	(-5.74)***	(-5.55)***	(-5.68)***
Insider ownership (less family)	-0.0018	-0.0031	-0.0022
	(-1.08)	(-1.87)*	(-1.32)
Ln(Assets)	-0.0794	-0.0784	-0.0792
	(-5.44)***	(-5.36)***	(-5.43)***
Sales growth	1.0120	1.0124	1.0113
	(12.13)***	(12.13)***	(12.11)***
Leverage	-0.0742	-0.0752	-0.0744
	(-2.72)***	(-2.73)***	(-2.72)***
Intercept	3.1456	3.1645	3.1546
	(13.84)***	(13.92)***	(13.87)***
Observations	8,062	8,062	8,062
R^2	0.295	0.294	0.295

TABLE V: Family firms, M&A and restructuring

This table presents marginal coefficients of logit regression results of analysis of the likelihood of restructuring for family firms. Panel A summarizes results of the likelihood of acquiring another firm. The dependent variable here is a dummy variable that equals one if the firm acquires another firm in year t and zero otherwise. Panel B presents results of restructuring activity. The dependent variable in models 1 and 2 equals 1 if the firm reports a write-down on year t and zero otherwise. The dependent variable in models 3 and 4 is a dummy variable that equals one if the firm reports special items on year t and zero otherwise. Finally, the dependent variable in models 5 and 6 is a dummy variable that equals 1 if the firm reports restructuring charges on year t and zero otherwise. All our variables are defined in the appendix. We present t-statistics in parenthesis that are based on White robust standard errors. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

Panel A: M&A activity

	M&A	
VARIABLES	**(1)**	**(2)**
Founder-named		0.0205
		(1.55)
Founder-named-and-managed	-0.0428	-0.0580
	(-2.43)**	(-2.99)***
Leverage	0.0507	0.0506
	(1.95)*	(1.95)*
Diversification	0.0297	0.0294
	(3.13)***	(3.10)***
Size	0.0554	0.0554
	(16.32)***	(16.32)***
BTM	-0.0087	-0.0077
	(-0.68)	(-0.60)
Returns	0.0112	0.0114
	(1.63)	(1.67)*
ROA	0.1892	0.1897
	(3.80)***	(3.81)***
Cash flow	0.0914	0.0932
	(1.54)	(1.57)
Ln (Firm age)	-0.0431	-0.0464
	(-5.76)***	(-6.00)***
Tangible assets	0.1045	0.1051
	(3.64)***	(3.66)***
High tech	0.0533	0.0556
	(4.58)***	(4.72)***
Regulated	-0.0722	-0.0700
	(-4.08)***	(-3.92)***
GDP growth	0.0097	0.0095
	(3.75)***	(3.65)***
MA=1	3,012	3,012
Observations	10,578	10,578
Pseudo R^2	0.0475	0.0477

TABLE V (Continued)

Panel B. Other restructuring activities

	Write-down		Special Items		Restructuring	
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Founder-named		0.0247		-0.0088		0.0624
		(1.63)		(-0.69)		(3.85)***
Founder-named-and-managed	-0.0370	-0.0545	-0.0506	-0.0435	-0.0416	-0.0840
	(-1.77)*	(-2.47)**	(-2.70)***	(-2.03)**	(-1.80)*	(-3.72)***
Returns	-0.0542	-0.0542	-0.0500	-0.0501	-0.0132	-0.0132
	(-3.88)***	(-3.88)***	(-4.87)***	(-4.89)***	(-1.11)	(-1.11)
Δ ROA	0.0057	0.0007	-0.2024	-0.1997	0.1022	0.0898
	(0.06)	(0.01)	(-2.58)***	(-2.55)**	(0.95)	(0.83)
Δ Industry ROA	0.8353	0.8533	0.1381	0.1346	0.5428	0.5886
	(3.36)***	(3.42)***	(0.71)	(0.69)	(2.32)**	(2.50)**
Δ Sales	-0.2083	-0.2054	0.0168	0.0154	-0.3718	-0.3648
	(-6.63)***	(-6.52)***	(0.89)	(0.81)	(-10.11)***	(-9.87)***
Δ Industry Sales	-0.1576	-0.1602	0.0902	0.0895	-0.2057	-0.2126
	(-2.69)***	(-2.74)***	(1.75)*	(1.74)*	(-3.32)***	(-3.44)***
Δ BTM	0.0460	0.0463	0.0491	0.0489	0.0252	0.0262
	(2.80)***	(2.82)***	(2.87)***	(2.86)***	(1.49)	(1.55)
BTM_{t-1}	0.1102	0.1103	0.1254	0.1256	0.0752	0.0756
	(7.64)***	(7.66)***	(8.22)***	(8.22)***	(4.94)***	(4.97)***
Leverage	0.1061	0.1032	0.1349	0.1357	0.0544	0.0465
	(3.80)***	(3.70)***	(5.19)***	(5.22)***	(1.82)*	(1.55)
Size	0.0136	0.0133	0.0341	0.0343	0.0243	0.0235
	(3.42)***	(3.34)***	(9.56)***	(9.59)***	(5.94)***	(5.73)***
GDP growth	-0.0074	-0.0074	-0.0292	-0.0291	-0.0017	-0.0019
	(-2.19)**	(-2.21)**	(-10.47)***	(-10.41)***	(-0.49)	(-0.55)
Observations	6,377	6,377	11,712	11,712	6,377	6,377
Pseudo R^2	0.0407	0.0411	0.0276	0.0276	0.0422	0.0442

TABLE VI. Stock price reaction to sudden executive deaths and founder status

In this table, we present results of multivariate analysis of the stock price reaction to sudden executive (CEOs, chairmen, and presidents) deaths. The dependent variable in all models is the abnormal stock return on the day of the announcement of the sudden executive deaths. Age is the age of the executive at the time of death. ROA is the return on assets. Founder is a dummy variable that equals one if the CEO was a founder of the firm and zero otherwise. Board size is the number of directors on the board. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

	Whole sample		**Founders only**	
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**
Founder-named-and-managed	0.0599**	0.0636**	0.0536*	0.0559*
	(2.54)	(2.33)	(1.78)	(1.67)
Age	0.0027***	0.0032***	0.0045***	0.0056***
	(6.42)	(5.74)	(5.48)	(5.25)
Ln (Assets)	0.0052**	0.0071**	0.0114	0.0140*
	(2.21)	(2.23)	(1.67)	(1.83)
ROA_{t-1}	-0.0364***	-0.0379**	-0.0413	-0.0502
	(-2.68)	(-2.55)	(-1.16)	(-1.32)
Founder	-0.0143	-0.0199		
	(-1.34)	(-1.55)		
Board size		-0.0017		-0.0065
		(-0.77)		(-1.32)
%Outside Directors		-0.0332		-0.0120
		(-1.25)		(-0.21)
Constant	-0.1910***	-0.1989***	-0.3430***	-0.3738***
	(-7.01)	(-6.01)	(-5.82)	(-5.34)
Observations	193	158	54	48
R^2	0.245	0.261	0.450	0.492

TABLE VII: Dual class share structures, family firms and firm value

This table presents regression results for the value implications of naming the firm after the founder after controlling for dual class share structures. The dependent variable in models 1-3 of Panel A is a dual class share structure dummy variable that equals one when the firm has a dual class share structure and zero otherwise. The dependent variable in models 4-5 of Panel A is the wedge between voting and cash flow rights. The dependent variable in Panel B is Tobin's q. All our variables are defined in the appendix. All regressions include industry (48 Fama-French industries) and year fixed effects. We present t-statistics in parenthesis that are based on White robust standard errors. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

Panel A: Dual class regressions and Tobin's q regressions

	Dependent Variable = Dual Class			**Dependent Variable = Wedge**		
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Founder-named	0.1130 (2.42)**		0.1368 (2.59)***	0.7218 (2.42)**		1.0789 (2.99)***
Founder-named-and-managed		0.0157 (0.17)	-0.0937 (-0.92)		-0.3294 (-0.64)	-1.2411 (-2.00)**
Dividend yield	-1.6853 (-1.00)	-1.4278 (-0.86)	-1.7233 (-1.02)	0.0528 (0.00)	1.5598 (0.10)	-0.5834 (-0.04)
CAPEX	-0.4349 (-2.88)***	-0.4230 (-2.81)***	-0.4337 (-2.87)***	-1.0845 (-1.28)	-0.9909 (-1.17)	-1.0486 (-1.24)
R&D	-0.8474 (-2.94)***	-0.8872 (-3.05)***	-0.8498 (-2.94)***	-4.7504 (-5.66)***	-4.9935 (-5.86)***	-4.7954 (-5.69)***
Diversification	-0.0293 (-0.68)	-0.0252 (-0.59)	-0.0284 (-0.66)	-0.1720 (-0.67)	-0.1442 (-0.56)	-0.1699 (-0.66)
Ln(Firm age)	0.0444 (1.08)	0.0607 (1.49)	0.0405 (0.97)	-0.1084 (-0.42)	-0.0159 (-0.06)	-0.1794 (-0.67)
Market risk	-0.2222 (-4.91)***	-0.2219 (-4.94)***	-0.2191 (-4.86)***	-0.7695 (-3.10)***	-0.7611 (-3.08)***	-0.7428 (-3.00)***
Idiosyncratic risk	-2.8797 (-1.24)	-3.1500 (-1.36)	-2.8008 (-1.21)	-7.0611 (-0.45)	-8.9103 (-0.57)	-6.4955 (-0.41)
Insider ownership (less family)	0.0005 (0.17)	0.0009 (0.29)	0.0004 (0.13)	-0.0126 (-0.43)	-0.0103 (-0.35)	-0.0142 (-0.48)
Ln(Assets)	0.0502 (3.20)***	0.0504 (3.22)***	0.0499 (3.19)***	0.0219 (0.22)	0.0189 (0.19)	0.0220 (0.23)
Sales growth	-0.1143 (-1.16)	-0.1189 (-1.20)	-0.1154 (-1.17)	-0.5869 (-1.18)	-0.6137 (-1.23)	-0.6071 (-1.22)
Leverage	0.0201 (2.38)**	0.0200 (2.35)**	0.0200 (2.38)**	0.2205 (1.91)*	0.2212 (1.90)*	0.2208 (1.92)*
Intercept	-4.4446 (-10.40)***	-4.4284 (-10.54)***	-4.4573 (-10.34)***	4.4375 (1.23)	4.5868 (1.27)	4.3135 (1.19)
Observations	8,062	8,062	8,062	8,048	8,048	8,048
R^2	0.078	0.077	0.078	0.036	0.035	0.037

TABLE VII, continued

Panel B

	Dependent Variable = Tobin's q					
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Founder-named	-0.1594		-0.0522	-0.1577		-0.0515
	(-5.23)***		(-1.59)	(-5.17)***		(-1.57)
Founder-named-and-managed		-0.4177	-0.3732		-0.4126	-0.3688
		(-7.88)***	(-6.50)***		(-7.81)***	(-6.44)***
Dual class	0.0287	0.0327	0.0335			
	(0.63)	(0.73)	(0.74)			
Wedge				-0.0122	-0.0120	-0.0119
				(-2.53)**	(-2.51)**	(-2.50)**
Wedge2				0.0003	0.0003	0.0003
				(2.59)***	(2.57)**	(2.56)**
Dividend yield	-0.2023	-0.4585	-0.3732	-0.4104	-0.6718	-0.5829
	(-0.18)	(-0.42)	(-0.34)	(-0.36)	(-0.59)	(-0.51)
CAPEX	1.6652	1.6658	1.6670	1.6685	1.6686	1.6698
	(14.00)***	(14.06)***	(14.06)***	(14.05)***	(14.10)***	(14.10)***
R&D	1.2790	1.2557	1.2548	1.2767	1.2537	1.2527
	(6.14)***	(6.03)***	(6.03)***	(6.14)***	(6.03)***	(6.03)***
Diversification	-0.2309	-0.2288	-0.2281	-0.2288	-0.2269	-0.2262
	(-7.56)***	(-7.50)***	(-7.48)***	(-7.48)***	(-7.42)***	(-7.40)***
Ln(Firm age)	-0.0894	-0.1151	-0.1076	-0.0808	-0.1062	-0.0989
	(-3.08)***	(-4.02)***	(-3.70)***	(-2.77)***	(-3.68)***	(-3.38)***
Market risk	0.0489	0.0549	0.0541	0.0490	0.0548	0.0541
	(1.44)	(1.61)	(1.59)	(1.44)	(1.61)	(1.59)
Idiosyncratic risk	-11.4143	-11.1166	-11.2261	-11.4934	-11.2021	-11.3094
	(-5.71)***	(-5.59)***	(-5.61)***	(-5.74)***	(-5.62)***	(-5.64)***
Insider ownership (less family)	-0.0027	-0.0032	-0.0031	-0.0026	-0.0031	-0.0030
	(-1.65)*	(-1.95)*	(-1.86)*	(-1.60)	(-1.90)*	(-1.81)*
Ln(Assets)	-0.0784	-0.0785	-0.0786	-0.0785	-0.0785	-0.0787
	(-5.36)***	(-5.37)***	(-5.38)***	(-5.38)***	(-5.38)***	(-5.39)***
Sales growth	1.0140	1.0115	1.0114	1.0161	1.0134	1.0134
	(12.18)***	(12.13)***	(12.13)***	(12.20)***	(12.15)***	(12.15)***
Leverage	-0.0752	-0.0754	-0.0752	-0.0750	-0.0752	-0.0750
	(-2.76)***	(-2.75)***	(-2.75)***	(-2.74)***	(-2.73)***	(-2.74)***
Intercept	3.2738	3.2248	3.2416	3.2248	3.1769	3.1940
	(14.46)***	(14.28)***	(14.33)***	(14.28)***	(14.11)***	(14.15)***
Observations	8,062	8,062	8,062	8,048	8,048	8,048
R^2	0.291	0.294	0.294	0.292	0.294	0.294

TABLE IX: Opacity, family firms and firm value

This table presents regression results of the value implications of naming the firm after the founder after controlling for the opacity index of Anderson, Duru, and Reeb (2009). The dependent variable in all models is Tobin's q. All our variables are defined in the appendix. All regressions include industry (48 Fama-French industries) and year fixed effects. We present t-statistics in parenthesis that are based on White robust standard errors. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

	Dependent Variable = Tobin's q			
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**
Founder-managed	0.2962			
	(3.34)***			
Founder-named		-0.1642		-0.0800
		(-1.79)*		(-0.81)
Founder-named-and-managed			-0.5463	-0.4817
			(-3.26)***	(-2.65)***
Opacity index	-3.3317	-3.6270	-3.5820	-3.6126
	(-27.80)***	(-31.96)***	(-33.86)***	(-31.87)***
Founder-managed x Opacity index	-0.4917			
	(-3.59)***			
Founder-named x Opacity index		0.1468		0.1539
		(1.05)		(1.01)
Founder-named-and-managed x Opacity index			0.3895	0.2667
			(1.62)	(1.01)
Dividend yield	-0.3149	-0.2206	-0.3678	-0.3785
	(-0.34)	(-0.24)	(-0.40)	(-0.42)
CAPEX	0.9324	0.9618	0.9786	0.9767
	(7.51)***	(7.77)***	(7.93)***	(7.90)***
R&D	0.8011	0.7999	0.7922	0.7892
	(3.72)***	(3.70)***	(3.67)***	(3.65)***
Diversification	-0.1483	-0.1478	-0.1492	-0.1481
	(-4.63)***	(-4.58)***	(-4.67)***	(-4.59)***
Ln(Firm age)	0.0847	0.0957	0.0801	0.0788
	(2.55)**	(2.89)***	(2.47)**	(2.37)**
Market risk	0.0759	0.0732	0.0786	0.0794
	(2.01)**	(1.95)*	(2.09)**	(2.11)**
Idiosyncratic risk	-7.5809	-7.6795	-7.5549	-7.5375
	(-3.73)***	(-3.76)***	(-3.71)***	(-3.69)***
Insider ownership (less family)	0.0012	0.0012	0.0010	0.0009
	(0.67)	(0.67)	(0.55)	(0.51)
Ln(Assets)	-0.5014	-0.5018	-0.4989	-0.4990
	(-23.18)***	(-23.26)***	(-23.14)***	(-23.15)***
Sales growth	0.6994	0.7033	0.7035	0.7014
	(7.38)***	(7.39)***	(7.37)***	(7.34)***
Leverage	0.0035	0.0040	0.0030	0.0030
	(0.37)	(0.45)	(0.33)	(0.33)
Intercept	6.1245	6.2359	6.1195	6.1837
	(23.00)***	(23.26)***	(23.40)***	(22.84)***
Observations	6,178	6,178	6,178	6,178
R^2	0.426	0.426	0.427	0.427

TABLE VIII: Overconfidence, family firms and firm value

This table presents regression results of the value implications of naming the firm after the founder after controlling for CEO overconfidence. The dependent variable in models 1-3 is a CEO overconfidence dummy variable that equals one when the CEO is identified as being overconfident and zero otherwise. The dependent variable in models 4-5 is Tobin's q. All our variables are defined in the appendix. All regressions include industry (48 Fama-French industries) and year fixed effects. We present t-statistics in parenthesis that are based on White robust standard errors. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

	Dependent Variable = Overconfidence			Dependent Variable = Tobin's q		
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Founder-named	-0.5403		-0.5174	-0.0567		0.0493
	(-3.10)***		(-2.67)***	(-1.73)*		(0.63)
Founder-named-and-managed		-0.5214	-0.0866		-0.3623	-0.4040
		(-1.66)*	(-0.25)		(-6.02)***	(-3.28)***
Overconfidence				0.3359	0.3318	0.3348
				(10.60)***	(10.52)***	(6.22)***
Dividend yield	-27.1098	-28.5131	-27.1413	0.8767	0.8254	0.7295
	(-4.65)***	(-4.77)***	(-4.66)***	(0.63)	(0.59)	(0.46)
CAPEX	0.9165	0.9040	0.9164	1.4159	1.4177	1.4163
	(2.61)***	(2.57)**	(2.61)***	(10.76)***	(10.82)***	(7.48)***
R&D	0.9842	0.9824	0.9770	1.0353	1.0092	1.0093
	(1.72)*	(1.72)*	(1.71)*	(4.79)***	(4.67)***	(3.16)***
Diversification	0.1305	0.1269	0.1310	-0.2408	-0.2383	-0.2389
	(1.04)	(1.01)	(1.04)	(-7.11)***	(-7.05)***	(-3.66)***
Ln(Firm age)	0.0733	-0.0121	0.0685	-0.0261	-0.0385	-0.0454
	(0.50)	(-0.08)	(0.46)	(-0.83)	(-1.24)	(-0.74)
Market risk	-0.0941	-0.0770	-0.0926	0.0484	0.0530	0.0542
	(-1.03)	(-0.85)	(-1.02)	(1.27)	(1.39)	(1.20)
Idiosyncratic risk	-17.7123	-16.2126	-17.6630	-5.1154	-5.1037	-4.9745
	(-3.63)***	(-3.32)***	(-3.62)***	(-2.48)**	(-2.49)**	(-1.83)*
Insider ownership (less family)	0.0008	-0.0011	0.0006	-0.0058	-0.0062	-0.0063
	(0.10)	(-0.14)	(0.08)	(-3.45)***	(-3.60)***	(-2.35)**
Ln(Assets)	0.0233	0.0250	0.0232	-0.0726	-0.0733	-0.0731
	(0.42)	(0.46)	(0.42)	(-4.80)***	(-4.86)***	(-2.56)**
Sales growth	1.1854	1.1879	1.1860	0.8774	0.8787	0.8786
	(6.24)***	(6.27)***	(6.25)***	(9.43)***	(9.45)***	(8.41)***
Leverage	-0.0282	-0.0326	-0.0282	-0.0974	-0.0971	-0.0973
	(-0.69)	(-0.78)	(-0.69)	(-4.00)***	(-4.02)***	(-3.45)***
Intercept	-10.5435	-10.6729	-10.5459	2.4601	2.4561	2.4382
	(-6.22)***	(-6.53)***	(-7.99)***	(11.50)***	(11.53)***	(6.91)***
Observations	6,020	6,020	6,020	6,020	6,020	6,020
R^2	0.119	0.115	0.119	0.318	0.321	0.321

TABLE IX: Corporate governance, family firms and firm value

This table presents regression results of the value implications of naming the firm after the founder after controlling for internal corporate governance quality. The dependent variable in all models is Tobin's q. All our variables are defined in the appendix. All regressions include industry (48 Fama-French industries) and year fixed effects. We present t-statistics in parenthesis that are based on White robust standard errors. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

	Dependent Variable = Tobin's q					
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Founder-named	-0.3939		-0.0950	-0.6543		-0.2116
	(-3.13)***		(-0.67)	(-2.81)***		(-0.84)
Founder-named-and-managed		-0.9498	-0.8696		-1.9521	-1.7635
		(-4.59)***	(-3.77)***		(-3.87)***	(-3.27)***
%Outside Directors	0.1193	0.1333	0.1228			
	(0.92)	(1.16)	(0.94)			
Founder-named x %Outside Directors	0.4535		0.0858			
	(2.38)**		(0.41)			
Founder-named-and-managed x %Outside directors		1.1276	1.0529			
		(2.82)***	(2.46)**			
GOV41				0.3160	0.3022	0.3146
				(1.26)	(1.28)	(1.25)
Founder-named x GOV41				0.7557		0.1619
				(2.11)**		(0.43)
Founder-named-and-managed x GOV41					2.6460	2.5017
					(3.04)***	(2.73)***
Dividend yield	-2.6483	-2.7319	-2.6437	1.3608	1.1440	1.2408
	(-2.11)**	(-2.17)**	(-2.09)**	(1.13)	(0.95)	(1.03)
CAPEX	1.4505	1.4507	1.4527	1.5997	1.5946	1.5959
	(9.86)***	(9.91)***	(9.90)***	(9.21)***	(9.21)***	(9.21)***
R&D	1.1883	1.1691	1.1716	0.6496	0.6629	0.6599
	(4.29)***	(4.24)***	(4.23)***	(1.98)**	(2.02)**	(2.01)**
Diversification	-0.2425	-0.2438	-0.2424	-0.2334	-0.2254	-0.2244
	(-6.39)***	(-6.43)***	(-6.36)***	(-5.28)***	(-5.10)***	(-5.07)***
Ln(Firm age)	-0.0156	-0.0282	-0.0223	-0.0584	-0.0866	-0.0703
	(-0.42)	(-0.79)	(-0.61)	(-1.30)	(-1.98)**	(-1.56)
Market risk	0.0495	0.0528	0.0517	0.2092	0.2132	0.2106
	(1.09)	(1.16)	(1.14)	(3.62)***	(3.69)***	(3.64)***
Idiosyncratic risk	-10.8275	-10.5101	-10.6650	-14.7971	-14.5974	-14.6952
	(-4.48)***	(-4.37)***	(-4.40)***	(-6.10)***	(-6.01)***	(-6.03)***
Insider ownership (less family)	0.0025	0.0021	0.0022	0.0114	0.0109	0.0112
	(1.09)	(0.92)	(0.97)	(3.31)***	(3.20)***	(3.28)***
Ln(Assets)	-0.0275	-0.0279	-0.0285	-0.0981	-0.0965	-0.0972
	(-1.59)	(-1.62)	(-1.64)	(-4.72)***	(-4.64)***	(-4.66)***
Sales growth	0.9437	0.9470	0.9459	1.0611	1.0548	1.0581
	(8.97)***	(9.01)***	(8.99)***	(8.40)***	(8.38)***	(8.40)***
Leverage	-0.2010	-0.2034	-0.2024	-0.0214	-0.0207	-0.0209
	(-8.48)***	(-8.53)***	(-8.47)***	(-1.14)	(-1.11)	(-1.12)
Intercept	2.8712	2.8960	2.8896	3.4597	3.5187	3.4798
	(9.51)***	(9.74)***	(9.59)***	(9.73)***	(10.04)***	(9.83)***
Observations	5,192	5,192	5,192	3,072	3,072	3,072
R^2	0.296	0.298	0.298	0.287	0.288	0.289

TABLE X: Firm value vs family firms

This table presents regression results for firm value vs family firms. The dependent variable is Tobin's q. All our variables are defined in the appendix. All regressions include industry (48 Fama-French industries) and year fixed effects. We present t-statistics in parenthesis that are based on White robust standard errors. ***, **, and * represent statistical significance at the 1%, 5% and 10% level respectively.

	Dependent Variable = Tobin' q						
VARIABLES	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
Family	0.0431		-0.0331		0.0216		-0.0282
	(2.43)**		(-1.60)		(0.90)		(-1.11)
Founder-managed		0.1195	0.1433		0.1079		0.1834
		(5.21)***	(5.28)***		(3.88)***		(5.82)***
Founder-named				-0.1363	-0.1554		-0.0168
				(-5.59)***	(-5.42)***		(-0.50)
Founder-named-and-managed						-0.3284	-0.4311
						(-6.72)***	(-6.89)***
Dividend yield	-1.2954	-1.1995	-1.1929	-1.2333	-1.1039	-1.2975	-1.1143
	(-2.27)**	(-2.11)**	(-2.10)**	(-2.16)**	(-1.95)*	(-2.26)**	(-1.96)**
CAPEX	1.6666	1.6608	1.6594	1.6653	1.6606	1.6704	1.6630
	(20.92)***	(20.84)***	(20.81)***	(20.90)***	(20.85)***	(20.99)***	(20.91)***
R&D	1.0184	1.0181	1.0187	1.0088	1.0054	0.9982	0.9887
	(6.63)***	(6.61)***	(6.61)***	(6.57)***	(6.53)***	(6.50)***	(6.41)***
Diversification	-0.2228	-0.2215	-0.2220	-0.2235	-0.2204	-0.2222	-0.2184
	(-11.6)***	(-11.6)***	(-11.6)***	(-11.6)***	(-11.5)***	(-11.6)***	(-11.4)***
Ln(Firm age)	-0.0690	-0.0572	-0.0561	-0.0650	-0.0504	-0.0740	-0.0541
	(-4.56)***	(-3.74)***	(-3.66)***	(-4.27)***	(-3.28)***	(-4.89)***	(-3.53)***
Market risk	0.0010	-0.0025	-0.0038	-0.0005	-0.0023	0.0013	-0.0028
	(0.05)	(-0.12)	(-0.17)	(-0.03)	(-0.11)	(0.06)	(-0.13)
Idiosyncratic risk	-8.8168	-8.9137	-8.9095	-8.9201	-9.0862	-8.7464	-8.9404
	(-7.69)***	(-7.78)***	(-7.77)***	(-7.77)***	(-7.92)***	(-7.62)***	(-7.79)***
Insider ownership (less family)	-0.0056	-0.0053	-0.0055	-0.0062	-0.0054	-0.0063	-0.0055
	(-5.36)***	(-5.18)***	(-5.28)***	(-6.07)***	(-5.16)***	(-6.10)***	(-5.29)***
Ln(Assets)	-0.0438	-0.0437	-0.0449	-0.0479	-0.0454	-0.0467	-0.0455
	(-5.33)***	(-5.36)***	(-5.46)***	(-5.83)***	(-5.53)***	(-5.69)***	(-5.54)***
Sales growth	0.9070	0.8999	0.9031	0.9181	0.9007	0.9166	0.8994
	(17.88)***	(17.77)***	(17.81)***	(18.14)***	(17.76)***	(18.08)***	(17.71)***
Leverage	-0.0481	-0.0478	-0.0479	-0.0484	-0.0478	-0.0487	-0.0481
	(-5.05)***	(-5.03)***	(-5.03)***	(-5.06)***	(-5.04)***	(-5.07)***	(-5.05)***
Intercept	2.6149	2.6260	2.6747	2.8266	2.7399	2.7115	2.6771
	(18.71)***	(19.24)***	(19.10)***	(20.34)***	(19.48)***	(19.89)***	(19.07)***
Observations	18,408	18,408	18,408	18,408	18,408	18,408	18,408
R^2	0.297	0.298	0.298	0.298	0.299	0.298	0.301