



Ownership Governance Practices and their Influence on Family Businesses Financial Performance

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ABSTRACT

Ownership is usually a system assumed implicit in the dynamics of management of enterprises, but it actually deserves more attention than a periodic control in the yearly general shareholder's assembly. Empowerment of owners is required given the magnitude of decisions they make in terms of capital and business purpose, and not just delegate it to the Board or the CEO. Despite the relevance of the topic, there is a gap in the literature of corporate governance in family business from the ownership dimension. This longitudinal study uses a quantitative approach with an explanatory scope that pretends to answer the question: Do shareholders corporate governance practices and family control influence financial performance on businesses? 104 public companies were analyzed and 36.5% of them were identified as family businesses, using data from National Registry of Values and Issuers, which also responded the country Code survey of Colombia in the period 2008-2014. Data was processed with student's t test and Random Effects analysis that is a panel data technique. Results shown that family and non-family businesses have significant differences in ownership governance practices, but no significant relationship were identified between corporate governance practices of shareholders or family control with financial performance.

Keywords: Shareholders, Ownership, Corporate Governance, Practices, Family Business, Financial Performance

JEL Classifications: G30, G34, L25

1. INTRODUCTION

Family businesses around the world are a large and important component of the economy, though often are associated with SMEs, they come to represent in many countries between 70% and 95% of all companies, which represent a similar contribution to the global GDP and between 50% and 80% of all jobs (European Family Businesses, 2012).

Their particular behavior has led many authors to study family businesses in order to identify what makes them different. Some studies indicate that one of the aspects that can influence the performance of these companies is the corporate governance applied by the owner family (Chrisman et al., 2013).

A standard definition of corporate governance includes shareholders and refers to the defense of their interests (Tirole, 2001), in this way it addresses the problem of agency separation from ownership and control that affects all companies (Eisenhardt, 1989a). According to Brenes et al. (2011) corporate governance can provide multiple benefits such as transparency, accountability and control, as well as having the potential to influence economic performance and generate positive impact on effective communication and family harmony.

This study focuses on corporate governance practices at the ownership level, because the owners are the final decision-making body of enterprises through the general shareholder's assembly. One of the reasons that led to this study is that ownership is always

analyzed jointly with Board of Directors and Management, as if the owners themselves do not have the ability to influence companies. This study seeks to highlight the role of the ownership.

1.1. Background of the Problem

Over 30 years ago ownership system was incorporated into the study of family businesses (Tagiuri and Davis, 1996), but it has been virtually ignored by scholars of the area (Sharma, 2004), even though the ownership is one of the domains with greater relevance because there, resources that give rise and support organizations are concentrated, and is the instance for the most important decisions in terms of capital.

Just few authors (Aronoff and Ward, 2002a; Betancourt et al., 2011; Gómez-Betancourt, 2010; Jaffe and Lane, 2004) have highlighted the importance of knowing more about the ownership, its governance frameworks and strategies. Ownership is usually a system assumed implicit in the dynamics of management of enterprises, but it actually deserves more attention than a simple periodic control in the yearly General Shareholder's Assembly. A family business that recognizes the ownership as an important issue, brings together shareholders to work on a common vision, develops a strategy to boost growth, agreed risk levels, generates liquidity and promotes profitability, while foreseeing contingencies and shielding against them through legal structures and consensual policies.

Countries around the world have been inspired by the Anglo-American and the Continental European corporate governance models in order to minimize agency problems (Aguilera and Jackson, 2003), but in general the implementation of good corporate governance practices in family businesses is difficult, because their benefits are unclear. Good governance practices are seen as inspired by large corporations that are poorly linked to the business reality of the majority, i.e. micro, small and medium enterprises (SMEs) where intuition reigns over professionalization. For this reason, it is not easy for many to link corporate governance with economic performance of companies, although important research such as that made by Klapper and Love (2004) or Anderson and Reeb (2003) have shown it.

The economic crisis and financial frauds in recent decades have highlighted the poor quality and in many cases absence of good corporate governance practices, which has given rise to worldwide research to understand the problematic, but also the benefits derived from them. Multiple empirical studies have endeavored to demonstrate the relationship between the implementation of practices and economic performance (Anderson and Reeb, 2003; Block et al., 2011; Brenes et al., 2011; Lagos et al., 2018; San Martín-Reyna and Duran-Encalada, 2012). The problem with these researches is that it has analyzed totally different roles and interests jointly, such as owners, boards of directors, management and auditors. This mixture can blur the role played by some of them and lead to erroneous conclusions. The owners are responsible for making the most impactful decisions for a company in terms of capital and organizational purpose, which is why its ability to influence business performance is superior to the board of directors. The main problem that arises in Latin America is that

the owners do not assume their role and fully delegate their power to figures such as the board, the CEO or the founder.

Colombia has also been a source of corporate governance studies, for example Gonzalez et al. (2012) studied their relationship with ownership structures; Pombo and Gutierrez (2011) analyzed the influence of outside directors on corporate boards; Gómez-Betancourt et al. (2012) discussed the relationship between ownership structure, practices and economic performance. But again, all research focused on the Board or in a mix of roles of ownership, governance and management, relegating the role of owners to background.

Research in Colombia has identified that 74% of the shares of companies belong to one or two families (Pombo and Gutiérrez, 2011). Considering that family businesses represent the largest percentage of organizations in the national economy and also have particular dynamics that allow them to work together more frequently at the level of ownership, it is necessary to develop studies targeting this type of companies.

1.2. Purpose of the Study

The purpose of this quantitative, longitudinal research is to determine the influence of ownership governance practices on the financial performance of Colombian family businesses, because the correct exercise of the role of owners in companies can decentralize power, maximize control and make corporate governance processes more efficient. The study analyzes data from financial information reported by issuers of the National Registry of Values and Issuers (NRVI), it also uses dichotomous data on the implementation of corporate governance practices of companies which filled the corporate governance survey Country Code of Colombia for the period 2008-2014, and classify the cases for family businesses or non-family businesses. Practices were analyzed with three recognized national experts on corporate governance and family business with the aim to select the corporate governance practices directly linked with the ownership level. All resultant variables were processed statistically with Random Effects model (RE). This research method is appropriate since this study is intended to make statistical generalizations.

The methodology is appropriate for the proposed research because this study pretends to show a relationship between exogenous and endogenous variables, also generating prescriptive results that provide estimates of the potential impact of ownership corporate governance practices under the assumption that the family businesses' owners follow the strategy to improve specific financial indicators. This study is relevant because it focuses on the study of corporate governance practices at the ownership level and its relationship to economic performance, and the research hypotheses accepted encourages business owners to work on their implementation.

1.3. Significance of the Problem

The field of study of the family business has evolved considerably since its inception three decades ago. Input from multiple authors has contributed to the understanding of its essence, the interpretation of its dynamics and the discovery of its distinctive

capabilities against other companies (Habbershon and Williams, 1999). After a research review in the area of family businesses on corporate governance and its relationship with performance, it can be observed that researchers explore the board and the management as exogenous variables, but apply in a very limited way family equity participation as a moderator variable. Scholars like Brenes et al. (2011) have analyzed the impact on family business performance of governance structures at the board of directors level, Pombo and Gutiérrez (2011) find a relation of external directors and board interlocks with family firm performance, Gonzalez et al. (2012) identify the relation between family firms and better financial performance and growth respect variables as the management involvement of the founder, or the ownership control of family business groups, also authors like Kowalewski et al., (2010) identified in Polish family firms a relationship between performance and variables like the share of family ownership, the family CEOs, or Sciascia and Mazzola (2008) that found non-linear effects on performance of family involvement in ownership and management.

This research will contribute to explain the influence of ownership governance practices on the performance of family business, in order to promote the implementation of the most relevant practices and prioritize efforts of family businesses, because shareholders and managers do not give the relevance that corporate governance practices deserve, and it is probably because they are not implemented at all levels of power of the company, such as ownership, which is where they take place the economic and strategic decisions of greater dimensions. According to Danies (2006) in Colombia 69.5% of companies are family businesses, but participation varies according to company size, in small ones it is 77.4%, in medium ones it is 67.3%, in microenterprises it is 73.1% and in large family businesses it is 46.8%. Based on the aforementioned, it is undeniable that family businesses play an important role in the national economy. Researchers have suggested governance practices and policies can create suitable conditions to face difficulties that afflict these businesses (Botero et al., 2015; Mustakallio et al., 2002; Suess, 2014). Therefore, this research aims to provide incentives for families in businesses to implement best practices in their organizations, in first instance with an economic approach, but in the long term, thinking about the continuity of the company.

1.4. Nature of the Study

This longitudinal study used a quantitative approach with a non-experimental design and an explanatory scope. The population was composed by companies listed on the NRVI of Colombia during a 7 years period, the sample was selected on a non-random basis and analyzed with random effects (RE) model, assuming that the variance of the errors is homoscedastic, the explanatory variables were orthogonal to the residuals, that is, they do not share information, and that the errors are not correlated with each other. Also using an adequate size of the sample, that according with Green (1991) should be more than $50 + 8$ (per variable) for testing an overall model.

The population, constituted by Colombian publicly offered companies, were classified in family business, when three families

or less have at least 50% of voting rights a non-family business if proven otherwise. Practices promoted by the Country Code (Código País in Spanish) were analyzed with a panel of experts in order to identify those that are related with ownership governance, and those that have a greater impact on firm performance.

This research pretends to identify the relation and influence of corporate governance practices at the level of owners and the financial performance in family firms, for this reason the research question is: To what extent do ownership governance practices influence financial performance on family businesses?

2. THEORETICAL FRAMEWORK

This explanatory study aims to explain the influence of ownership governance practices on the performance of family businesses, in terms of profitability of assets and equity, because these ratios reflect the good or bad functioning of the company without going into detail on efficiency in the use of capital or debt as would other financial ratios. This is especially important in the study of family businesses that are characterized by the use of differential strategies to manage their finances (Gomez-Betancourt et al., 2012), for multiple reasons such as control, familiar, expropriation of rights (Crisostomo and de Freitas Brandão, 2019), taxation, book keeping, these owners can influence the general indicators of economic performance to favor particular interests, so it is necessary to focus on indicators widely used in the area. The combination of Agency Theory and Stewardship Theory allows arguing that the principal aim is to maximize benefits and align interests with the agent to minimize problems and risks.

According to Jensen and Meckling (1976) agency Theory is useful to analyze this cause-effect relationship, because in an agency relationship, the principal seeks to maximize its benefits, and for that reason hires the agent is to work on its behalf. With autonomous management allowing maximizing profits, the problem is that the objectives of the principal and the agent are not always aligned. On the other hand, there are inherent characteristics to the family business' nature that were explained through Stewardship Theory, for example topics related with non-financial goals (Westhead and Howorth, 2006), deep emotional investment in the family (Bubolz, 2001), shareholder's personal satisfaction (motivation), socioemotional wealth (Gomez-Mejia et al., 2010) and reputation (Ward, 2004).

It is relevant to study family businesses due to its predominance in economies (Holderness, 2009) and its contribution to the generation of employment and of wealth of countries (Shanker and Astrachan, 1996).

2.1. Definition of Terms

This study takes three definitions into account. At first, corporate governance is a group of mechanisms and practices through which interested parties control and protect information and corporate management (John and Senbet, 1998), and in this study is meant by Governance Practices Ownership all mechanisms available to shareholders to make decisions, control, understand and evaluate their assets (Gomez-Betancourt et al., 2016). Based on Villalonga

and Amit (2006), this study defined the Family Business as the company where three families or less have at least 50% of voting rights.

Finally, financial performance in family business is studied mainly through the ROA (Klapper and Love, 2004), ROE (Brown and Caylor, 2009), debt (Gallo et al., 2000) and sales growth (Gomez-Betancourt et al., 2012), but this study will be focused on the Return on Assets (ROA) (see, e.g. Anderson and Reeb, 2003; Gonzalez et al., 2012), and Return on Equity (ROE) (see, e.g. Brown and Caylor, 2009). These financial indicators will make possible to identify the final result of the firm and compare the results with previous international studies.

2.2. Assumptions, Limitations and Delimitations

This study was designed based on two assumptions, first that the theories of agency and stewardship reflect the phenomenon to be studied in Colombia, furthermore it is assumed that Colombian family businesses are managed in a similar way as in developed countries, where other studies have been developed.

One limitation of the study is that the responses of the companies in the Country Code survey are not completely sincere, this may be due to the need to report appropriate information to the control entity that applied the survey or because they seek to promote a message of confidence to the investor market. Another limitation of the study is that in the world there is great diversity of research with performance definitions, in this research a generally accepted measurement was used, but it is likely that under specific market conditions of a country, this measurement should be adjusted.

This research study ownership corporate governance practices included in the Country Code. The companies listed in the NRVI are the largest economic organizations in the country and it is supposed that they have the best governance practices to ensure transparency and investor's confidence. This study is delimited to: (a) companies with high levels of formality rather than micro and SME; (b) companies that belong to the Colombian capital market; (c) companies with a similar cultural background as Latin America; and (d) companies with family control as common denominator.

3. LITERATURE REVIEW AND RESEARCH HYPOTHESIS

The present research aims to explain the influence of ownership governance practices on financial performance of family businesses, in order to promote the implementation of the most relevant practices and prioritize efforts of family businesses. Despite the great effort to minimize agency problems in multiple countries through codes of corporate governance (Aguilera and Jackson, 2003) and the large number of studies on corporate governance in family businesses developed in Latin America, Spain and Portugal focused on understanding structures and processes of corporate governance (Lagos and Botero, 2016), there is still a gap in the literature on corporate governance at the ownership level and its relation to financial performance. Although it is worth noting that recognized studies analyze corporate

governance and its performance (Anderson and Reeb, 2003; Brown and Caylor, 2009; Gomez-Betancourt et al., 2012; Gonzalez et al., 2012; Klapper and Love, 2004), they do so by concentrating on Boards of Directors and Management, which is why, on another perspective, this study highlights the role of owners in decision making and company control.

The structure of the literature review was designed to facilitate the implementation of the research and fulfilling its objectives. The literature review presents an introduction with tendencies of research in the field of family business and corporate governance, then referring to the three major components of this study, the first part discusses corporate governance practices in family businesses, the second part describes ownership in family businesses and the third part presents the issue of performance in family businesses. In order to analyze the main concepts concerning this research, the following literature analysis is to be developed in this section, Appendix A presents a literature map that concentrates the main aspects in the thematic as well as the relations between the main concepts, and the Appendix B presents the theoretical framework which supports the analysis of corporate governance practices in a fragmented way, specifically at the ownership level.

3.1. Literature Review

Kumar and Zattoni (2016) analyzed the attention that captures in the academic community the issue of family businesses, which is not surprising considering that (Zattoni and Judge, 2012) control of ownership by the families not only apply to SMES, but also to large companies traded on the stock exchange. In a Special Issue on family governance Memili et al. (2016) emphasized that family businesses are a key component in global economies, but due to lack of knowledge about them in terms of corporate governance is still needed more research in this line, because the multiple configurations that can be implemented generate different types of impact on their behavior, results and strategies. Memili et al. (2016) especially highlighted the possibility of obtaining different results in the studies, when applied in different countries and cultures. This has been evident in the existing literature where have been found positive and negative effects of family ownership on the strategies and performance of this type of companies (Kumar and Zattoni, 2016).

Some characteristics of family firms allow them to act differently compared to their competitors in the same industry (Miller et al., 2012). Despite the dichotomy present in the literature, some authors have identified that the empirical evidence supports a greater positive impact of family control (Gomez-Mejia et al., 2011). In the literature, it is increasingly common to study the effect of corporate governance on family firms in both quantitative and non-economic aspects. For example, Suyono (2016) recently study the influence of family-controlled firm and corporate governance mechanisms on corporate performance founding a positive relation with corporate performance seen as Tobin's Q and ROA, even though the relationship with the variables of governance was not confirmed. Of course, some articles analyze corporate governance from the role of the board, its configuration and its ability to implement norms and skills to influence business performance or their behavior (Bauweraerts and Colot, 2017; Zattoni et al., 2015).

Others also noted the existence of non-economic goals derived from the control that the owning family drives the company through the governing bodies (Chrisman et al., 2014). According to scholars (Madison et al., 2016), research on governance and performance issues should be addressed with the Agency and stewardship theories, which, despite appearing to be contrary at first sight, explain the phenomenon of corporate governance in predicting results, reason why this study will use both optics to analyze the phenomenon of interest. The following is a literature review that is limited to the research model that has been concretely presented in Appendix A.

3.2. Research Model

As evidenced previously, research on corporate governance in the family business defines the concept of ownership as a central axis, because it is the most visible way to identify family businesses in data analysis with large volume. The role of ownership in family businesses is much deeper than that, but in this area of research, academics have simply used it as a definition or control variable, not taking into account that it is a system that needs to be managed (Betancourt et al., 2011). The authors of the F-PEC scale (Astrachan et al., 2002) pointed out in their article the need for a widely-accepted definition of family business, although they endeavored to propose a measure of family influence in business through power, experience and culture. The possibility of having an agreement among academics on a single definition is still far off. Some authors (Lopez-Gracia and Sanchez-Andujar, 2007) used this scale to analyze the financial structure of family businesses and performance, their results not showed significant differences for most measures of financial performance, probably by limiting the analysis to a single family, when several families can influence in organizational culture. Although other authors have identified behaviors such as those of single-family companies in companies belonging to three controlling families (three or less families' shareholding above 50%) (Gomez et al., 2012), it is still more accepted to consider as family businesses those with single family ownership, where a family shareholder group has the highest proportion of voting rights (Villalonga and Amit, 2006).

The next axis is corporate governance that can be influenced by the family. Lagos and Botero (2016) indicated that in this type of companies' corporate governance can be developed for family, business and patrimonial systems. Corporate governance should be understood as the group of mechanisms with which stakeholders exert control over information and management (John and Senbet, 1998). For example, in the family system owner families can have a family council, which will concentrate the structures and procedures to help the family organize and manage the family-business relationship (Berent-Braun and Uhlaner, 2012). In the business system, the Board of Directors is the decision-making body that directs to achieve the objectives (Gersick and Felieu, 2014), and design the strategy, along with help of top managers who are responsible for day-to-day management and strategy implementation (Gomez et al., 2016). Finally, in the ownership system, which is the sphere of competence of this research, there are two decision-making spaces, on the one hand a Shareholder's Assembly exercises control and decision making to influence the macro strategy of the company, and on the other, an Owner's

Council helps owners with the periodic development of topics of interest to family owners, like accounting, legal, diversification, synergies, risks and return parameters (Gomez et al., 2016).

The final axis, which can be influenced by the other two, is performance, understood as the measurement of results, that can be qualitative based on perceptions or quantitative. Several studies address performance from different perspectives. Some authors analyze the long term as the family-influenced on firms whose performance goal is transgenerational wealth, wealth growth and rent generation potential (Habbershon et al., 2003), others studied firm performance as the perception of conflict, satisfaction, commitment, harmony (Beehr et al., 1997) or the impact on agency costs (Dyer, 2006). Scholars have also studied it from efficiency, by analyzing the capital structure of firms controlled by an owner family that are more efficient, have great value and less debt (McConaughy et al., 2001). Recent studies explored the entrepreneurial orientation and the relation between risk taking and performance (Naldi et al., 2007). Finally it has been a constant the creation of studies that seek to understand the relations of variables on measures of financial performance as Tobins'Q (Anderson and Reeb, 2003), ROE (Brown and Caylor, 2009), ROA (Klapper and Love, 2004), Sales growth (Chrisman et al., 2004; Gomez-Betancourt et al., 2012), Size, Margins (Daily and Dollinger, 1992), Debt (Gallo et al., 2000), among others. A more detailed literature review of each of these axes is presented below.

3.3. Corporate Governance Practices in Family Businesses

Corporate governance is a concept that has been gaining importance in the academic and business environment due to ethical problems that have led to financial crises with global impact. The traditional concept of corporate governance refers to safeguarding the interests of the owners to minimize agency problems (Tirole, 2001). According to John and Senbet (1998) corporate governance is a group of mechanisms by which stakeholders exert control over information and executive management of the company. The great contribution made by the corporate governance for shareholders and bondholders, is to serve as a reliable instrument to support investments in companies where managers seek to reduce the risk (La Porta et al., 2000a). This research analyzes corporate governance in a practical way, using practices to dilute the power in decision-making through the separating of ownership and management control (Gillan, 2006).

Corporate governance practices should be understood in this study as all initiatives that seek to structure the decision-making and control of the ownership and management. Those practices can come from two sources, hard law that forces companies to comply with certain requirements and soft law which are initiatives of private and multilateral institutions that invite organizations to implement agreements that are more demanding than the laws of a country (Gomez-Betancourt and Zapata, 2013).

In some circumstances, family businesses implement governance practices (e.g. dividends) to build trust in the market, to align with the interests of investors (Pindado et al., 2012) and to avoid depriving minority shareholders of rights (La Porta et al., 2000b).

Due to the above it becomes important to analyze governance practices in family businesses.

3.4. Ownership in Family Business

Family businesses ownership is a bridge between the family and the business (Distelberg and Sorenson, 2009), with goals, culture and family values transmitted through governance bodies (Aronoff and Ward, 2002b; Habbershon and Astrachan, 1997; Tower et al., 2007) to intricate systems that involve people, resources, interests and feelings, reason why it is necessary to use a clear structure to control and manage investments (Jaffe and Lane, 2004).

In this document ownership is understood as the ability to use and control the use of objects (Rudmin and Berry, 1987), but it is necessary to clarify that ownership in the family business is not only used to pursue economic interests. According to Davis et al. (1997) owners link emotional investments to the company (Bubolz, 2001), reason why they pursue individual objectives as personal satisfaction and professional achievement, or transcendent goals as reputation, legacy or social capital (Ward, 2004).

Some scholars (De Jong et al., 2004) have studied the role played by shareholders in the corporate governance of companies through the general shareholder's assembly, but although this is an important mechanism to enforce their rights, is not the one they must concentrate on. Owners should be prepared to have the skills required to exercise their role, because this is not something that comes naturally (Aronoff and Ward, 2002a). Gomez-Betancourt and Zapata (2013) suggest that the General Shareholder's Assembly takes decisions on the choice of the auditor, the choice of the Board of Directors members and their respective allocation of fees, as well as decisions relating to investments or divestments outside the Board's scope, allocation of dividends, bylaw reform, debt policy, share transaction policy, social responsibility policy, among others.

In family businesses, as well as in any other company, there are multiple owners' profiles with diverse interests. Aronoff and Ward (2002a) identified a few (e.g. operating, governing, involved, passive, investor and proud owner). These profiles help to understand the expectations of shareholders, but in most cases, they do not have a broad willingness to follow a large number of recommendations on governance practices to be implemented, which is why this study seeks to identify the practices from the corporate governance of ownership that have a greater impact on financial performance.

3.5. Financial Performance

Family members can influence the firm performance through expectations shareholders have about the organization. Gomez, Lopez and Betancourt (2009) found a positive relationship between ownership, family vision and sales growth in family SMES.

Research about family businesses and performance has applied multiple indicators to measure as dependent variables. One of the most used and reliable measures is sales growth (Murphy et al., 1996; Dess and Robinson, 1984), because it reveals behavior of firms over time without accounting changes that businessmen

tend to apply to reduce taxes. Others are more inclined to apply multiple measures such as Buchanan et al. (2010) who analyzed the profitability, dividend payments, level of indebtedness and price of the shares, regarding decisions taken by the General Shareholder's Assembly.

Multiple authors (Prevost and Rao, 2000; Wahal, 1996) have studied the actions taken by the General Shareholder's Assembly concerning the value of the firm, focusing on short-term behavior of the stock market and profitability of the firm in the long term. In mature markets usually business performance has been studied through Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). Some authors have analyzed the operating performance of the firms taking the EBITDA divided by assets (Kowalewski et al., 2010). Other studies use performance indicators such as the ROE (Brown and Caylor, 2009), debt (Gallo et al., 2000) and sales growth (Gomez-Betancourt et al., 2012). ROA is another indicator used in emerging markets on imperfect capital markets with usually high level of debt (Chang and Choi, 1988). Recognized authors (Anderson and Reeb, 2003) used Tobin's Q as a market-based measure, but in the case of Colombian market is not possible to use it because the number of stocks of the equity issuers with market liquidity is small (<20%) (Gonzalez et al., 2012).

There are many authors who have addressed the relationship between corporate governance and financial performance, but it is important to note that not all indicators are useful for observing the effects that can be generated by shareholders, the Board, committees or management in business results. For example, studies on Board committees (Lam and Lee, 2012) used measures such as ROA, ROE Return on Capital Employed (ROCE), and the market-to-book value of equity (MTBV). In this study, MTBV ratio could not be used because it seeks to measure the capacity to generate money from the available capital, which is responsibility of management or Board level. Other authors who have analyzed the relationship of CEO succession to performance (Bennedsen et al., 2007) have observed more operational measures such as the Operating ROA (OROA) or the ratio of earnings before interest and taxes (EBIT). Also, from another perspective, some authors (Coles et al., 2001) have studied different facets of corporate governance with Economic Value Added (EVA), without finding significant relationships.

Taking into account the above, this study will use two indicators, the ROE (Brown and Caylor, 2009), the ROA (Anderson and Reeb, 2003; Klapper and Love, 2004; Sciascia and Mazzola, 2008) and the ROCE (Lam and Lee, 2012) which have been used by the most representative studies in the area of family business that relate financial performance and the influence of the owner-family, therefore the results of this research can be compared with them.

3.6. Hypotheses

After a research review of family business literature on corporate governance and its relationship with financial performance it can be observed that researchers explore the board and the management as exogenous variables, but apply in a very limited way the family equity participation as moderator variable.

Scholars like Brenes et al. (2011) have analyzed the impact of governance structures at the level of board of directors on family business performance. They identified that more formal boards of directors provide better non-financial benefits, some of these aspects are business knowledge, active participation, support in business management and family-business conflict resolution. Pombo and Gutierrez (2011) studied the characteristics of the Board and its relation with ROE and ROA. They find a relation of external directors and board interlocks with family businesses performance in terms of econometric results, where external directors, in particular the busy ones, have a positive influence on ROA. Additionally, they found the positive influence of ownership control of the families that will be included in the present document's model.

Sciascia and Mazzola (2008) studied a SMEs sample but did not find a significant relationship between family involvement and performance. Its main contribution was to identify that non-listed companies have different behavior from public offered companies have been characterized as presenting positive relations between their ownership and governance characteristics with financial performance. Additionally, in SMES they found a negative quadratic relation that indicates that at a certain point the influence of the family begins to be a disadvantage for the organization.

Gonzalez et al. (2012) identify with a regression analysis the relation between family firms and its better financial performance in terms of ROA respect variables as the management involvement of the founder, or the ownership control of family business groups. They found that the direct or indirect control of dominant family ownership groups influences positively, with a decreasing effect relative to a greater size of the company. Authors like Kowalewski et al. (2010) identified in Polish family companies that an inverted U-shape relationship between family involvement in ownership and management with financial performance exists. Those authors found that a moderate family influence improves the financial performance from the point of view of the stakeholders.

Following these findings, this study expects a positive effect on the financial performance of companies owned by a family shareholder groups, and with more practices of corporate governance at the ownership level. The preceding arguments lead to the following hypotheses:

H₁: Family and non-family businesses have different ownership governance practices.

H₂: To higher ownership corporate governance practices, the higher the financial performance (ROA, ROE) of Colombian business.

H₃: To higher family control, the higher the financial performance of Colombian businesses.

3.7. Conclusions of the Literature Review

This review of literature shows that corporate governance is becoming increasingly relevant because it allows owners to exercise their right of decision-making and control the board and management. Nevertheless, literature has assumed that owners play a passive role in front of their companies, although authors

like Aronoff and Ward (2002a) have described the variety of profiles and interests that exist inside those stigmatized groups. Some experts (Lagos and Botero, 2016) have identified that large part of literature on corporate governance of family businesses in Latin America, Spain and Portugal largely focus on Boards of Directors. Nor should it be forgotten that one of the biggest problems found in family businesses in developing countries is that the owners do not fully exercise their rights and duties, either because there is a culture that does not protect minority shareholders, or because due to lack of knowledge and skills, they prefer to delegate to the board of directors or even to management a large part of their functions. Because of the above it is highly relevant to understand the role of the owners through governance bodies and best corporate governance practices that could exercise influence on economic performance, as demonstrated by other studies that analyzed ownership in conjunction with board of directors and management of the firm.

4. METHODOLOGY

Taking into account the gap of the literature on corporate governance from the ownership level in family businesses, the main objective of this research aims to explain the influence of ownership governance practices on their financial performance. This section describes the design, the process, the sample characteristics, the validity and reliability that were outlined in this study.

In general terms, the approach of this research was quantitative; the study takes numerical data from financial information reported by issuers of NRVI, and also discuss dichotomous data on the implementation of corporate governance practices assessed by the Country Code. Data was analyzed statistically with RE model.

The research scope was explanatory and aims to establish the relationship between the ownership governance practices and the financial performance on family businesses registered in the NRVI. Additionally, the inherent ownership governance practices that generate greater impact on performance were identified to promoted them among the shareholders and thus produce greater practical impact on the business community.

4.1. Research Design

The research design is quantitative and non-experimental because there is no manipulation of variables. Information was collected from secondary sources such as the NRVI and the Country Code, both taken from public databases. In addition, the research examines the information during the period 2008-2014, which represents a longitudinal study.

4.2. Appropriateness of Design

The purpose of this quantitative longitudinal research is to determine the influence of ownership governance practices on the financial performance of Colombian family businesses. In this research, panel data techniques of analysis were used. The OLS method is not adequate because it raises several assumptions, where two of them are not met in the sample, such as Normality and Heteroscedasticity; the Fixed Effects (FE) model's technique

includes only effects of a variable that is stable over time; Based on the above, the RE model was chosen that is superior compared to FE (Beck, 2007; Bell and Jones, 2015). The residuals in the RE model are calculated at each level, considers the correlated errors among the observations and produces consistent standard errors.

The study fulfils the main assumption of RE model that the individual specific effects are uncorrelated with the independent variables. Data was composed by continuous and dichotomous variables, a sample selected on a non-random basis, checking aspects as exogeneity of covariates and the Normality of residuals (Bell and Jones, 2015). Also, the study uses an adequate size of sample, that according with Green (1991) should be $50 + 8$ (per variable) for testing an overall model.

4.3. Research Question

Under a positivist epistemological standpoint this quantitative and longitudinal research aims to determine the relationship between ownership governance practices and financial performance of Colombian family businesses. One research question is solved with this study:

To what extent do ownership governance practices influence financial performance on family businesses?

4.4. Population

The population object of this study are family businesses identified in the database of the National Registry of Values and Issuers (NRVI) of Colombia during the years 2008-2014, which have also filled the Country Code survey on governance practices. The origin of both sources of information is public and official. The NRVI aims to inscribe and certify classes of securities, types of securities and their issuers must also register emissions carried out by them. The registration is a requirement for all entities that want to make a public offering of its securities or in a trading system.

104 companies were identified. 55 of which were classified as non-family-businesses (NFB) and 49 as family-businesses (FB). The companies were grouped into six economic sectors, 42 companies carried out activities in the financial sector (28 NFB and 14 FB), 18 in the industrial sector (9 NFB and 9 FB), 11 in the agribusiness sector (3 NFB and 8 FB) 12 in the services sector (8 NFB and 4 FB), 6 in the Construction sector (3 NFB and 3 FB) and 15 in the public services sector (all NFB).

4.5. Informed Consent

Taking into consideration that the data is available to the public and was collected by the national control entity called Financial Superintendence, informed consent is not required. The NRVI is a register that must be filled by the public companies by obligation. In addition, the information from the Country Code survey is answered by the issuers of securities in Colombia as a requirement. There are 41 recommended corporate governance practices of voluntary adoption. To evaluate their compliance, the Country Code survey is composed of 80 questions structured under the “comply or explain” principle, where they answer affirmatively if they incorporate a practice or if not, they can explain the reasons for not doing so.

On the other hand, the consulted experts, before being interviewed, received an informed consent.

4.6. Sampling Frame

In this research, convenience sampling by clusters was used having as sample units FB and NFB. Being a probabilistic sampling, all individuals in the sample have the same probability of being chosen for the analysis, in this case when they meet the requirements of complete information for financial and corporate governance data, from the database of NRVI of Colombia during the years 2008-2014 and also the Country Code survey of governance practices.

To study the influence of ownership governance practices on the financial performance of Colombian family business, it was necessary to build a database with corporate governance information available in the Country Code survey, also financial information of public companies, and to elaborate the FB classification according to Villalonga and Amit (2006) and Gómez-Betancourt et al. (2012), using family control as the criteria to identified family businesses as the company where three families or less have at least 50% of voting rights.

It is important to clarify that the Country Code survey is applicable to all companies that have securities registered in the NRVI; With the exception of the national treasure, mutual funds, autonomous funds managed by trust companies, and others mentioned in Law 546 of 1999, territorial entities mentioned in Article 286 of the Constitution, multilateral lending agencies, foreign governments, foreign government agencies, branches of foreign companies and foreign entities (Superintendencia Financiera, 2014).

The Country Code provides 41 recommendations in the following aspects of corporate governance: (a) general shareholder's assembly, (b) board, (c) financial and non-financial disclosure, and (d) resolution of disputes. Due to the fact that through Circular 028 (Superintendencia Financiera, 2014) the Country Code survey was updated to global developments in corporate governance, this research only analyzes the information until 2014. In the following years, the measures were reduced from 41 to 33, but from 80 questions passed to 148 recommendations, which does not make it possible to standardize the information to extend the period of analysis. Now measures are grouped as follows: (a) equity rights and fairness of shareholders, (b) general assembly of shareholders, (c) board of directors, (d) control architecture, and (e) financial and not financial information transparency. For purposes of this research information of the corporate governance practices asked in the previous surveys was used.

4.7. Confidentiality

The Country Code is diligence under the principle of “comply or explain.” The recommendations are adopted voluntarily. Likewise, public companies have the obligation to inform the market and to send the Country Code annual survey to Financial Superintendence. It stresses that the new Country Code indicated that companies registered in the NRVI should include a clause where its directors and officers are required to comply with the recommendations that each company has voluntarily adopted in its bylaws (Superintendencia Financiera, 2014).

4.8. Geographic Location and Instrumentation

This study is applied to all entities that have securities registered in the NRVI in the Colombian territory. The Financial Superintendence annually publishes financial data from the NRVI firms regarding the 80 questions related with corporate governance practices of the Country Code survey. The country code survey can be found in the annexes of External Circular 007 of 2011.

For the purposes of this research, it was used secondary, public and official information considered highly reliable, with an instrument applied in a constant way during the mentioned years. The information reported comes from the control entity for publicly traded companies.

4.9. Data Collection

The research requires to build a database that passed through three stages, first of all, the Country Code's information survey was collected, then the financial information of the companies included in the sample were found, and finally companies were classified in FB when meeting the criteria of Villalonga and Amit (2006) limited to a family shareholder group that has the highest proportion of voting rights. In Colombia, information of shareholders of public companies is available, but information of shareholder companies is private for security reasons, but a strategy was used to identify common surnames in shareholders, boards of directors and/or CEO positions, in other cases public information for companies that are recognized as family owned was used.

On the other hand, Country Code information contains a mixture of corporate governance practices that must go through a selection process. To do this, practices corresponding to the level of ownership were extracted and discussed with three recognized experts in the field who were interviewed, analyzing the Country Code's 41 practices and interview information were collected. An excerpt from the interviews were attached at the end of the document comparing the results. Corporate governance practices of the ownership that are selected by at least two of the three experts were processed statistically with RE model estimates allows to make statistical generalizations concerning the objective of this research.

4.10. Data Analysis and Variables

The steps that covered by this research are (a) sieving, which involves the application of interviews to three experts on corporate governance in FB to identify the corporate governance practices of ownership that are contemplated in the Country Code. For this purpose the experts previously received via email the Country Code Survey requesting them to identify the practices inherent to the owners, and in the interview they were asked to support their motives for zed classification; (b) the execution in which the financial and corporate governance data is prepared, classified and statistically analyzed; and (c) the final report writing with the findings, suggestions for future research, theoretical and practical implications.

To study the relationship between performance and the application of ownership corporate governance practices in FB, a RE model was used in a balanced panel data. Dummy variables were used

for each year of the sample (2008-2014) and six economic sectors (financial, industrial, agro-industrial, services, construction and utilities).

The variables considered in the model are the following:

4.10.1. Dependent variable

To measure financial performance, two indicators were used: (i) ROA, calculated as the quotient between net income and total assets ROA (Anderson and Reeb, 2003; Klapper and Love, 2004; Sciascia and Mazzola, 2008); and (ii) ROE, calculated as the quotient between net income and equity (Lam and Lee, 2012).

4.10.2. Independent variable

Two independent variables were considered in this study, FAMILY and IOGP. Based on Villalonga and Amit (2006) and Gómez-Betancourt et al. (2012), this study uses family control as the criteria to identified family businesses as the company where three families or less have at least 50% of voting rights. The variable FAMILY was used to classify businesses as FB when three families or less have at least 50% of voting rights. In an additional exercise, the percentage of family ownership was used as a continuous variable that represented family control (% FAMILY). On the other hand, corporate governance is a group of mechanisms and practices through which interested parties control and protect information and corporate management (John and Senbet, 1998), and in this study is meant by shareholders' governance practices all mechanisms available to owners to make decisions, control, understand and evaluate their assets (Gómez-Betancourt et al., 2016). To measure shareholders' corporate governance practices was applied an index inspired in the Corporate Governance Country Code Index (IGCCP in spanish) designed by Lagos and Vecino (2014). The IGCCP not used weighting to assess compliance of each practice, only apply one (1) when comply or zero (0) otherwise. Each survey question is linked to some practice of the Country Code, when several questions refer to the same extent, the measurement value is distributed in equal percentages, according to the number of questions that assessed. In this research were selected the practices inherent to ownership and then it was designed the index of ownership governance practices (IOGP).

According to Strätling (2003), the functions that shareholders should play are mainly keep informed on the financial performance of the company, be aware of important management decisions, exercise control over the board of directors and executive management, discuss past performance and build policies. Based on these guidelines were selected seven measures established in the Country Code that cover the corporate governance practices for owners and composed the IOGP: access to complete and timely information in the convening of the assembly (citation M1), information on candidates for the Board of Directors, financial reports, among other reports (Board selection and financial information M2), design an agenda that guarantees shareholders' rights (assembly agenda M4), respond to the concerns and comments of the shareholders (shareholders attention M27), facilitating the performance of specialized audits (audit M29), reveal the rules of conflict resolution (conflict resolution M34) and not contracting with the auditors services other than those of

audit (tax auditor M38). The IOGP is calculated from zero to seven, with seven as the highest score in corporate governance practices of ownership. To test whether family and non-family businesses had different variances with respect to ownership governance practices, student's t test was used.

4.10.3. Control variables

Consistent with empirical research on family business, variables were included to control the characteristics of enterprises. The variable SIZE is firm size and was measured as the natural logarithm of total assets, which has been used in renowned research (Anderson and Reeb, 2003) because the natural logarithm reduces the scale number without affecting their properties, which for this study is very appropriate because of the use of an indicators on a scale from zero to 100 and assets equivalent to billions. This variable is an approximation of the risk given that this decreases as the size of the companies increases (Davis et al., 2000; Fama and French, 1992, 1993).

INDEBTEDNESS is calculated as the ratio of total liabilities and total assets (Wintoki et al., 2012). SECTOR dummy is a variable that rank companies according to economic activity, in this case, the defined sectors are: financial, industrial, agribusiness, services, construction and public services. Finally, YEAR is a dummy variable that identify the year to which the information corresponds. In this way, the RE model used was:

$$\text{Performance}_{it} = \alpha_{it} + \beta_1 \text{OGP}_{it} + \beta_2 \text{Family}_{it} + \beta_3 \text{Controls}_{it} + \mu_{it} \quad (1)$$

4.11. Validity and Reliability

The research presents several methodological aspects that validate criteria of validity and reliability as presented below. The first point to be mentioned is that this research was concerned with making a theoretical contribution (Whetten, 1989) explaining a phenomenon of interest that integrates in factors the most relevant corporate governance practices of ownership and excludes others that add little value but are promoted by the control entities. Regarding internal validity, the document reflects how the research process and data analysis allowed to advance from a clear research question "To what extent do ownership governance practices influence financial performance on family businesses?" to conclusions. Words used in the question and the conclusions reflect key aspects like financial performance, ownership and corporate governance practices, showing a knowledge advance in comparison to previous literature. Following the internal validity concept of Yin (2003, p. 34), the explanatory scope of this research led to establish causal relationships between a given condition and the result, with a common thread that ensures that what is said to be researched is research actually being carried out.

On the other hand, theoretical context was used mentioning cites of several scholars, this theoretical framework provides external validity to the concept of financial performance and ownership corporate governance practices, which throughout the paper and especially on the findings were elevated to a general dimension, in other words, the general concept of research is applicable to other groups or populations with similar characteristics in different countries. This point is linked to the inferential external validity

that is provided in the sampling frame that gives context to the studied businesses and the descriptive statistics of the sample. The characteristics and context mentioned therein may be relevant to other FB that share similar aspects.

The document showed a validation strategy support in each step of the process to build the database, to identify practices linked with ownership level of corporate governance and analyze data in a theoretical context that allows drawing conclusions with strong arguments based on empirical data. In general terms, this article establishes the external validity to do generalizations based on the study of representative sample, although in strengths, limitations, and future research.

In this document the criteria of experts in Colombian corporate governance practices and in family businesses is triangulated through interviews, joint analysis of primary and secondary information of documents triangulated provides higher levels of confidence in the quality of the data and results. In line with the proposal of some authors (Eisenhardt, 1989b; Denzin and Lincoln, 2000) to increase the reliability of the study a check of the findings is carried out with third parties, which in principle is the same experts interviewed.

5. RESULTS

This section presents the results of the analysis of the relationship of corporate governance and family control with financial performance. The analysis was performed using student's t test and regression models with RE.

5.1. Findings

Table 1 shows the main descriptive statistics (mean and standard deviation) for the complete sample and for the NFB and FB groups. It was evidenced that there are statistically significant differences in performance, corporate governance and size between NFB and FB ($P < 0.01$). The NFB are more profitable when the performance is measured with the ROA, in the NFB a ROA of 0.044 was observed, while in the FB this was 0.030. However, when the performance is measured with the ROE the difference is not significant. Regarding corporate governance, the NFB have higher indicators. The IOGP measurement in the NFB was 6,298 and in the FB it was 5,829. Similarly, it was observed that the NFB are larger compared to the FB, 14,114 compared to 13,570. Finally, no significant differences were found in the INDEBTEDNESS between NFB and FB. Based on these results, Hypothesis 1 (H1) was accepted indicating that family and non-family businesses have different ownership governance practices.

Table 2 shows the correlations between variables. Although significant correlations were observed in different pairs of variables, the result of the variance inflation factor (VIF) rules out the existence of multicollinearity problems. In no case were the VIF values greater than 6.

5.2. Corporate Governance, Family Control and Financial Performance

Table 3 presents the regression results for the model of equation (1). Columns (1) and (2) report the effect of corporate governance

Table 1: Descriptive statistics

	Full sample		NFB		FB		Comparison of means	
	Mean	SD	Mean	SD	Mean	SD	Difference	Statistic t
ROA	0.039	0.066	0.044	0.078	0.030	0.037	0.014***	3.358
ROE	0.084	0.131	0.088	0.130	0.076	0.131	0.011	1.162
IOGP	6.122	1.009	6.298	0.846	5.829	1.179	0.469***	5.379
Size	13.911	2.065	14.114	2.044	13.570	2.958	0.543***	3.456
Indebtedness	0.453	0.311	0.442	0.303	0.471	0.324	-0.028	-1.187

*P<0.1; **P<0.05; ***P<0.01. FB are those companies that have 50% or more family owned. The means test is a student's t test where different variances are assumed. Source: This study. ROA: Return on assets, ROE: Return on equity, IOGP: Index of ownership governance practice, NFB: Non-family-businesses, FB: Family-businesses

Table 2: Correlations matrix

	1	2	3	4	5	6
ROA	1.000					
ROE	0.740***	1.000				
IOGP	0.136***	0.223***	1.000			
Family	-0.106***	-0.043	-0.225***	1.000		
Size	0.110***	0.300***	0.355***	-0.128***	1.000	
Indebtedness	-0.238***	0.157***	0.133***	0.045	0.395***	1.000

*P<0.1; **P<0.05; ***P<0.01. Source: This study. ROA: Return on assets, ROE: Return on equity, IOGP: Index of ownership governance practice

Table 3: RE model with IOGP, and financial performance with family control as dummy

Independent variables	Dependent variables			
	ROE		ROA	
	(1)	(2)	(3)	(4)
IOGP	0.011 (1.42)	0.011 (0.81)	0.005 (1.02)	0.006 (0.74)
Family	0.021 (1.23)	0.011 (0.11)	0.006 (0.57)	0.020 (0.32)
Family * IOGP		0.002 (0.10)		-0.002 (-0.25)
Size	0.011* (1.80)	0.011* (1.79)	0.011 (0.37)	0.011 (0.74)
Indebtedness	-0.064 (-1.04)	-0.064 (-1.05)	-0.079*** (-3.48)	-0.079*** (-3.47)
Constant	-0.098 (-1.12)	-0.094 (-0.89)	0.051 (0.97)	0.045 (0.71)
Sector dummy variables	Yes	Yes	Yes	Yes
Year dummy variables	Yes	Yes	Yes	Yes
Wald chi test	68.75***	72.31***	33.80***	33.75***
R-squared	13.89	13.91	17.18	17.25
Observations	728	728	728	728
Number of firms	104	104	104	104

*P< 0.1; **P<0.05;***P<0.01. Source: This study. The t statistic is presented in parentheses. All regressions have been estimated with the RE model and robust errors. The dependent variables are ROE (calculated as the quotient between net income and equity) and ROA (calculated as the quotient between net income and assets). IOGP is the summation of the scores obtained in each of the corporate governance recommendations of the Country Code related to shareholders. FAMILY is a dummy variable that takes the value of one (1) in companies that have 50% or more of family ownership. SIZE is the natural logarithm of total assets. Indebtedness is the ratio of total liabilities and total assets. The SECTOR and YEAR dummy variables identify the economic sector and the year of each observation. ROA: Return on assets, ROE: Return on equity, IOGP: Index of ownership governance practice

and family control (expressed as a dummy variable) on financial performance (ROE). Meanwhile, columns (3) and (4) show the effect on the ROA dependent variable. In the case of ROE when family control is approached with a dummy variable (column 1), the RE model explains 13.89% of the variation in performance. In this model, only the SIZE variable was significant (0.011, P < 10%) to explain the variation in performance. The results are similar when the interaction between the FAMILY and IOGP variables (Column 2) is introduced.

In the case of ROA when using the dummy FAMILY variable (Column 3), the RE model explains 17.18% of the variation in performance. In this model, only the INDEBTEDNESS variable (-0.079, P < 1%) was significant. The results are similar when the interaction between the FAMILY and IOGP variables (Column 4) is introduced. These results show that corporate governance and family control are not related to financial performance.

Table 4 presents the regression results for the model of equation (1). Columns (1) and (2) report the effect of corporate governance

and family control (expressed as the percentage of ownership held by one or up to three families, % FAMILY) on financial performance (ROE). On the other hand, columns (3) and (4) show the effect on the ROA dependent variable. The results are similar to those presented in Table 3. The SIZE variable (0.010, P < 10%) is significant to explain the variation of the ROE, while the INDEBTEDNESS variable (-0.079, P < 1%) is significant for explain the variation of the ROA. When the terms of interaction between the % FAMILY and IOGP variables are included, the results do not vary. These results show that corporate governance and family control are not related to financial performance. Therefore, Hypothesis 2 and 3 are not supported.

6. DISCUSSION

This study analyzes whether shareholders, corporate governance practices and family control influence the financial performance of companies in the Colombian context, where FBs play a very

Table 4: Random Effects model with IOGP, and financial performance with family control as percentage

Independent variables	Dependent variables			
	ROE		ROA	
	(1)	(2)	(3)	(4)
IOGP	0.012 (1.56)	0.015 (1.06)	0.005 (1.11)	0.008 (0.97)
%Family	0.000 (2.07)	0.000 (0.73)	0.000 (1.62)	0.000 (0.92)
%Family * IOGP		-0.000 (-0.42)		-0.000 (-0.71)
Size	0.010* (1.76)	0.010* (1.70)	0.001 (0.33)	0.001 (0.27)
Indebtedness	-0.062 (-1.03)	-0.062 (-1.02)	-0.079*** (-3.56)	-0.079*** (-3.55)
Constant	-0.103 (-1.17)	-0.120 (-1.10)	0.048 (0.94)	0.032 (0.51)
Sector dummy variables	Yes	Yes	Yes	Yes
Year dummy variables	Yes	Yes	Yes	Yes
Wald chi test	82.94***	91.62***	41.95***	42.96***
R-squared	14.76	14.74	17.95	18.32
Observations	728	728	728	728
Number of firms	104	104	104	104

*P<0.1; **P<0.05; ***P<0.01. Source: This study. The t statistic is presented in parentheses. All regressions have been estimated with the random effects model and robust errors. The dependent variables are ROE (calculated as the quotient between net income and equity) and ROA (calculated as the quotient between net income and assets). IOGP is the summation of the scores obtained in each of the corporate governance recommendations of the Country Code related to shareholders. %FAMILY indicates the percentage of family ownership. SIZE is the natural logarithm of total assets. Indebtedness is the ratio of total liabilities and total assets. The SECTOR and YEAR dummy variables identify the economic sector and the year of each observation. ROA: Return on assets, ROE: Return on equity, IOGP: Index of ownership governance practice

important role in the economy. To this end, student's t test and regression models estimated by RE were used considering the basis of the combination of agency theory and stewardship theory to understand and sustain the findings.

First, it was found support for hypothesis 1 (H1) that stated that family and non-family businesses have different ownership governance practices. These results are consistent with the findings of Lagos et al. (2017) that identified differences in the implementation of FB and NFB governance practices, which over time tend to be increasingly homogeneous. In the present investigation, a punctual analysis of the corporate governance practices that shareholders use to make decisions and control their ownership is made, which is due to the divergence of interests in the economic and non-economic objectives of the controlling families, where aspects like prestige, legacy and prudence are dominant.

On the other hand, Hypothesis 2 (H2) and 3 (H3) were not supported. Hypothesis 2 indicates to higher shareholders corporate governance practices, the higher the financial performance of Colombian businesses, and the Hypothesis 3 that proposed to higher family control, the higher the financial performance of Colombian businesses.

As previously mentioned, some authors suggest ROA (Klapper and Love, 2004) as an indicator of overall performance or ROE as a performance indicator for theoretical and empirical studies of the owner's perspective, because it eliminates the effect of interest expenses on profits (Brown and Caylor, 2009; Frankel and Lee, 1998; Ohlson, 1995), but the results obtained in this study are not consistent with the literature that found a relationship between the financial performance and the practices of corporate governance and control. By emphasizing the corporate governance practices that depend on the shareholders and were part of the IOGP composed by seven measures of the country code (citation M1, Board selection and financial information M2, assembly agenda

M4, shareholders attention M27, audit M29, conflict resolution M34 and tax auditor M38) the present study found that in the Colombian context there was no significant influence.

These results are probably generated by the influence of the controlling families on corporate governance system. Young et al. (2008) identified agency conflicts between shareholders and managers, and between the controlling groups and minority shareholders. Leading shareholder or many times the same company founder, can lead to bias in the implementation of governance practices. It is common to see that companies meet the requirements in reports presented to the control entities, but in reality, all meet the mandates of the leading shareholder, which results in atypical behavior in the relationship of corporate governance practices with financial performance.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1. Conclusions

Family businesses (FB) around the world are a large and important component of the economy (European Family Businesses, 2012). Their particular behavior has led many authors to study FB in order to identify what makes them different, as the corporate governance applied by the owner family (Chrisman et al., 2013) that can provide multiple benefits such as transparency, accountability and control (Brenes et al., 2011), also can influence their financial performance (Brown and Caylor, 2009; Klapper and Love, 2004). Despite the relevance of the topic, there is a gap in the literature of corporate governance in FB from the ownership dimension.

This research raises the positive influence of some corporate governance practices at the level of ownership in financial performance. For example, promoting the accessibility and quality of the information, minimizes the information asymmetry between the company and the shareholders (Prommin et al., 2014), and could positively impacts the shareholder climate and can

facilitate an adequate communication and decision making in the assembly, therefore a positive impact on performance. According to Westhead and Howorth (2006), family influence on ownership, which is consistent with the stewardship theory in conjunction with agency theory, supports a higher performance derived from greater control of the major shareholders and the reduction of conflicts of interest between the owners and the management derived to the transmission of family characteristics in the corporate culture.

This longitudinal study uses a quantitative approach with an explanatory scope that pretends to answer the following research question: Do shareholders corporate governance practices and family control influence financial performance on businesses? 104 public companies, of which 49 were FB, were analyzed, using data from National registry of securities and issuers, which also responded to the Country Code 'survey of Colombia in the period 2008 to 2014. Data was processed with student's t test and regression models estimated by RE.

With results was accepted the Hypothesis 1 (H1) that indicates family and non-family businesses have different ownership governance practices. According with Lagos et al. (2017) there are differences in corporate governance practices implemented by the FB and the NFB, because the FB are more conservative in making long-term changes that may affect their power and control dynamics, which are usually concentrated in the founder or shareholder leader, or in a few people of the controlling family. This research shows that there is a significant difference between the corporate governance practices implemented at the ownership level between the FB and NFB.

The acceptance of hypotheses 1 derives from this study large contributions to the areas of corporate governance and family business. On the one hand, the theoretical contribution of opening a new scenario for the study of ownership governance, which in the long term can contribute to the competitiveness and longevity of companies; on the other hand, there is a practical contribution by giving rise to the design of a model of practices for shareholders, where they develop a more active role, taking into account that at the level of ownership the most important capital and strategy decisions are made when are exceeded the decision limits of the Board of Directors; Finally, a contribution in public policy is created by supporting the need to highlight corporate governance practices at the owners level, with corporate governance models that differentiate FB and NFB.

With the statistical analysis Hypothesis 2 and 3 were rejected, were Hypothesis 2 (H2) pointed out that to higher shareholders corporate governance practices, the higher the financial performance of Colombian businesses, and the Hypothesis 3 (H3) that states to higher family control, the higher the financial performance of Colombian businesses. In both cases, the predominant role of an influential person in the organization, as a leading founder or shareholder, or an influential family group, is likely to blur the effect of family culture and good corporate governance practices, and therefore, its influence on financial performance.

Practices in developed countries can be successful, as the appropriate treatment of minority shareholders, access to

information, tools, control and conflict resolution in the Colombian context is not statistically evident, reason why should deepen if the role of the owners is adequate, if they exercise their functions or if they are being delegated to another instance of the organization. Also, it is considered necessary to analyze the phenomenon with qualitative research due to the lack of knowledge and the gap open with this study in the field of ownership of family businesses.

7.2. Implications

This study highlights the importance of the role of owners in the businesses, which is reflected in the identification of the significant differences in the implementation of corporate governance practices at the ownership level between FB and NFB, which was supported by accepting hypothesis 1; which becomes the main practical implication of the study, given that it can allow us to understand that the FB have a different approach to the implementation of governance practices of the ownership of their companies and therefore require a different proposal, which gives them the benefits they seek, which probably go beyond the economic aspects, and they care more about non-economic objectives, such as unity, family harmony and business legacy (Gómez et al., 2016).

On the other hand, the relationship between shareholder governance practices and family control with the financial performance of the companies, had no support and hypotheses 2 and 3 were rejected. In line with findings of Crisostomo and de Freitas Brandão (2019) family control has a negative effect on the quality of corporate governance practices which is focused to favor individualistic interests.

The main academic implication is the separation of the concept of corporate governance under a shareholder-focused analysis, since all previous studies mix the practices of shareholders, Board members, Managers and control roles and blur the effect of the responsibilities of each of them in the company. It is important to note that this study has delimitations and limitations as described below.

This research analyzes Shareholders' corporate governance practices included in the country code of Colombia for companies listed in the NRVI. They are the largest economic organizations in the country, and it is supposed that they have the best governance practices to ensure transparency and investor's confidence. This study is delimited to: (a) companies with high levels of formality (processes, hierarchy, among others) rather than micro and SME; (b) companies that belong to the Colombian capital market; and (c) companies with a similar cultural background.

This study was designed based on two assumptions, first that the theories of agency and stewardship reflect the phenomenon to be studied in Colombia, furthermore it is assumed that Colombian family businesses are managed in a similar way as in developed countries, where other studies have been developed. One limitation of the study is that the responses of the companies in the country code survey could be not totally sincere, due to the need to report appropriate information to the control entity that applied the survey or because they seek to promote a message of confidence to the

investor market, the second limitation is the potential problem of endogeneity that is usual in corporate governance analysis (Akbar et al., 2016), the third limitation is that the Country Code Survey asks companies about their behavior and requests descriptions of the past, so it is likely that the data has a potential common method bias (Podsakoff and Organ, 1986).

7.3. Recommendations

Considering that it is relevant to study family businesses due to its predominance in economies (Holderness, 2009) and its contribution to the generation of employment and of wealth of countries (Shanker and Astrachan, 1996), it is important to continue exploring the relation between ownership and indicators of financial performance that expresses the ability of the company to generate profits which can be one of the main motivators for shareholders to implement best governance practices. In future research it is suggested to apply single analysis of financial indicators because each indicator may reflect different perspectives of the different stakeholders of the organization and the heterogeneous profiles of shareholders which in family businesses may be interested in economic objectives, socio-emotional goals (Berrone et al., 2010) or a mixture of both. It can also be considered for future studies to make a segmentation of the database with companies that have control of the participation of single or up to three family groups (Gómez-Betancourt et al., 2012), because it is likely that in countries like Colombia shows similar behaviors but there is not enough evidence to treat them differently. Another aspect to study is the influence of the concentration of ownership' power on one or few shareholders of the same family, and analyzing it from this perspective would lead to designing models of corporate governance more effective in the distribution of power and control.

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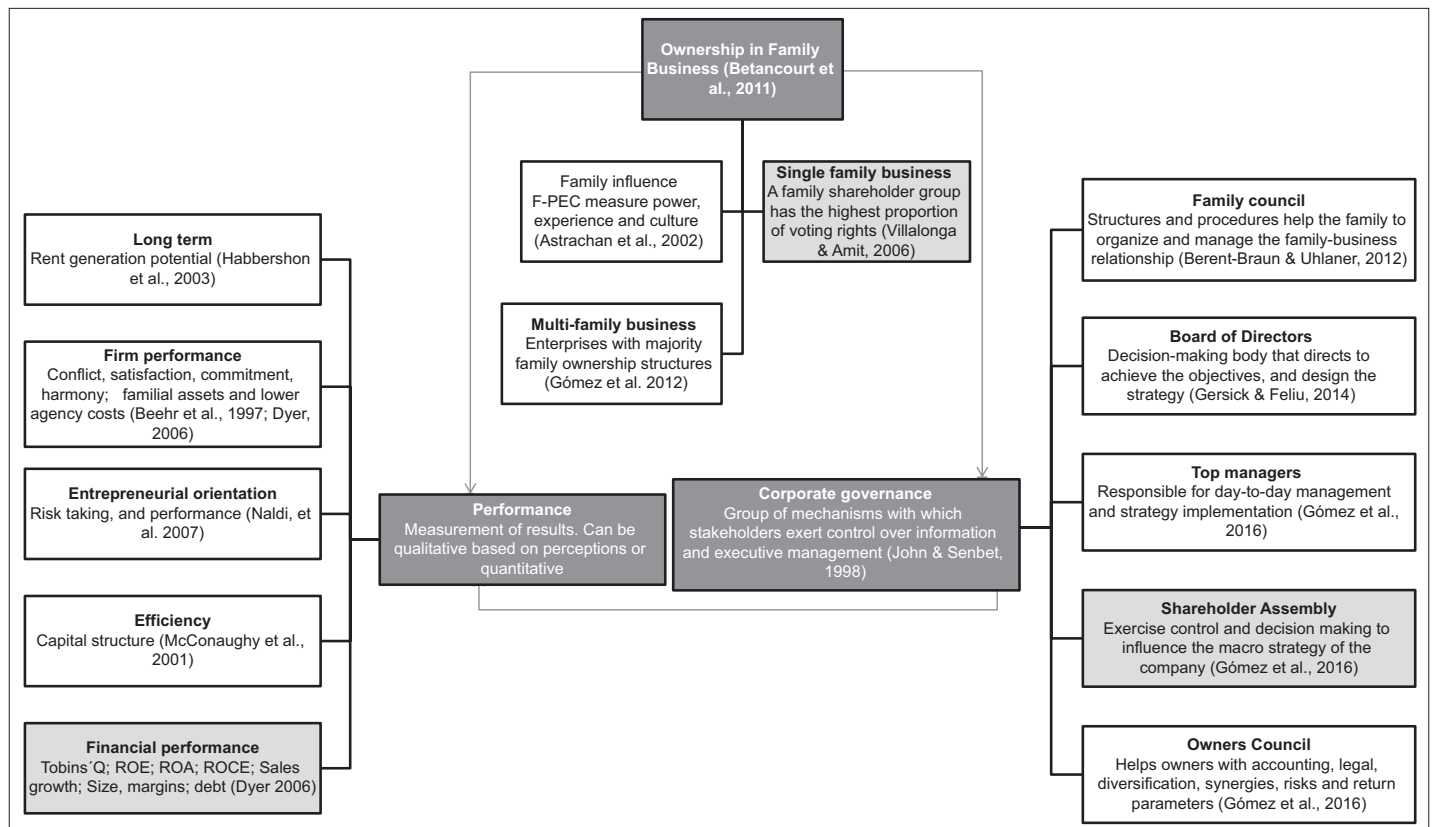
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APPENDIXS

Appendix A: Literature Map of Ownership Governance Practices and Performance of Family Business



Source: This study

Appendix B: Theoretical framework

Factorss	Concept
Dimension of corporate governance of ownership	It is the highest level of decision making in a company. There, the shareholders receive information and exercise actions on statutes, investments, divestitures, dividends, debt, board of directors, audit, fees, corporate governance guidelines in general terms and other mechanisms to control, understand and evaluate their assets. The governing bodies of this dimension are the General Assembly of Shareholders, Owners' Council and Committees of the assembly.
Dimension of corporate governance of the Board	It is elected by the shareholders' meeting and is responsible for overseeing the interests of shareholders, designing the corporate strategy and guiding senior management to ensure the fulfillment of short- and long-term objectives. The profile of its members is high and its decisions are characterized by independence. The Board may rely on committees for strategy, nomination, remuneration, evaluation, among others.
Dimension of corporate governance of management	Both the General Manager and the executives who make up the top management of the company, are responsible for the implementation of the strategy, as well as the daily administration of resources and law' compliance.
Dimension of corporate governance of control	At this level, the governing bodies are the internal and external auditors and their Committees. They are in charge of supervision, control, risk analysis, verification of transparency and fluidity of information, the independence of corporate governance actors and the timely implementation of corrective actions.

Adapted from "Gobierno Corporativo. Prácticas sugeridas e implementadas por empresas familiares y no familiares colombianas" by Gómez-Betancourt, G., Zapata-Cuervo, N., and Betancourt-Ramírez, J. B., 2016, *Entramado*, 12(2), pp. 12-29