

**The University of Pennsylvania
The Wharton School
Management Department**

**PhD Seminar on Family Business Research
MGMT 938 — Q2 Fall 2015
Tuesdays 1:30 PM — 4:30 PM
SHDH Bowman Room 2039**

Raphael (“Raffi”) Amit

The Robert B. Goergen Professor of Entrepreneurship

Phone: (215) 898-7731 Fax: (215) 573-7189

Email: amit@wharton.upenn.edu

Web page: <http://www.wharton.upenn.edu/faculty/amit.html>

Course Overview and Design

Family firms differ in a number of ways from non-family firms. These differences may result in differential behavior by and performance of family firms versus non-family firms. Although family-controlled firms make up the vast majority of businesses around the world, academic research in this space is sparse. This seminar seeks to expose students to theoretical and empirical perspectives on family businesses. Throughout the course, we will focus on the ownership, control, and management issues that set family firms apart. We will focus on the main issues faced by family firms and attempt to critically examine how, using a range of methodologies, researchers have approached these issues. As we review the literature, we will seek to identify promising research areas, which may be of interest to you in the context of your dissertation research. In addition to addressing the content of the received literature, we will examine the process of crafting research papers and getting them published in top tier journals. Towards that end, we will characterize the key elements of high-impact papers and review the development process of such studies.

Students are expected to come fully prepared to discuss and critique the readings that are assigned to each class (see details below). Each class will center on discussing in depth 4-5 papers from the reading list assigned to that class. Before each class, I will let you know which papers to prepare. Each student will serve as the discussion leader for one or more of the class sessions. Discussion leaders are expected to: (i) critically review several articles, (ii) identify new insights in the research that is being reviewed and evaluate its contribution to the literature, (iii) position the articles within the literature on the subject matter, (iv) raise discussion questions, (v) and act as the discussion moderator for the class session. Each discussion leader is asked to prepare a short PowerPoint that summarizes each of the assigned papers. It should include, but is not limited to: (i) a statement of the main research question(s), (ii) the methodology, (iii) data set (if any), (iv) summary of findings, (v) a commentary with your thoughts on the reading, and (vi) proposed discussion questions. Prior to each class, the discussion leader will meet the instructor to help plan the class meeting. Towards the end of each class, each student will be asked to articulate a research question that emerged from the session and describe the research design used to investigate the issue.

Requirements and Evaluation

One reaction paper is due by **December 8, 2015**. It will contain a comprehensive evaluation of a paper (rather than a mere summary of the paper), selected from the reading list or another paper that is of interest to you and has been vetted by the Instructor. Your course grade will be determined as follows:

| | |
|---|-----|
| Your participation in class discussions | 33% |
| Your effectiveness as a discussion leader | 33% |
| Your reaction paper | 34% |

Other course features and resources

The class readings have been split between two sites: Study.net and Canvas. All third party copyrighted materials are found on Study.net; all other readings are found on Canvas. This is meant to minimize the cost of students obtaining reading materials.

- There will be a dedicated Canvas site for our course. Course materials that are not copyrighted by a third party and periodic announcements will be posted on this Canvas site. The Canvas URL is:

<https://canvas.upenn.edu/courses/1279794>

- You will be able to access Study.net through Canvas. You should receive an email with logon information from Study.net at the beginning of the term. Please contact customerservice@study.net with any logon issues.

The Course at a Glance

| Session Number | Date | Topic |
|-----------------------|--|--|
| 1 | Monday, October 26, 2015 9:00 AM – 12:00 noon | Introduction to Family Business Research |
| 2 | Tuesday, November 10, 2015 12:00 – 3:00 PM | Family Firm Performance |
| 3 | Monday, November 16, 2015 9:00 AM – 12:00 noon | Family Dynamics |
| 4 | Monday, November 23, 2015 9:00 AM to 12:00 noon | Ownership and Control of Family Firms |
| 5 | Monday, November 30, 2015 9:00 AM to 12:00 noon | Governance, Management, Strategy and Valuation of Family Firms |
| 6 | Tuesday, December 1, 2015 12:00 noon -- 3:00 PM | Succession in Ownership, Control, and Management in Family Firms |

Suggested Book

Ernesto J. Poza (2014) Family Business (4th Edition)

Detailed Course Outline**Notes:**

Each week I will point you to the specific papers on which our discussion will center in the following class meeting. I will work with the discussion leader throughout the week to prepare the class.

Changes to the reading list can be anticipated throughout the term.

I. Session 1: Monday, October 26, 2015 (9:00 AM to 12:00 noon)**A. Introduction and Overview**

Readings:

- a. Astrachan, J.H. and Shanker, M.C. (2003) 'Family businesses' contribution to the U.S. economy: A closer look', *Family Business Review*, 16(3): 21
 - b. Bertrand, Marianne, and Antoinette Schoar (2006), The role of family in family firms. *Journal of Economic Perspectives*, 20(2), 73–96.
 - c. Burkart, Mike, Fausto Panunzi, and Andrei Shleifer (2003), Family firms. *Journal of Finance*, 58(5), 2167–2202.
 - d. Gomez-Mejia, L. R., Haynes, K. T., Nunez-Nickel, M., Jacobson, K. J. L., & Moyano-Fuentes, J. (2007), Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, 52(1), 106–137.
 - e. Gomez Mejia, Cruz, Berrone, and de Castro (2011), “The bind that ties: Socioemotional wealth preservation in family firms,” *The Academy of management Annals*, 5 (1), 653–707
 - f. Gomez-Mejia, L. R., Nunez-Nickel, M., & Gutierrez, I. (2001), The Role of Family Ties in Agency Contracts. *Academy of Management Journal*, 44(1), 81-95.
 - g. Hughes, James (2004), *Family Wealth: Keeping it in the family*. Bloomberg Press, Princeton, NJ.
 - h. Morck, Randall, David Stangeland, and Bernard Yeung (2000), “Inherited wealth, corporate control, and economic growth. The Canadian disease?” In: Morck, Randall (Ed.), *Concentrated Corporate Ownership*. University of Chicago Press, Chicago, IL, 319–369.
 - i. Schulze, W. S., Lubatkin, M. H., & Dino, R. N. (2003), Exploring the agency consequences of ownership dispersion among inside directors at family firms. *Academy of Management Journal*, 46(2), 179-194.
 - j. Villalonga Belén, Raphael Amit (2010), Family Control of Firms and Industries. *Financial Management*, 39 (3), 863 – 905.
 - k. Villalonga, Belén, Raphael Amit, María Andrea Trujillo, and Alexander Guzmán (2015), “Governance of family firms,” *Annual Reviews of Financial Economics* 7.
-

II. Session 2: Tuesday, November 10, 2015 (12:00 noon to 3:00 PM)**A. Family Firm Performance**

Readings:

- a. Amit, Raphael, and Belén Villalonga (2013), “Financial performance of family firms,” in Leif Melin, Mattias Nordqvist, and Pramodita Sharma, Eds., *Handbook of Family Business*, SAGE Publications, pp. 157–178
- b. Anderson, Ronald, and David Reeb (2003), Founding family ownership and firm performance: Evidence from the S&P 500. *Journal of Finance*, 58(3), 1301–1329.
- c. Anderson, R., Duru A., Reeb, D. (2009), Founders, heirs and corporate opacity in the US. *Journal of Financial Economics*, 92(2), 205-222.
- d. Barontini, Roberto, and Lorenzo Caprio (2006), The effect of family control on firm value and performance: Evidence from continental Europe. *European Financial Management*, 12(5), 689–723.
- e. Berent-Braun, M.M., Uhlaner, L.M. (2012), Family Governance Practices and teambuilding: Paradox of the enterprising family. *Small Business Economics*, 38(1), 103-119.
- f. Bloom, N., Van Reenen, J. (2007), Measuring and explaining management practices across firms and countries. *Quarterly Journal of Economics*, 122(4), 1351-1408.
- g. Fahlenbrach, Rüdiger (2007), Founder-CEOs, investment decisions, and stock market performance. *Working Paper, Ohio State University*.
- h. Maury, Benjamin (2006), Family ownership and firm performance: Empirical evidence from Western European corporations. *Journal of Corporate Finance*, 12, 321–341.
- i. Pérez-González, Francisco (2006), Inherited control and firm performance. *American Economic Review*, 96(15), 1559–1588.
- j. Villalonga, Belén, and Raphael Amit (2006), How do family ownership, control, and management affect firm value. *Journal of Financial Economics*, 80, 385–417.

III. Session 3: Monday, November 16, 2015 (9:00 AM to 12:00 noon)**A. Family Dynamics--** How family relationships and decision-making affect the family business

Readings:

- a. Amit, R. & Perl, R. (2012), 2012 Family Governance Report: Sources and Outcomes of Family Conflict. *Wharton Global Family Alliance*.
- b. Beehr, T. A., Drexler, J. A., & Faulkner, S. (1997), Working in small family businesses: Empirical comparisons to non-family businesses. *Journal of Organizational Behavior*, 18(3), 297-312.

- c. Bjornberg, Asa and Nicholson, Nigel, (2012), "Emotional ownership: The next generation's relationship with the family firm," *Family Business Review*, 25 (4) 374-390.
 - d. Danes, S. M., & Lee, Y. G. (2004), Tensions Generated by Business Issues in Farm Business-Ownning Couples. *Family Relations*, 53(4), 357-366.
 - e. Davis, P. S., & Harveston, P. D. (1999), In the Founder's Shadow: Conflict in the Family Firm. *Family Business Review*, 12(4), 311-323.
 - f. Davis, P. S., & Harveston, P. D. (2001), The Phenomenon of Substantive Conflict in the Family Firm: A Cross-Generational Study. *Journal of Small Business Management*, 39(1), 14-30.
 - g. Ensley, M.D., & Pearson, A. W. (2005), An Exploratory Comparison of the Behavioral Dynamics of Top Management Teams in Family and Nonfamily New Ventures: Cohesion, Conflict, Potency, and Consensus. *Entrepreneurship: Theory & Practice*, 29(3), 267-284.
 - h. Gersick, K.E., Lansberg, I., & Davis, J. A. (1990), The impact of family dynamics on structure and process in family foundations. *Family Business Review*, 3(4), 357-374.
 - i. Gilding, M. (2000), Family business and family change: Individual autonomy, democratization and the new family institution. *Family Business Review*, 13(3), 239-249.
 - j. Lee, J. (2006), Impact of Family Relationships on Attitudes of the Second Generation in Family Business. *Family Business Review*, 19(3), 175-191.
 - k. Levinson, H. (1971), Conflicts that Plague the Family Business. *Harvard Business Review*, 71(2), 90-98.
 - l. Sorenson, R. L. (1999), Conflict Management Strategies Used by Successful Family Businesses. *Family Business Review*, 12(4), 325-340.
 - m. Ward, John (2008), How values dilemmas underscore the difficult issues of governing the large, enterprising family. *Paper presented at the IESE International Family-Owned Business Conference, Barcelona, Spain.*
-

IV. Session 4: Monday, November 23, 2015 (9:00 AM to 12:00 noon)

A. Ownership and Control of Family Firms

Readings:

- a. Almeida, H., Park S.Y., Suhramanyam M., Wolfenzon, D. (2011), The structure and formation of business groups: Evidence from Korean chaebols. *Journal of Financial Economics*, 99(2), 447-475.
- b. Bertrand, Marianne, Paras Mehta, and Sendhil Mullainathan (2002), Ferreting out tunneling: An application to Indian business groups. *Quarterly Journal of Economics*, 117(1), 121-148.

- c. Claessens, Stijn, Simeon Djankov, and Larry Lang (2000), Separation of ownership from control of East Asian firms. *Journal of Financial Economics*, 58(1-2), 81–112.
- d. Claessens, Stijn, Simeon Djankov, Joseph Fan, and Larry Lang (2002), Disentangling the incentive and entrenchment effects of large shareholdings. *Journal of Finance*, 57(6), 2741–2772.
- e. Faccio, Mara, and Larry Lang (2002), The ultimate ownership of Western European corporations. *Journal of Financial Economics*, 65(3), 365–395.
- f. Franks, J., Mayer, C. (2001), Ownership and control of German corporations. *Review of Financial Studies*, 14(4), 943-977.
- g. Klasa, Sandy (2007), Why do controlling families of public firms sell their remaining ownership stake? *Journal of Financial and Quantitative Analysis*, 42(2), 339-367.
- h. La Porta, Rafael, Florencio López De Silanes, and Andrei Shleifer (1999), Corporate ownership around the world. *Journal of Finance*, 54(2), 471–517.
- i. La Porta, Rafael, Florencio López de Silanes, Andrei Shleifer, and Robert Vishny (2002), Investor protection and corporate valuation. *Journal of Finance*, 57(3), 1147–1170.
- j. Masulis R., Pham P.K., Zein J. (2011), Family business groups around the world: Financing advantages, control motivations, and organizational choices. *Review of Financial Studies*, 24(11), 3556-3600.
- k. Morck, R., Wolfenzon, D., and Yeung, B. (2005) ‘Corporate governance, economic entrenchment and growth’, *Journal of Economic Literature*, 43(3): 655–720.
- l. Villalonga, Belén, and Raphael Amit (2009), How are U.S. family firms controlled? *Review of Financial Studies*, 22(8), 3047-3091.

V. Session 5: Monday, November 30, 2015 (9:00 AM to 12:00 noon)

A. Governance, Management, Strategy and Valuation of Family Firms

Readings:

- a. Anderson, Ronald, and David Reeb, (2003) Founding-Family Ownership, Corporate Diversification, and Firm Leverage *Journal of Law and Economics* XLVI, 653-687.
- b. Anderson, Ronald, and David Reeb, (2004) Board Composition: Balancing Family Influence in S&P 500 Firms, *Administrative Science Quarterly*.
- c. Anderson, Ronald, Sattar Mansi, and David Reeb (2003), Founding family ownership and the agency cost of debt. *Journal of Financial Economics*, 68, 263–285.

- d. Feldman, Emilie, Raphael Amit, and Belén Villalonga (2015), “Corporate divestitures and family control,” *Strategic Management Journal*, forthcoming (published online Early View in Wiley Online Library (wileyonlinelibrary.com) DOI: 10.1002/smj.2329)
- e. Gomez-Mejia, L. R., Larraza-Kintana, M., & Makri, M. (2003), The Determinants of Executive Compensation in Family-Controlled Public Corporations. *Academy of Management Journal*, 46(2), 226-237
- f. Hsu Po-Hsuan, Huang Sterling, Massa Massimo, Zhang Hong (2015), The New Lyrics of the Old Folks: Risk Diversification of Family Ownership through Innovation and Exploration, Insead working paper
- g. McConaughy D. (1999), Is cost of capital different for family firms? *Family Business Review*, 12(4), 353-360.
- h. Laeven L., Levine R. (2008), Complex ownership structures and corporate valuations. *Review of Financial Studies*, 21(2), 579-604.
- i. Miller, Danny, Le Breton-Miller, Isabelle and Lester, Richard (2010), “Family ownership and acquisition behavior in publicly-traded companies, *Strategic management Journal* 31, 201-223
- j. Nenova, Tatiana (2003), The value of corporate voting rights and control: A cross-country analysis. *Journal of Financial Economics*, 68, 325–351.
- k. Tsoutsoura, Margarita (2015), “The effect of succession taxes on family firm investment: Evidence from a natural experiment,” *Journal of Finance*, 70, 649-688
- l. Villalonga, Belén (2009), Note on valuing control and liquidity in family and closely held firms. *Harvard Business School Technical Note*, 209-104.
- m. Zellweger, Thomas (2007), Time horizon, costs of equity capital, and generic investment strategies of firms. *Family Business Review*, 20(1), 1-15.
- n. Zingales, Luigi (1995), What determines the value of corporate votes? *Quarterly Journal of Economics*, November, 1047–1073.

I. Session 6: Tuesday, December 1, 2015 (12:00 noon to 3:00 PM)

A. Succession of Ownership, Control, and Management in Family Firms

Readings:

- a. Bennedsen, Morten, Kasper Nielsen, Francisco Pérez-González, and Daniel Wolfenzon (2007), Inside the family firm: The role of families in succession decisions and performance. *Quarterly Journal of Economics*, 122(2), 647–691.
- b. Bertrand, Marianne, Simon Johnson, Krislert Samphantharak, and Antoinette Schoar (2008), Mixing family with business: A study of Thai business groups and the families behind them. *Journal of Financial Economics*, 88, 466–498.

- c. Fan Joseph, Ming Jian, and Yin-Hua Yeh (2008), Succession: The roles of specialized assets and transfer costs. *Working Paper*, Chinese University of Hong Kong.
 - d. Lansberg, I., & Joseph H. Astrachan (1994), Influence of Family Relationships on Succession Planning and Training: The Importance of Mediating Factors. *Family Business Review*, 7(1), 39-59.
 - e. Lee, K.S., Lim, G.H., Lim, W.S. (2003), Family business succession: appropriation risk and choice of successor. *Academy of Management Review*, 28(4), 657-666.
 - f. Morris, M. H., Roy O. Williams, Jeffrey A. Allen, & Ramon A. Avila (1997), Correlates of success in family business transitions. *Journal of Business Venturing*, 12(5), 385-401.
 - g. Smith, Brian, and Ben Amoako-Adu (1999), Management succession and financial performance of family controlled firms. *Journal of Corporate Finance*, 5, 341-368.
 - h. Jeffrey Sonnenfeld and Padraic Spence, "The parting patriarch of a family firm," *Family Business Review* 1989
 - i. Long, Rebecca, and Chrisman, James, "Management succession in family business," in Leif Melin, Mattias Nordqvist, and Pramodita Sharma, Eds., *Handbook of Family Business*, SAGE Publications, pp. 157-178
-