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Seat Changes On The Board And Financial Performance: The Moderating Role Of Family Firms

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Agradeço imensamente aos organizadores deste evento por promoverem a pesquisa de ponta em nosso país, apesar de todas dificuldades contextuais.

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Introdução

Investor’s protection depends on a firm’s internal and external mechanisms of supervision that should mitigate agency problems, especially those that are prevalent in family firms involving family owners and non-family owners (Gonzalez, 2019). Agency problems in family firms manifest primarily concerning the disparity of interests between shareholders versus managers and controlling family shareholders versus noncontrolling shareholders (Villalonga et al., 2015). The board of directors represents a crucial internal corporate governance mechanism to monitor managerial decisions (Fama, 1983).

Problema de Pesquisa e Objetivo

The aim of this study is to investigate whether there is a significant relationship between board membership modifications and financial performance, furthermore, to understand if this effect is different between family firms versus non-family firms. We found empirical evidence that family firms perform fewer changes on the board, in proportion to its board size, compared to non-family firms and we found an association between board membership change and financial performance of family firms towards short-term financial performance indicators.

Fundamentação Teórica

Family executives may prioritize family interests in decision making processes (Newbert & Craig, 2017) over other stakeholders’ or minority shareholders. Despite the possibility of type II agency problems, when a significant blockholder can act in its own interest over the minority shareholders, family ownership can, conversely, generate good results not only for the company, but also for investors. Some explanations are based on the long-term orientation and socio-emotional wealth that is sought by these structures.

Metodologia

The methodology and response variables for financial performance used in this study are accordingly to Gonzalez (2019), Wong (2019), Turrent (2017), Garcia-Castro & Aguilera (2014) and Arosa (2010). The methodology applied was fixed effects panel regression, considering the firm’s annual board turnover and lagged (Y+1) financial indicators to address the problem of double causality in the turnover-performance relationship.

Análise dos Resultados

Amid the essential reasons for the reduced changes on the family firms, the literature indicates the dominant recurrence of the same individual as CEO and Chairperson (Faleye, 2007; Ryan and Wiggins, 2004). Moreover, the greater presence of blockholders (Maury and Pajuste, 2005) and greater age of the members reduce the board turnover, mainly interrelated to the preservation of expertise and respect among the members (González et al., 2015). The multivariate analyses appointed both cross-variables statistically significant for ROE and ROA.

Conclusão

Family firms may obtain beneficial effects over non-family firms related to board membership changes on short-term financial performance indicators (ROE, ROA), by reason of the cross-variable (Board Turnover and Family Firm) be statistically significant and with positive coefficient in the quadratic form. Above a certain level of board membership variations, these gains could be related to high rate of family members exchange that preserve the essence of the company as well as bringing complementary points of view. Few changes for NFB, may be more attributed to the member's self-preservation.

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