

Performance vs. family ownership and management: the case of Portuguese wine firms

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Resumo

The objective of this paper is to empirically examine the relationship between firms' ownership and control structure and their financial performance. The relation between performance and ownership and control structure in the context of family firms (FF) is a less studied topic. The paper is focused on the Portuguese wine firms due to their increasing importance in the Portuguese economy and in the promotion of the country's exports and image abroad. It is used an unbalanced panel data of 117 firms for the period from 2011 to 2016 and applied a random effects model. The degree of family involvement shows a U-shaped relationship with performance, meaning that those firms where the family does not hold the majority in the board should be open to receive external managers with greater knowledge and experience and increase their internal competencies in order to enhance performance. However, the same is not true when the family has already a majority position in the board. At the light of the agency and stewardship theories, this paper extends the literature performing an application to a less studied sector and country.

Palavras chave: Ownership structure, Financial performance, Family firms, Agency theory, Stewardship theory, Wine industry.

Introduction

The wine business is a sector where small and predominantly family firms (FF) coexist with larger and strongly business focused firms. Traditional wine producing countries face an increasing competition by New World producers, a factor that coupled with the decline in wine consumption in some western countries highlights the importance to understand the determinants of firms' financial performance.

Over the past decades, a considerable number of studies researched how to mitigate agency costs between managers and shareholders, with a fraction of them focused on FF. Family firms represent a distinctive subset of firms, where family members' ownership, presence and involvement in managerial decisions produce an interesting research topic. Research about FF performance was boosted by two theoretical papers (Habbershon et al., 2003; Chrisman et al., 2003), according to which families can influence the process of value and wealth creation in a firm. The *familiness* concept refers to the sum of resources and competencies generated by the interaction of family, business and the environment, providing a differentiator factor for firm performance (Sciascia and Mazzola, 2008; Zellweger et al., 2010). Subsequently, several recent studies have found a significant relationship between FF and firm performance across countries (e.g., Anderson and Reeb, 2003; Gama and Rodrigues, 2013; De Massis et al., 2013; 2015), most of them focused on large and listed firms. Since the results are mixed it is important to contribute to the definition of stylized facts on FF from different countries, because country specific characteristics, such as the legal system, affect FF differently (Bertand and Schoar, 2006). To the best of our knowledge, with the exception of the recent papers from Vieira (2014, 2017), focused on larger and listed firms, this one is the first empirical paper examining the relationship between FF and firm performance in Portugal.

Since theoretical predictions are not straightforward, the objective of this paper is to study if FF levels of ownership and control in the Portuguese wine industry have a differentiating impact on their performance. In order to rule out alternative determinants of the sampled firms' performance, and following previous authors (e.g., Sciascia and Mazzola, 2008; De Massis et al., 2013), it is included a set of control variables, namely, firm age, size, degree of internationalization and debt. Considering a representative

sample, it is used an unbalanced panel data of 117 Portuguese wine SMEs for the period from 2011 to 2016, with a total of 697 observations, concluding that family ownership and presence in the board have a significant, albeit non-linear, positive impact on performance.

1. Literature review

1.1. The idiosyncrasies of family firms

Family Firms (FF) are the dominant form of corporate governance in many countries (European Commission, 2009). Although there is no general consensus on the definition of a FF (Villalonga and Amit, 2006; Kontinen and Ojala, 2010), such firms can be defined as a business in which members of one or various families share, to a great extent, capital, management responsibilities and the intention of passing the business to future generations. Concerning the definition of a FF, Astrachan et al. (2002) propose the F-PEC model, which identifies a FF regarding its degree of *familiness* computed as the result of three factors (*Power, Experience and Culture*). In Portugal, according to the Portuguese Families Businesses Association, 70% to 80% of the Portuguese firms, and probably more than 60% of GDP and 50% of employment is ensured by family firms.

Family firms add a dimension to the shareholders vs. managers relation since family members' interests could not be the same as those of their non-family counterparts (Claver et al., 2009; Le Breton-Miller and Miller, 2009). Also, since often in FF owners are also managers, how those factors would influence performance? FF possess some strengths favoring performance, namely their experience and knowledge of the business, their solid values and group-belonging culture and their long-term perspective (Pukall and Calabrò, 2014). However, some limitations are succession turbulence, weak organizational structure, lack of professionalism and difficulties in financing (Claver et al., 2009; Le Breton-Miller and Miller, 2009).

Family firms tend to present higher levels of ownership concentration and thus lower agency conflicts, being that a potentially positive factor for performance (Sciascia

and Mazzola, 2008). Concentrated ownership means higher risk and sunk costs, and increased chances that managers will act in the interest of the owners. In the context of the agency theory, non-family managers have the incentive to assume riskier projects (Anderson and Reeb, 2003). Since the personal wealth of family members is invested in the firm, family controlled firms present higher risk aversion and concerns with survival and transmission to the next generation, so that the effects on performance of the firm's ownership dispersion between family members and their involvement in the firm's managerial decision becomes a relevant topic though with mixed empirical evidence (Miller et al., 2010; Minichilli et al., 2010).

1.2. Ownership structure and family firm performance

The disputes concerning performance parallel fundamental disagreements about FF conduct and its social consequences. As stressed by Le Breton-Miller and Miller (2009) and Le Breton-Miller et al. (2011), two perspectives dominate: agency and stewardship. According to the agency theory perspective, FF will be characterized by underinvestment, centralized and hierarchical organizations, cronyism, thus resulting in inferior growth and returns. In contrast, stewardship theory predicts that the investment in capabilities, staff and long-term relationships, the cohesion values and commitments shared with all the stakeholders, provide superior growth and financial returns (Davis et al., 1997). Family members act as stewards, strongly identified with the firm, and working with a superior commitment because they perceive firm performance as an extension of their own well-being.

Agency theory explains the consequences of the separation of ownership and control (Jensen, 1986; Aggarwal and Samwick, 2003). The concentration of ownership in a few hands increases the incentives that owners have to monitor managers or giving managers incentives to act according to shareholders' interests (Jensen and Meckling, 1976). There is substantial evidence that the behavior of manager-controlled firms is different to the behavior of owner-controlled firms, thus supporting agency theory. For example, manager-controlled firms are more likely to maximize sales than profits and be more diversified (Amihud and Kamin, 1979; Amihud and Lev, 1981), both factors with

a potential positive impact on performance. Nevertheless, as pointed by Le Breton-Miller and Miller (2009), some researchers have shown that FF present inferior market valuations (Tobin's q) and financial returns (returns on assets and investment) (e.g., Bennedsen et al., 2007; Cronqvist and Nilsson, 2003), whether others show that these firms neither outperform nor underperform (Miller et al., 2007). These disagreements appear to be due to how FF are defined, with founder firms or those with modest firm involvement having an edge over firms with more family owners and more generations (Anderson and Reeb, 2003; Villalonga and Amit, 2006).

De Massis et al. (2013) evidence that the agency costs encountered in the decision making process of a FF go beyond the effects due to the degree of family involvement in ownership and management, and depend on the degree of dispersion of ownership among family members. Specifically, family ownership dispersion has a non-linear effect on performance, being this worse when a moderate number of family members hold equity and higher when family ownership is highly concentrated in the hands of a single family member (thus confirming previous literature defending the presence of non-linearities: e.g., Villalonga and Amit, 2006; Sciascia and Mazolla, 2008). When family ownership gets dispersed among few family members, performance could deteriorate due to agency and entrenchment problems arising among equity owners (e.g., conflicts between the founder and new family owners), whose interests are not fully aligned with some preferring to pursue private and non-economic returns (Schulze et al., 2003; Sciascia and Mazzola, 2008). This negative trend on performance is reversed when family ownership is further dispersed among multiple members, that have now only a limited stake in the firm, while fosters an alignment of interests between equity owners and a reduction of agency costs.

1.3. Management control and family firm performance

According to Fama and Jensen (1983), combining ownership and control allows concentrated shareholders to exchange profits for private rents (Shleifer and Vishny, 1997). Thus, FF, which are characterized by concentrated ownership, are condemned to present poor performance (Morck et al., 2000). Although prior literature suggests that

family ownership and control can lead to poor firm performance, family influence can also provide competitive advantages namely, through long-term managerial horizons, alignment of managers' interests and reputation concerns (Demsetz and Lehn, 1985; Davis et al., 1997; Anderson et al., 2003).

The implementation of governance structures has shown to be indispensable in FF as the company grows, thus those structures can become a strategic resource, avoiding risks that may endanger the performance of the firm and thus support its longevity (Gomez-Mejia et al., 2001; Schulze et al., 2001). Structures that unite the ownership and management of firms may help to reduce agency costs. It is expected that through family ties in FF, higher levels of loyalty and mutual trust increase managers' horizons (James, 1999). Nonetheless, this advantage also comes with additional risks when missing hierarchies cannot put governance structures in place. This effect may lead to a situation which encourages the retention of incompetent family staff while competent employees may leave the firm (De Massis et al., 2008). Dyer (2006) argues as well that professionalization of the FF is one mean to avoid adverse selection in the company.

The question of whether family presence in the board hinders or facilitates firm performance becomes an empirical issue. In a seminal approach, Anderson and Reeb (2003) evidence that when family members serve as CEO, profitability is higher than with a non-family member CEO. In the same vein, Villalonga and Amit (2006) show that performance improves when the founder serves as CEO but decreases when descendants occupy that position and Maury (2006) shows that active family control is associated with higher profitability compared to NFF. Finally, Chrisman et al. (2004) find that family involvement reduces overall agency costs and increases performance and Ernst et al. (2012) evidence that family involvement in management seems to be the dominant force in the relation between performance and ownership.

1.4. Reasons to choose the wine sector and research hypotheses

The present research is motivated by the lack of empirical results regarding the effects on performance of firms' ownership and control structure, particularly in selected sectors,

thus filling a gap in the literature. The choice of the wine sector is justified by the fact that the majority of firms in the sector are family and mature firms, where are present relevant emotional values and a strong commitment to preserve family assets, with ownership and control passing between generations. Additionally, the sector is getting increasingly competitive in terms of demand and price, so firms must constantly monitor the market and their performance. The sector faces a limited domestic market and the need to find new external markets, where some increasingly competitive producers are present. Notice, that these challenges are also faced by wine producers around the globe, so the conclusions from this paper could potentially be generalized to other countries.

Following the literature review, and focusing on the Portuguese wine sector SMEs, the hypotheses tested in this paper are the following:

H1: FF outperform NFF

H1a: Family ownership has a positive effect on profitability

H1b: Family involvement in the board has a positive effect on profitability

H1c: Those effects are non-linear

H2: The relation between family power and performance differs between younger and older firms, the latter being more profitable

H3: The relation between family power and performance differs between larger and smaller firms, the former being more profitable

H4: The relation between family power and performance differs between export oriented and domestic oriented firms, the former being more profitable

H5: The relation between family power and performance differs between more or less indebted firms, the latter being more profitable.

2. Definition of variables, data and methodology

2.1. Dependent and independent variables

The use of ROA is widely supported in the literature and has been used in several studies analyzing the relationship between *familiness* and firm performance (e.g., Dyer, 2006; De Massis et al., 2013; Gama and Rodrigues, 2013; Vieira, 2017), being generally considered to be a key performance indicator of managers and FF in particular (Minichilli et al., 2010). ROA is computed as net income scaled by the book value of total assets. In order to check robustness, we also proxy financial performance as the ratio between EBITDA and total assets (REBITDA) and the ratio between EBIT and total assets (REBIT).

To classify a firm as a FF or not, and due to data availability reasons, we will use two indicators associated to the *Power* dimension of the F-PEC scale (Astrachan et al., 2002). Firms will be classified as family or non-family according to the family members' percentages of equity ownership and presence in the board:

$$\text{Family Power (FP)} = \% \text{ family equity (FAME)} + \% \text{ family presence (FAMP)}$$

For younger firms the determination of those percentages is straightforward, being the family members and their holdings easily identified. However, several generations after, the family expands to include distant relatives whose last names may no longer be the same, so that we resolve descendant issues by examining individual corporate histories and by checking the addresses of the different board members. Following De Massis et al. (2013), besides FP, the variables FAME and FAMP (and their squares) will also be tested individually. Additionally, in alternative to the continuous variable FP, a dummy variable will be used to differentiate between FF and NFF. A FF is defined as a firm where the variable FP assumes a value equal or higher than 100%, while those with a lower percentage are classified as NFF. Finally, using a dummy variable it is also tested if the presence of foreign capital has any effect on performance.

2.2. Control variables

Even though our paper is focused on the relation between ownership structure and performance, we will include a set of control variables in order to rule out alternative determinants of the sampled firms' performance, namely firm age, size, internationalization and debt.

For kurtosis reasons, variables age (AGE) and size (SIZ) are, respectively, measured as the log of the number of years since the firm's inception and the log of total assets. The debt level of the firm is measured as total debt ($TD = \text{Total liabilities} / \text{Total assets}$) and its subdivision in long-term and short-term debt (respectively, $\text{Non-current liabilities} / \text{Total assets}$ and $\text{Current liabilities} / \text{Total assets}$). Concerning the variable "international diversification" (INT), studies reported in the literature use different measures, so that a consensus is still lacking on the best or true measure of international diversification. The use of a uni-dimensional measure such as the ratio of foreign sales to total sales does not take into account the geographical distribution of sales, i.e., whether or not they are geographically well balanced in major world markets. Following Majocchi and Strange (2012) it would be used a measure of entropy, which accounts for the dispersion of a firm's sales by three main geographical areas (Portugal, the European Union and the rest of the world). Nevertheless, as stated by Majocchi and Strange (2012), such a measure also has some weaknesses: it is not expected that a firm's level of international sales to be evenly distributed between destiny areas, and an ideal measure of internationalization should not only measure the dispersion of foreign sales, but also their level. For this reason, it is also used the traditional measure of total exports as a percentage of total sales (EXP).

2.3. Data and methodology

This paper analyzes a sample of SMEs from the wine sector (included in the 1102 NACE code (Manufacture of wine), obtained from SABI (*Sistema de Análise de Balanços Ibéricos*), a financial database powered by Bureau van Dijk. The database includes data

for 708 wine sector firms, with a turnover over 1,300M€, total assets around 3,200M€, a mean ROA of 2.66% and more than nine thousand employees (data for 2016). Applying the criteria for SMEs definition, considering only firms with at least 5 years of complete data from 2011 to 2016 and excluding firms with negative debt ratios or liabilities greater than assets, we obtained an unbalanced panel data of 117 SMEs distributed by all Portuguese wine producing regions. We do not include micro-enterprises with less than 10 employees in order to focus on firms that are large enough to experience and demonstrate some managerial decision making as well as family involvement and influence.

The sample is representative of the sector, accounting for 3,290 employees, a turnover around 460M€ and total assets of 1,125M€ in 2016. The sample only has 11 medium firms and, applying the criteria explained above, 52 firms can be considered FF, of which 42 have a full measure of “family power”. The sample’s mean values for the different variables, differentiating between FF and NFF are presented in Table 1, together with the results of a test for differences in mean values between the two sub-samples. Table 1 also presents the correlation matrix of the variables. Notice that FF are significantly better performers than NFF, are significantly older and smaller, and display a higher degree of export diversification. Compared to NFF, FF tend to present lower levels of debt but the differences do not seem to be statistically significant.

A panel data methodology is estimated through three different regression models: Pooled Ordinary Least Squares (POLS), Fixed Effects Model (FEM) and Random Effects Model (REM), with the adequate tests indicating that REM is preferable.

Table 1 – Descriptive statistics (FF and NFF) and correlation matrix between independent variables

	Mean	FF	NFF	Mean	FP	AGE	SIZ	INT	EXP	TD
ROA	1.83%	3.61%	0.41%	5.26 (***)						
REBITDA	6.47%	8.56%	4.81%	5.34 (***)						
REBIT	3.36%	5.25%	1.85%	5.02 (***)						
FP	87.8%	194%	3%		1	.125 (***)	-.176 (***)	.078 (**)	.053	-.047
AGE	3.24	3.32	3.17	3.19 (***)		1	.364 (***)	.153 (***)	.166 (***)	-.143 (***)
SIZ	8.90	8.82	8.97	-3.80 (***)			1	.151 (***)	.129 (***)	-.175 (***)

INT	0.59	0.64	0.57	1.80 (***)	1	.760 (***)	-.174 (***)
EXP	33.0%	35.3%	31.2%	1.46		1	-.186 (***)
TD	54.7%	53.1%	56.1%	-1.16			1
LTD	23.7%	20.5%	26.3%	-1.53 (*)			
STD	31.0%	32.6%	29.8%	0.37			

Note: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

3. Empirical results

The regression results for the random-effects model are presented in Table 2, where the three alternative dependent variables (ROA, REBITDA and REBIT) are run on the variables “family power” (FP) and the different control variables. Variables with the suffix FF are interaction variables with the FF dummy, in order to see if the effects of those variables are statistically different between FF and NFF, thus testing our hypotheses. Table 3 presents the results for the FF and NFF sub-samples, considering ROA as the independent variable, albeit the results for REBITDA and REBIT are very similar.

With the full specification the random-effects model results present a goodness of fit near 20%. Albeit not presented, the presence of foreign capital did not showed a significant effect on performance. Since one of the objectives of this paper is to test the presence of non-linear effects of *familiness* on performance, we alternatively test the variables FP, FAME, FAMP and their squares as independent variables (Table 4). Notice that, results for FAME are not presented since they are not significant.

Table 2 – Random-effects model results

	ROA	REBITDA	REBIT	ROA	ROA	ROA	REBITDA	REBIT
C	-.001	.045***	.015***	-.005	-.004	-.011	.051	-.029
FP	.011***	.013***	.012***	.012***	.001	.013***	.016***	.015***
<i>Controls</i>								
AGE				-.010**	.000	-.009**	-.016***	-.012**
SIZ				.009**	.004	.010***	.011**	.014***
INT				.008				
EXP					-.004	-.003		
TD				-.083***				

LTD					-.055***	-.090***	-.095***	-.084***
STD					-.050***	-.076***	-.085***	-.073***
AGE_FF					-.023**			
SIZ_FF					.016***			
EXP_FF					.005			
LTD_FF					-.092***			
STD_FF					-.062**			
Overall R ²	.04	.04	.04	.20	.23	.20	.22	.18

Notes: Standard-deviations presented in brackets. * p< 0.10; ** p< 0.05; *** p< 0.01.

Table 3 – Random-effects model results: FF and NFF sub-samples (ROA as dependent variable)

	FF	NFF
C	-.048	.038 (.039)
AGE	-.021***	.001
SIZ	.024***	-.001
EXP	.001	-.005
LTD	-.146***	-.059***
STD	-.107***	-.055***
Overall R ²	.27	.09

Notes: Standard-deviations presented in brackets. * p< 0.10; ** p< 0.05; *** p< 0.01.

Table 4 – Random-effects model results: Testing the presence of non-linearities

	ROA	REBITDA	REBIT	ROA	REBITDA	REBIT
C	.000	.047***	.016**	.001	.048***	.017***
FP	-.014	-.041	-.024			
FP ²	.012	.027	.018			
FAMP				-.206	-.337***	-.303**
FAMP ²				.226*	.361**	.324**
Overall R ²	.04	.05	.04	.02	.07	.06

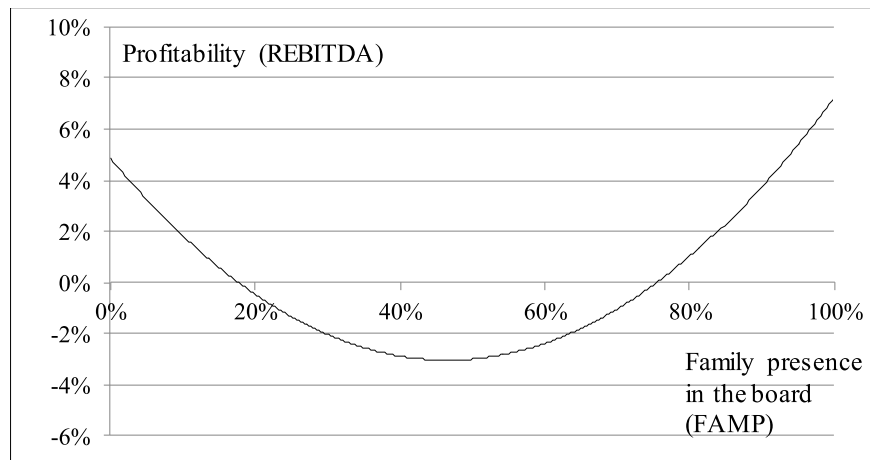
Notes: Standard-deviations presented in brackets. * p< .10; ** p< .05; *** p< .01.

4. Discussion

We now analyze the results at the light of the different hypothesis. The first rows in Table 2 evidence that “family power” (ownership and presence in the board) seems to have a positive impact on performance thus confirming H1a and H1b and the results from Anderson and Reeb (2003), King and Santor (2008), De Messis et al. (2013) and Gama and Rodrigues (2013). Notice that, albeit the results are not presented, the regressions were also run with FAME and FAMP instead of FP, yielding extremely similar results. Regarding the possibility of a non-linear relationship, the results presented in Table 4 show that family presence in the board displays a significant U-shaped relation with performance. Figure 1 plots this important result, showing that, after obtaining decreasing profits as the firm board is increasingly opened to family members, a higher performance is attained when the whole management team is made up of family members. The inflection point is found for family presence values slightly lower than 47%, that is, firms where the board is more or less divided between family and non-family members. This result, which partially confirms H1c, evidences the potential negative influence on performance of conflicts and misalignment of interests within the board. Beyond a certain point, the advantages coming from decreasing agency costs and stewardship outweigh the disadvantages of conflicts between board members and overlap between family and business interests.

The quadratic nature of the relationship between family involvement in management and performance calls for major attention to these effects by FF owners who must acknowledge that family presence in the board brings dysfunctional consequences for firm performance, especially at intermediate levels of family involvement, where members external to the family could eventually have been selected based on personal contacts, disregarding personal managerial capabilities. So, it seems that in the wine sector family SMEs a robust and cohesive presence of the family in the board is value enhancing and promotes their financial performance.

Figure 1 – Effect of family presence in the board on performance



Regarding the other hypotheses, the interaction terms are broadly significant, showing different impacts of AGE, SIZ, LTD and STD on performance for FF and NFF, giving support to H2, H3 and H5. Similarly to Vieira (2014), firm's age seems to have a negative impact on performance, thus not confirming H2. Possibly, older firms are more likely to be in the maturity phase, with lower levels of growth opportunities and, consequently, lower financial performance levels. Also, the results for FF confirm H3, with larger firms presenting a better financial performance, possibly a result of the positive relationship between resources and performance. This evidence that bigger firms outperform smaller ones brings an important policy-making implication. Typically, wine firms in Portugal are micro or small firms, so policymakers should create an adequate set of incentives to foster mergers and acquisitions in the sector, as a way to improve the competitiveness of the entire wine sector. Contrary to Sciascia and Mazzola (2008), the results regarding the internationalization degree are always not significant, whereas in terms of international diversification or exports as a percentage of sales. Thus, H4 is not confirmed, suggesting that the wine sector's performance is not influenced by the degrees of international intensity and diversification. Finally, H5 is strongly confirmed for all firms, since more indebted firms are less profitable, independently of the maturity of the debt.

Conclusion

Management theories should not consider firms just as a value maximizing entity regardless of its owners. Different owners and managers have different risk attitudes, face different incentives and bring to the firm different resources, so similar firms, pertaining to the same sector, could present different degrees of performance. To date, at the light of the agency and stewardship theories, little empirical research has been conducted to identify the variables that promote FF financial performance.

This exploratory paper contributes to fill that gap studying the differences between FF and NFF in terms of financial performance. The degree of family ownership and involvement showed a significant positive relationship with performance, meaning that those FF in which the owner family exerts tighter control tend to present higher measures of performance, confirming previous results. Being that a non-linear relationship, that result indicates that firms willing to attain a better performance should maintain the cohesion in their boards, either primarily composed by external managers, potentially more independent or, preferably, mostly composed by family members, with their interests fully aligned. One implication for FF owners, when the family does not have the majority in the board, is the need to reduce family presence in it, opening the board to non-family members. That difficult decision could prove more profitable than further increase the presence of family members in the board, possibly lacking the necessary competencies. However, the same is not true when the family has already a majority position in the board, since a better financial performance is attained when the family totally controls the management team.

Regarding the main questions addressed in this paper, we can answer that: i) compared to other firms, FF are more profitable, but ii) performance is negatively impacted with intermediate degrees of family presence in the board; iii) there is a significant positive relation between firm size and performance, a significant negative impact of firm age on performance and the degree of internationalization is irrelevant to explain differences in performance; iv) and, finally, there is a significant negative relation between the level of debt and performance.

This paper gives a twofold contribution to the literature about FF, studying if there are significant differences between FF and NFF in terms of performance and improving the limited literature on performance for FF in a specific sector. Nevertheless, some limitations of this study should be mentioned: i) in the first place, firms' performance is affected by many variables that were not considered (e.g., managerial labor and product markets, political and economic factors or even the personality of shareholders and managers); ii) secondly, the concept of FF used in the literature is not homogeneous, being normally used a dichotomous characterization. Other authors present different measures, possibly explaining some of the different results found; iii) third, the dataset comprises 117 firms, representing roughly one third of the Portuguese wine sector. Ideally, a larger number of observations and firms could result in more robust results. Notice that firms under analysis are the firms that survived a period of fierce competition, mergers and emergence of new players in the sector; iv) finally, a factor that can limit the generalization of the results is that the study focuses only on the Portuguese wine sector. Also, the measures of performance used in the literature differ widely, leaving us with the question whether our results are dependent on the three measures used and on the specific context of the Portuguese wine firms. It would be interesting to study the presence of the U-shaped relation in other sectors, trying to unveil if it constitutes or not a particularity of the wine sector, a sector where firms traditionally cultivate a sense of commitment, social-emotional values and long-term view among all stakeholders. Nevertheless, the limitations of the internal market and the small size of firms are characteristics also present in other wine-exporting countries, so our conclusions could perfectly be applied to other countries.

Analyzing our main results through the light of the agency and stewardship theories, we can argue that increased family control silences any voices that could disrupt the necessary harmony to attain a better performance. Nevertheless, our results call for further research, suggesting that firm performance depends heavily on other factors. So, further research should, inter alia, (i) introduce qualitative variables, for instance, consider internal factors such as succession issues, product positioning, marketing and brand management and the firm's specific resources, namely, the impact on performance of the family members' levels of social capital and education; (ii) further research the relationship between performance and the ownership and control structure, covering a

longer period and studying the wine sector in other European countries; iii) analyze in a case by case approach in order to identify the types of management practice currently being implemented by Portuguese wine firms that have a positive impact on performance.

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