

Family Ownership as the Optimal Organizational Structure?

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ABSTRACT

Using panel data on 275 German exchange-listed companies I examine the relationship between founding-family ownership and firm performance. My results show that family firms are not only more profitable than widely-held firms but also outperform companies with other types of blockholders. However, the performance of family businesses is only better in firms where the founding-family is still active either in the executive or the supervisory board. The positive effect of family involvement is found to be strongest when the founder serves as CEO. These findings suggest that family ownership might be the optimal organizational structure to balance the two agency problems that minority shareholders are exposed to.

JEL Classification: G32, G34

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