# Mixing family with business: A study of Thai business groups and the families behind them ☆

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## Abstract

How does the structure of the families behind business groups affect the group's organization, governance, and performance? We construct a unique dataset of family trees and business groups for 93 of the largest business families in Thailand. We find a strong positive association between family size and family involvement in the ownership and control of the family businesses. The founders' sons play a central role in both ownership and board membership, especially when the founder of the group is dead. Greater involvement by sons is also associated with lower firm-level performance, especially when the founder is dead. One hypothesis that emerges from our analysis is that part of the decay of family-run groups over time is due to the dilution of ownership and control across a set of equally powerful descendants of the founder, which creates a "race to the bottom" in tunneling resources out of the group firms.
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## 1. Introduction

Family firms have attracted a lot of interest over the last few years. Recent research shows that the U.S. model of dispersed ownership, with strong separation of ownership and control, is unusual. Instead, most firms around the world are likely to be part of a group of companies, linked together through common

ownership, with ultimate ownership and control often lying with a single family. La Porta, Lopez-de-Silanes, and Shleifer (1999) show that a large fraction of public and private firms around the world are family-controlled. Family-controlled firms often use pyramidal ownership structures to exert control over a large network of firms.[1] While family firms appear to be more prevalent in countries with weak minority shareholder protection, a number of recent studies show that family involvement is quite widespread, even in the U.S.[2]

The finance literature has generally treated the families behind business groups as monolithic entities. Most economic theories of family businesses focus on the role of families as second-best solutions to imperfections in the financial markets, the market for corporate control, or the market for managerial talent (see, e.g., Burkart, Panunzi, and Shleifer, 2003; Caselli and Gennaioli, 2005). These models generally assume that trust relationships between family members can serve to (partially) solve principal-agent problems between owners and outside managers, if monitoring of managers is difficult. However, these theories typically ignore the fact that families are composed of individual members who have their own personal objectives and claims over the family businesses. This divergence in objectives might even lead to an erosion of trust within families, especially once the founder has passed control to the next generation.

Our goal is to explore how these within-family dynamics affect the organization, governance, and performance of business groups. For this analysis, we created a new data set that contains detailed information on the family trees—starting with the founder and following until the current generation—and the exact network structure of over 90 of the largest family business groups in Thailand.[3] We have three main sets of findings. First, we document in detail how control, management, and ownership are allocated across different family members. The sons of the founder are central in ownership and control for these groups and substantially increase their ownership once the founder is gone. In groups where the founder has a relatively greater number of sons, the sons hold a significantly larger fraction of the ownership and control rights of the group firms. In fact, we find that sons "crowd out" the ownership and control rights of other family members.

Second, we show that families where the founder has a relatively greater number of sons are associated with lower firm-level performance. Family structure appears to be a major determinant of firm-level performance. This effect is especially pronounced when the founder is dead. In contrast, the correlation between firm performance and the number of daughters or number of other family members is much smaller and in most cases insignificant.

Third, we identify a possible governance channel for these performance results. Families that have relatively more sons tend to show a larger discrepancy between control and ownership rights (excess control), which is usually associated with poor governance and incentives for tunneling. The same increase in excess control cannot be found in families that have relatively more daughters or other family members. Moreover, sons show higher levels of excess control once the founder is gone. A parallel relation can be found for the organizational structure of the groups. Once the founder is gone, larger families are associated with larger groups (more firms in the group) and groups that are more pyramidal in structure. Finally, we find that, controlling for family ownership, excess control by the founder's sons is associated with lower firm-level performance, again especially when the founder is dead. The same effect of excess control is not found for other family members. This suggests that a family member's ability to extract resources from a group firm depends on that family member's position within the family hierarchy and not just whether he or she has a position on the firm board.

One interpretation that emerges from our analysis is that the decay of family-run groups over time might in part reflect infighting for group resources as control becomes more diluted among rival family members, and in particular among the sons of the founder. If powerful insiders compete against each other, this could lead to "a race to the bottom" where one brother tries to tunnel resources out of the firm before another brother does.

[1]Anderson and Reeb (2003) find that founding families are present in one third of S&P 500 firms and hold on average about 18% of the equity in these firms. See also Claessens, Djankov, and Lang (2000) for a study of family involvement in East Asian countries, and the work of the European Corporate Governance Network reported in Gugler (2001) for a similar study for European countries.

[2]See also Bhattacharya and Ravikumar (2003) and Pérez-González (2006).

[3]Our data sources do not allow us to determine which family members have died (we are able to do this for founders only after substantial additional work for each). For this reason, measures of family size, number of sons, etc. are measured from the start of the family business, unless otherwise noted.

These rivalries across family members seem to become more pronounced when the founder of the family group has more sons and when the founder himself is gone.

However, we should stress that our analysis does not allow us to rule out additional explanations for the negative relation between family size (and especially number of sons) and firm performance. A greater number of sons could lead to worse management decisions within the group if these family insiders crowd out potentially more able professional managers. In addition, the average quality of a son could be lower as the number of sons increases, because of the limited parental resources that have to be shared across a larger set of children. The founder might feel compelled to let his sons manage the group firms irrespective of their ability because of personal preferences or cultural inheritance norms (see Bertrand and Schoar, 2006).

There are a number of reasons why we focus our analysis on Thailand. First, Thailand is one of the few countries where detailed family structure data can be constructed with reasonable accuracy. For the major family groups now in existence, we are able to identify the founder who created the family business and the lineage of his children and future generations, in some cases for up to five generations. Second, there is a great deal of publicly available data for both publicly traded and privately held Thai family firms, which enables us to explore the role of private firms in more detail than is possible in many countries. Given the structure of business groups, this is an important improvement over previous studies that focus only on the public firms within family groups. These data were collected for 1996, i.e., a year before the financial crisis. For each business group, we construct organizational charts that describe the network structure of the groups as of 1996.

Our paper builds on several recent studies that document that family firms have lower stock market valuations and lower rates of return on average than non-family firms, although none of these studies have data on the private firms within the family business groups (see, e.g., Claessens, Djankov, Fan, and Lang, 2002; Cronqvist and Nilsson, 2003). More recently, Pérez-González (2006) and Villalonga and Amit (2006) show for U.S. firms that this negative performance effect is in large part related to the passing of active management and control from the founder to the descendants. Bennedson, Nielsen, Pérez-González, and Wolfenzon (2007) show a similar result for the case of small private firms in Denmark and are able to use gender composition as an instrument for the availability of male heirs. Our data allow us to go a step further and investigate the family dynamics and changes in governance structure associated with larger families and founder succession in business groups. But not all papers conclude that family firms perform worse on average. For example, Anderson and Reeb (2003) find higher performance for family firms in the U.S., while Khanna and Palepu (2000) show that business groups in India (which are for the most part family-controlled) on average perform better than stand-alone firms in matched industries. Morck, Stangeland, and Yeung (2000) offer an explanation for the positive outcomes of family firms in some countries. If the government plays a central role in the economy, family connections can provide access to limited resources that in turn can lead to an even greater concentration of political influence in the hands of a few families. Marman (2002) provides a similar description of the emergence of family firms in South Korea and Israel.

Our results are also related to the sociology literature on family groups that tends to focus more on detailed descriptions of within-family dynamics. For example, a number of sociological studies, relying for the most part on case studies, interviews or anecdotal evidence, have stressed the importance of cultural factors in explaining the emergence of family firms. Redding (1990), Jones and Rose (1993) and Whyte (1996) explore this argument in the context of Chinese families. These papers suggest that family traditions and inheritance rules might be central to the evolution of family businesses. They also highlight the possibility of conflicts within business families and how those might alter the direction and growth of the businesses.

The rest of this paper is organized as follows. In Section 2 we provide some brief background information on Thai business history, including the evolution of family businesses. Section 3 explains how our data were collected on the families and their groups of firms. Section 4 discusses the descriptive statistics. Section 5 establishes that greater family involvement, particularly by sons of the founder, is associated with worse performance. Section 6 presents our main findings and Section 7 concludes.

## 2. Brief historical background

The Thai economy was integrated into the world economy in 1855 when the Bowring Treaty was signed between Britain and Siam. This treaty ended the Siamese King's monopoly power over international trade and

lowered the tariff on exports and imports. In the wake of this increased openness, European businesses entered Thailand, mainly through trading houses and banks and in the forestry, mining, and engineering sectors. Over the same period, the number of Chinese immigrants increased. Almost 3 million Chinese immigrants arrived in Thailand between 1882 and 1931. By the end of the 1920s, almost 12% of the total population of Thailand was of Chinese origin (Limlingan, 1986). Most of these immigrants were poor and worked as laborers in the growing export industries such as rice milling. But a number of these immigrants became entrepreneurs in various industries such as agriculture, trade, and mining, and started to expand their business extensively. The origin of some of the best-known business families can be traced back to this period (Suehiro, 1997).

The revolution of 1932 marked the end of the absolute monarchy in Thailand and led to an expansion of many family business groups that are important to this date. After the Second World War, Thailand entered a long period of successive military dictatorships that lasted until the 1970s. During this period, the government and military leaders became involved in business through shareholdings or board participation in both state-owned enterprises and private companies. These connections allowed such companies to grow rapidly. The First National Economic Development Plan was introduced in 1961, marking the beginning of the industrialization of the country. The manufacturing sector started to expand rapidly but was concentrated around a few family business groups that had connections with the banking sector and the government. The financial liberalization of the late 1980s and early 1990s created investment opportunities in real estate, telecommunications, and tourism and gave rise to new business groups that grew rapidly and eventually became as important as the old groups in shaping the modern Thai corporate sector.

## 3. Data

The data for this project were collected from a number of different sources. In the following we will give an overview of the data collection process. The Appendix explains precisely how we obtained our sample of firms, including how we ascertained that a family controls a particular firm.

### 3.1. Firms

Each registered firm in Thailand has to submit annual financial statements, audited by an authorized auditor, to the Ministry of Commerce. Registered firms include registered partnerships, privately held limited companies, and publicly traded companies. The financial statements of the largest 2,000 firms are published every year in a book series called *Thailand Company Information* (TCI). The criteria that TCI uses for including firms are (1) annual revenues of at least 200 million baht (approximately 8 million U.S. dollars, using 1996 exchange rates), (2) listed on the Stock Exchange of Thailand, or (3) one of the leading companies in its industry. We collect this information for the cross section of all firms in 1996, since we want to capture the groups' structures and organization before the Asian financial crisis. In total, our sample contains 2,153 firms in 1996, which includes all publicly traded firms and the largest privately held firms in Thailand.

The TCI database contains financial, ownership, and board composition information at the firm level. For all firms, the financial information includes total assets, total liabilities, total revenues, and net profits. The database also reports ownership data, the names of and the percentage of company shares held by each shareholder, and the names of directors on the firm's board. For publicly traded firms, specific board positions held by a particular person are also reported. The database provides information on industry classification similar to one-digit and two-digit SIC codes, as well as the founding year for each firm. We supplement these data with follow-up requests made to the Department of Business Development in the case of missing information. (The Department of Business Development was previously known as the Department of Commercial Registration until the government reorganization that became effective in October 2002.) We had to hand-collect the data for our business groups, since TCI only publishes these data in book format (rather than electronically).

For publicly listed firms, we can obtain additional information from the Stock Exchange of Thailand's *Listed Company Info.* These data are available in electronic format and distinguish between consolidated and unconsolidated financial statements. We use unconsolidated financial statements in our analysis when looking at the outcomes of subsidiary firms within a business group.

## 3.2. Families

To construct family trees for the family business groups in our sample, we rely on a number of sources. We start with a publication by the Brooker Group (2003) entitled *Thai Business Groups: A Unique Guide to Who Owns What*, which covers the 150 leading business groups in Thailand and the history of each of these groups from the time the first business was founded. We then construct family trees for these business groups: for each of the groups, we identify the founder and trace all of his direct descendants to the youngest generation that is active in business. We exclude family members who are younger than 15 years in 1996. We can infer this from the person's title, since in Thailand people drop their junior title when they turn 15.

Since the Brooker book does not provide full coverage of all family members, we gather more detailed descriptions from alternative sources. First, we collect family tree information from the funeral books published and distributed for the group founders or other family members. It is customary in Thailand when a public person dies that the descendants compile a funeral book that contains information about the person's life and his or her family relationships. These funeral books are available at the National Library in Bangkok. Second, we compile data from various biographical accounts written on Thai families. For example, Sapphaibul (2001a, b) provides detailed information on 55 of the most famous business families. We supplement this information with articles, obituaries, wedding announcements, and anniversary announcements of these businesses families in various local magazines and newspapers. A complete list of the biography and funeral books as well as the articles is in the Appendix. Finally, we conduct informal interviews with family members of a few business families to verify the accuracy of our data.

The descriptive data are then systematically coded in the form of family trees. We include in our family trees all of the family members we identify, whether or not they are involved in the family business. The founder generation is coded as generation one, his children are generation two, and so on. For each family member, we collect information on his or her specific position in the family tree (defined as the relationship to the founder), gender, birth order (defined as the rank order of children within a specific marriage), and biological versus adopted status. We also code information on education, working experience, and involvement in the family business, but these data are less complete. We identify whether the founder is still alive in 1996 and whether an heir has taken over. (Note that we cannot systematically track whether a given family member is still alive for most of the other family members.) Finally, we collect information on the name of the spouse(s) for each family member. This information is especially interesting for the founder, since several founders have multiple wives and also children from multiple wives. We do not, however, count spouses as part of the family when we construct measures of family size. We carefully keep track of changes in last names, especially for married female family members and their descendants.

Since we have to rely on secondary sources to construct the family trees, there is some concern that there is a bias towards coverage of family members who are involved in business, while family members who are more private will not be mentioned in these sources. We limit our sample to 93 families for which we can cross-check our information using several different sources. But even for these families, there is still some concern that our information is not complete. With regard to the coverage of female family members, the proportion of females including all generations and adopted children is 38%, whereas the proportion of females in the family trees excluding the first generation (the founders) and excluding adopted children is 42%, suggesting some data inconsistencies.

Fig. 1 displays a sample family tree. The Bhirom Bhakdi family owns and manages a beer business in Thailand under the brand "Singha." Boonrawd Satrabutr started the family business in 1932. Boonrawd is coded as the first generation in our data. He adopted Wit, a nephew, as his son. He and his wife later had two other sons, Prachuab and Chamnong Wit, Prachuab, and Chamnong are considered as the family's second generation. There are 11 family members in the third generation: five males and six females, the sons and daughters of Wit, Prachuab, and Chamnong.

Each individual in the family tree then has to be matched to the ownership and board composition data collected at the firm level, allowing us to determine whether a specific family member is involved in the family business, in what capacity (through ownership and/or control), and in which firms. There are two major data challenges in this matching exercise. First, there are typically many different English spellings for a given Thai name, forcing us to do most of this matching by hand. Second, special care has to be taken in matching female
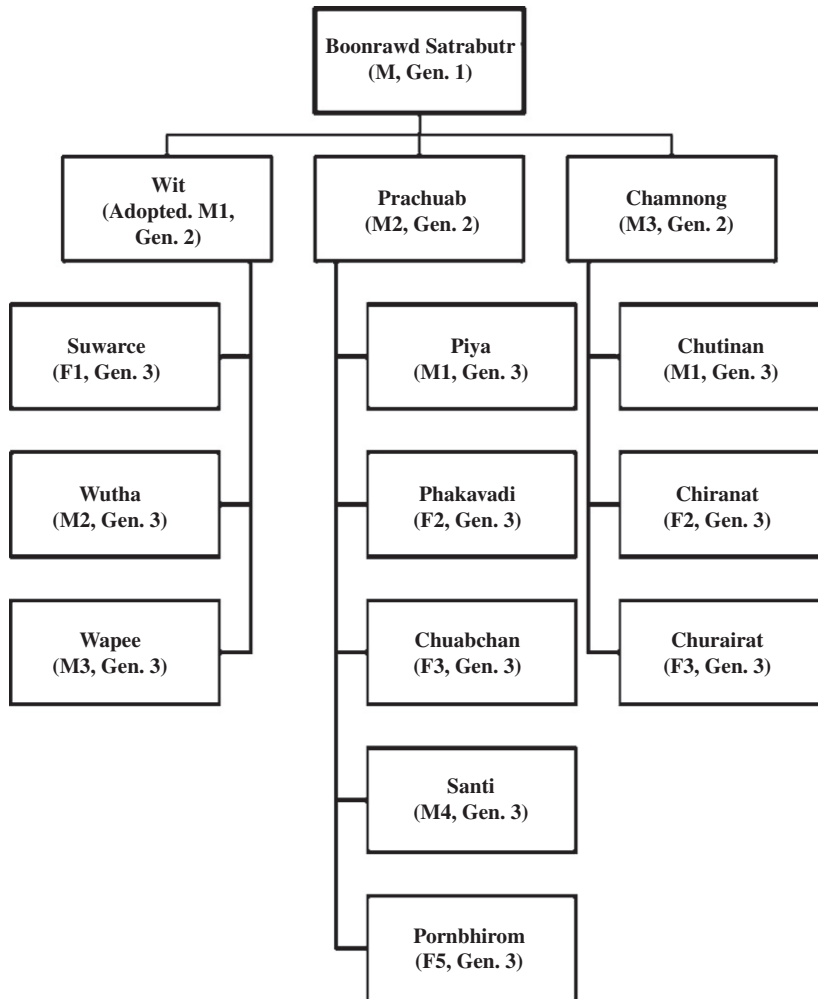
Fig. 1. Bhirom Bhakdi Family.

family members to the ownership and board information as they may have dropped their maiden name after getting married. To alleviate any bias that might result from the change in last name we also match all the daughters of a given family by first name only. This creates a unique match in all but one case, since in Thai culture it is very uncommon that two children within a family are given the same first name. Overall, we identify the firms that belong to each of our 93 business families. The criterion is that the family as a whole has the highest percentage of ultimate ownership in that company. Ultimate ownership is defined as the cash-flow rights derived from holding shares in the firm directly or indirectly through pyramids or cross-shareholdings. Taken as a whole, the 93 families in our dataset control more than 40% of all the assets in our 1996 sample of Thai firms.

## 4. Descriptive statistics

Table 1 provides an overview of the 93 business families in our sample. While the average family has 12.9 members, there is wide variation in family size: the largest family has as much as 122 members and the smallest has one. Note that we use here all family members in the family tree (but not children under age 15 at the time of our study—it is impossible to ascertain exactly how many of them are present in most families), regardless of whether we have evidence that they are involved in the business, since we would create endogeneity bias in

Table 1

Summary statistics: family characteristics

The unit of observation is a family. All the data are approximately as of 1996. Family size is the total number of direct descendants of the founder of each business group, including the founder himself. Specifically, family size does not include spouses, founder's siblings, and descendants of founder's siblings. Number of generations is defined as the number of generations of the family from the founder (generation 1) to the latest generation that is active in family business. Number of male family members is the total of number of direct descendants of the founder, including the founder himself. Number of female family members is the total number of direct descendants of the founder. Number of sons (daughters) is the total number of founder's sons (daughters) from all wives. Multiple wives is a dummy variable with the value of one if the founder had more than one wife, and zero otherwise. Founder dead is a dummy variable with the value of one if the founder was dead by 1996 and zero otherwise. The number of observations in full sample is 93 families, except for multiple wives, where the number of observations is 72.

| Variable | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|
| Family size | 12.94 | 17.51 | 1 | 122 |
| Number of generations | 2.47 | 0.72 | 1 | 5 |
| Number of male family members | 9.06 | 10.28 | 1 | 69 |
| Number of female family members | 5.88 | 8.08 | 0 | 51 |
| Number of sons | 3.26 | 2.57 | 0 | 14 |
| Number of daughters | 2.40 | 2.30 | 0 | 12 |
| Multiple wives | 0.24 | 0.43 | 0 | 1 |
| Founder dead | 0.48 | 0.50 | 0 | 1 |

the family size variable otherwise. Due to data limitations, family size does not include spouses or the founder's siblings (and their descendants). In-laws are also excluded. We are not confident in our ability to collect high-quality data on these relatives across all families.

There are two main sources of variation in family size: the number of children each couple has, and the number of generations that have passed since the founder started the business. On average, each family group has been around for 2.5 generations, with a minimum of one generation (three families), and a maximum of five generations (only one family).[4] The vast majority of the families in our data span two or three generations. The average number of male direct descendants of the founder is 9.1 and the average number of female direct descendants of the founder is 5.9. The number of sons is 3.3 and the number of daughters is 2.4. These calculations include the founder's children from all wives. For 72 out of the 93 families, we have been able to ascertain if the founder had more than one wife.[5] This was the case in 17% of the 72 families. Finally, we document that the founder is dead in 45 of the families in our sample.

Table 2 reports characteristics of the firms that these families own and operate. Every family in our sample controls at least one firm; 16 out of 93 families control only one firm (for which we have data), while the remaining families control groups of firms. (By our criterion of assigning a firm to the family with highest ownership, no firms in our sample are owned by, controlled by, or involve more than one family.) The average family in our sample controls 6.56 distinct companies in 1996. There is wide variation among families, with the biggest family group owning 58 firms. Since this family presents a large outlier in our group size distribution, we rerun all our results without this family; the results are robust to this omission. The average return on assets of the groups, calculated as net profits in 1996 divided by 1996 year-end total book assets, is only 3%, while leverage is over 70%, measured as total liabilities divided by book value of total assets (again for 1996). The low average ROA and high leverage reflect the timing of the data, which was at the onset of the Asian financial crisis. On average, the groups in our sample own 1.9 public firms and 4.7 private firms. To provide a better picture of the structure of the groups in our sample, we calculate the "depth" of the groups measured as the largest number of vertical ownership links between firms within a group. We set the depth of firms at the top of the group structure as zero. For example, if firm A owns B and firm B owns C, we calculate the depth of

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[4]Eight families in our sample are four or more generations old. However, several second-generation family members are still alive in these families. In fact, in four out of these eight families, we identify second-generation members with ownership and/or board positions in 1996. We replicate the main parts of our analysis by dropping those four families that are four or more generations old and for which we do not see second-generation family members with ownership and/or board positions. The main regression results do not change.

[5]In some instances the founder has more than one wife at the same time, while in other cases the wives are consecutive. We do not differentiate between these two kinds of multiple wife situations in our analysis.

Table 2

Summary statistics: firm characteristics

*Panel A*: The unit of observation is a firm. All data are as of 1996. Return on assets is the net profit divided by the total assets at the end of the year. Leverage is group total liabilities divided by group total assets. Residual return on assets is the residual from the OLS regression of return on assets on one-digit SIC fixed effects and the natural logarithm of firm total assets across all firms in the full sample, including firms not belonging to the 93 families. Firm age is as of 1996.

*Panel B*: The unit of observation is a family business group. All data are as of 1996. Number of firms is the number of public and private firms in our sample that belonged to families. Log of total assets is the natural logarithm of group total assets in thousands of baht at the end of the year. Return on assets is the net profit divided by the total assets at the end of the year. Leverage is group total liabilities divided by group total assets. Group age is defined as the age of the oldest firm for each group in our sample. Group depth is defined as the maximum depth of the deepest firm in the group, where maximum depth is the longest chain that vertically traces the firm to the family's ultimate ownership. Number of firms owning a particular firm is the largest number of group firms with ownership in a particular firm in the same group. Number of firms owned by a particular firm is the largest number of group firms that are owned by a particular firm in the same group. The total number of groups in the full sample is 93. When computing group structure variables, two groups are dropped out due to their complicated structure of cyclical cross-shareholdings.

| Variable | Number of firms | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| *Panel A: Firm level* | | | | | |
| Return on assets | 586 | 0.03 | 0.07 | −0.11 | 0.21 |
| Residual return on assets | 586 | 0.10 | 7.25 | −19.86 | 19.71 |
| Leverage | 586 | 0.71 | 0.25 | 0.21 | 1.10 |
| Firm age | 586 | 18.06 | 13.57 | 0 | 114 |
| *Panel B: Group level* | | | | | |
| Number of firms | 93 | 6.56 | 9.21 | 1 | 58 |
| Number of public firms | 93 | 1.90 | 2.58 | 0 | 19 |
| Number of private firms | 93 | 4.66 | 7.81 | 0 | 53 |
| Log of total assets | 93 | 16.43 | 1.77 | 12.54 | 21.22 |
| Returns on assets | 93 | 0.03 | 0.04 | −0.11 | 0.21 |
| Leverage | 93 | 0.69 | 0.18 | 0.29 | 1.10 |
| Group age | 93 | 32.10 | 16.98 | 7 | 114 |
| Group depth | 91 | 1.64 | 1.55 | 0 | 7 |
| Number of firms owning a particular firm | 91 | 1.57 | 1.67 | 0 | 7 |
| Number of firms owned by a particular firm | 91 | 2.33 | 3.94 | 0 | 23 |

the group as two. Table 2 shows that the average depth of the groups in our sample is 1.64, where the flattest groups have a depth of zero (i.e., they are not pyramidal at all) and the deepest group has seven levels, i.e., seven layers below the firm at the top of the group. We also calculate two more statistics on the complexity of the upstream and downstream ownership holdings within the groups. "Number of firms owning a particular firm" calculates the largest number of upstream ties of an individual firm in the groups, while "number of firms owned by a particular firm" describes the same for downstream ties. The values for these are 1.57 and 2.33, respectively.

Panel A of Table 3 reports the ownership structure of the firms across different family members and Panel B shows the board involvement of the family members. The average family ownership stake is 45.2% for the firms in our sample, and on average 6.23 family members have ownership stakes in at least one firm within the family group. The sons of the founder on average hold 12.6% of the outstanding equity in the group firms while the daughters hold only 5.5%. About 1.4 sons on average have ownership in at least one of the group firms but only 0.8 of the daughters do. Overall, the proportion of family ownership held by the sons is 28% while the daughters own only 10% of the equity that is in the hand of family members.

Panel B shows that the numbers are even more skewed for the distribution of board positions that provide control rights over the firm. On average there are 1.24 family members with board positions. About 51% of sons hold at least one board position. The fraction of family board positions held by the sons is 40%. In contrast, the fraction family ownership held by daughters of the founder is 8% and only 10% of daughters hold board positions.

Table 3
Summary statistics of family involvements

The unit of observation is a family business group. For each observation, the variables are computed as the arithmetic average across firms in the group. The data are as of 1996. The number of observations in the full sample is 93 groups (families) except for those for fraction of family board positions because some families do not hold any board positions in some family-owned firms.

Family ownership is the total percentage of ultimate ownership directly or indirectly held by family members in a particular firm. Number of family members with ownership is the number of family members that directly or indirectly own a particular firm. Sons' (daughters's) ownership is the total percentage of ultimate ownership directly or indirectly held by all founder's sons (daughters). Number of sons (daughters) with ownership is the number of founder's sons (daughters) that directly or indirectly own a particular firm. Fraction of family ownership held by sons (daughters) is computed as sons' (daughters') ownership divided by family ownership. Fraction of family ownership held by others is the fraction of family ownership not held by the founder's sons or daughters.

Number of family member with board positions is the number of family member with board positions in at least one of the group firms. Number of sons (daughters) with board position is the number of the founder's sons (daughters) with board positions in at least one of the group firms. Fraction of board positions held by sons (daughters) is computed as the number of founder's sons (daughters) on the board divided by the number of all family members on board for a particular firm. Fraction of board positions held by others is computed as the number of family board positions not held by founder's sons or daughters divided by the number of board positions held by any family members for a particular firm.

| Variable | Number of families | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| *Panel A: Involvement in ownership* | | | | | |
| Family ownership (%) | 93 | 45.17 | 25.37 | 3.64 | 100.00 |
| Number of family members with ownership | 93 | 6.23 | 4.82 | 1 | 36.57 |
| Sons' ownership (%) | 93 | 12.61 | 15.52 | 0 | 63.08 |
| Daughters' ownership (%) | 93 | 5.49 | 10.14 | 0 | 45.50 |
| Number of sons with ownership | 93 | 1.39 | 1.38 | 0 | 6 |
| Number of daughters with ownership | 93 | 0.81 | 1.11 | 0 | 5 |
| Fraction of family ownership held by sons | 93 | 0.28 | 0.28 | 0 | 1 |
| Fraction of family ownership held by daughters | 93 | 0.10 | 0.16 | 0 | 1 |
| Fraction of family ownership held by others | 93 | 0.62 | 0.33 | 0 | 1 |
| *Panel B: Involvement in board positions* | | | | | |
| Number of family members with board positions | 93 | 1.24 | 0.87 | 0 | 5 |
| Number of sons with board positions | 93 | 0.51 | 0.65 | 0 | 4 |
| Number of daughters with board positions | 93 | 0.10 | 0.25 | 0 | 1 |
| Fraction of family board positions held by sons | 85 | 0.40 | 0.39 | 0 | 1 |
| Fraction of family board positions held by daughters | 85 | 0.08 | 0.22 | 0 | 1 |
| Fraction of family board positions held by others | 85 | 0.52 | 0.41 | 0 | 1 |

## 5. Family structure and family involvement in the business

As a first step toward understanding the role of individual family members in the performance and governance of group firms, we analyze the ownership and control positions of the different family members. We focus on two types of involvement: board membership and share ownership. We analyze how family involvement in the business (board membership and ownership) varies with the size and composition of the family. The idea behind this analysis is to understand whether greater "availability" of family members is associated with more family members taking part in business. A possible alternative would be to select the same number of family members to run the firms, after choosing from a larger talent pool.

### 5.1. Ownership structure

In Table 4, we first compute for each family the number of family members who hold some ownership in at least one of the group firms. In Column 1 we regress the number of family members who have some ownership in one of the group firms on the size of the family measured as the number of family members across all generations. These regressions are estimated at the firm level, but standard errors are clustered at the family (i.e., group) level to account for the fact that the decisions to involve family members could be made at the central group level and not at the level of the individual firm. We also include dummy variables for the number of generations since the group was founded and a control for the age of the business group, measured as the

Table 4

Family involvement in business ownership for 93 families

The unit of observation is a firm ($n = 521$). Number of family members with ownership is the number of family members that directly or indirectly own a particular firm. Fraction of family ownership held by sons (daughters) is computed as sons' (daughters') ownership divided by family ownership. Fraction of family ownership held by others is the fraction of family ownership not held by the founder or his sons or daughters. Family size is the total number of direct descendants of the founder of each business group, including the founder himself. Founder dead is a dummy variable with the value of one if the founder was dead by 1996 and zero otherwise. Number of sons (daughters) is the total number of founder's sons (daughters) from all wives. Number of others is family size minus the number of sons and daughters. Firm age is as of 1996. All regressions are estimated using OLS and controlled for number of generations fixed effects. Standard errors are clustered at family-group level. Robust standard errors are in parentheses. * Represents coefficients significant at 10%; ** significant at 5%; and *** significant at 1%.

| | Number of family members with ownership | | Fraction of family ownership ($\times 100$) held by | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | Sons | | | Daughters | | | Others |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Family size | 0.241 | 0.243 | | | −0.371 | | | 0.020 | |
| | (0.086)*** | (0.087)*** | | | (0.196)* | | | (0.085) | |
| Founder dead? (Yes = 1) | | −0.605 | | 20.372 | 20.499 | | −0.043 | −0.454 | −20.359 |
| | | (1.285) | | (8.437)** | (8.182)** | | (8.241) | (8.514) | (10.652)* |
| Number of sons | | | 2.651 | 2.140 | 3.542 | | | 0.268 | −3.751 |
| | | | (1.390)* | (1.398) | (1.437)** | | | (0.857) | (1.407)*** |
| Number of daughters | | | | | | 0.369 | 0.370 | 0.174 | 1.066 |
| | | | | | | (0.629) | (0.601) | (0.793) | (1.617) |
| Number of others | | | | | | | | | 0.291 |
| | | | | | | | | | (0.231) |
| Firm age | 0.034 | 0.036 | 0.044 | −0.006 | −0.003 | 0.133 | 0.133 | 0.134 | −0.119 |
| | (0.024) | (0.025) | (0.107) | (0.098) | (0.096) | (0.067)* | (0.066)** | (0.067)** | (0.119) |
| Constant | 1.498 | 1.787 | 20.258 | 11.388 | 13.191 | 4.091 | 4.111 | 3.438 | 82.220 |
| | (1.704) | (1.597) | (8.626)** | (7.423) | (7.543)* | (2.978) | (5.826) | (6.070) | (9.506)*** |
| $R$-squared | 0.55 | 0.55 | 0.39 | 0.42 | 0.43 | 0.08 | 0.08 | 0.08 | 0.41 |

year in which the oldest firm in the group was established. All results are robust to running median regressions or dropping the largest families from the sample.

If the involvement of family members is not sensitive to the "supply" of members, we should not see a relation. However, we find a strong positive correlation between the size of the family and the number of family members who are involved in business. The estimated coefficient of 0.241 means that for every four additional family members, one additional person will have ownership. In Column 2 we show that even when we include a dummy variable for whether the founder is dead we find no change in the coefficient on family size; the coefficient on the dummy is negative but not significant. This suggests that even if the founder is dead there is no significant difference in the overall holdings of the family members.

But these effects mask stark differences in the roles of different relatives of the founder, which we explore in the remaining columns of Table 4. We break down ownership by the fraction of family ownership held by sons of the founder, daughters of the founder, and other family members (excluding the founder). In Columns 3–5 we look at the ownership of sons as a function of the number of sons. Column 3 shows that the fraction of sons' ownership increases sharply with the number of sons. Indeed, the estimated coefficient is 2.651 which is economically quite large. An extra son in the family is roughly equivalent to 3% more of the group ownership in the hands of the sons. This suggests that the fraction of the group ownership held by the sons is closely tied to the number of sons in the family. Interestingly, in Column 4 when we include a dummy for whether the founder is dead, we find a very large positive and significant coefficient. The effect is equivalent to a 20% larger ownership stake by the sons in firms when the founder has died, suggesting that most of the founder's shares go to the sons after his death. In Column 5 we also include a control for family size. The coefficient on family size is negative but barely significant so that other family members have a minor crowd-out effect on the sons.

When we repeat the same analysis for the daughters in Columns 6–8, we find no significant relation between the number of daughters and their fraction of ownership in the group firms. Moreover, the holdings of daughters are not higher in families where the founder dead. We find similar results when looking at "other" family members (apart from the children of the founder) in Column 9. There is no significant relation between the share of family ownership held by other family members and the number of other family members. However, there is a strong negative relation between the number of sons in the family and the ownership for other family members. There is no such negative result for the number of daughters. Thus, sons crowd out other family member but not their sisters. However, the sisters do not seem to have much of the ownership to start with.

The results in Table 4 suggest that the number of family members with ownership stakes in the business increases with the number of "available" people in the family. However, this result is entirely driven by the sons of the founders. If the founder has more sons, they increase their ownership stake at the expense of other family members. Once the founder has passed away, the ownership stakes of the sons increase, while the stakes of other family members, including daughters of the founder, do not.

## 5.2. Board positions

Table 5 repeats the regressions from Table 4 but the dependent variable is the number of board positions held by various family members. Parallel to the family ownership, we find that involvement of family members on the boards of firms increases with the size of the family (Column 1), and there is no significant change in the overall number of board positions when the founder is dead (Column 2). As before, we find a very strong relation between the number of sons of the founder and the fraction of board positions held by the sons

Table 5
Family involvement in board positions for 93 families

The unit of observation is a firm. Number of family member with board positions is the number of family member with board position in a given firm. Fraction of board positions held by sons (daughters) is computed as the number of founder's sons (daughters) on board divided by the number of all family members on board for a particular firm. Fraction of board positions held by others is computed as the number of family board positions not held by the founder nor his sons or daughters, divided by the number of board positions held by any family members for a particular firm. Family size is the total number of direct descendants of the founder of each business group, including the founder himself. Founder dead is a dummy variable with the value of one if the founder was dead by 1996 and zero otherwise. Number of sons (daughters) is the total number of founder's sons (daughters) from all wives. Number of others is family size minus number of sons and daughters. Firm age is as of 1996. All regressions are estimated using OLS and controlled for number of generations fixed effects. Standard errors are clustered at family-group level. Robust standard errors are in parentheses. * Represents coefficients significant at 10%; ** significant at 5%; and *** significant at 1%.

| | Number of family members with board positions | | Fraction of family's board positions ( × 100) held by: | | | | | | |
| | | | Sons | | | Daughters | | | Others |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| Family size | 0.013 | 0.014 | | | −0.746 | | | −0.145 | |
| | (0.003)*** | (0.003)*** | | | (0.242)*** | | | (0.077)* | |
| Founder dead? (Yes = 1) | | −0.174 | | 3.474 | 4.778 | | 2.026 | 2.655 | −6.636 |
| | | (0.237) | | (9.438) | (8.698) | | (6.045) | (5.947) | (10.384) |
| Number of sons | | | 3.821 | 3.753 | 6.551 | | | | −7.011 |
| | | | (1.278)*** | (1.303)*** | (1.494)*** | | | | (1.287)*** |
| Number of daughters | | | | | | 1.026 | 1.003 | 1.521 | 1.993 |
| | | | | | | (0.359)*** | (0.369)*** | (0.511)*** | (1.245) |
| Number of others | | | | | | | | | 0.702 |
| | | | | | | | | | (0.255)*** |
| Firm age | 0.020 | 0.020 | 0.062 | 0.058 | 0.049 | 0.038 | 0.036 | 0.036 | −0.064 |
| | (0.004)*** | (0.004)*** | (0.114) | (0.113) | (0.123) | (0.064) | (0.059) | (0.059) | (0.118) |
| Constant | 0.424 | 0.507 | 24.394 | 22.634 | 26.607 | 1.545 | 0.415 | 1.713 | 71.414 |
| | (0.155)*** | (0.231)** | (6.646)*** | (8.163)*** | (7.516)*** | (1.980) | (4.603) | (4.632) | (8.977)*** |
| Observations | 580 | 580 | 323 | 323 | 323 | 323 | 323 | 323 | 323 |
| R-squared | 0.08 | 0.08 | 0.20 | 0.21 | 0.24 | 0.06 | 0.06 | 0.07 | 0.29 |

(Column 3). But in contrast to the effect of founder death on ownership, the fraction of board positions held by the sons is not significantly higher when the founder is dead (Column 4), suggesting that the sons assume board positions before the founder is dead, but ownership only passes on afterwards. In Column 5 we see that the number of other family members has a negative and significant (albeit small) relation with the fraction of board positions held by the sons.

In Columns 6–8 we see that the fraction of board position held by daughters is positively related to their number in the family, but the relation is much weaker than for the sons. In Column 7 we show that the fraction of daughters' board positions is not higher in families where the founder is dead. And in larger families, other family members reduce the share of board seats for daughters (Column 8). In Column 9 we find a significant and positive relation between the fraction of board seats held by other family members and the number of "others" in the family. Again, this is in contrast to the ownership results where a larger number of other family members does not result in a higher fraction of ownership. The coefficient on the number of sons is negative, indicating that sons crowd out board positions of other family members.

One concern about seeing effects from founder's sons and not from the daughters is that our data on daughters might be less complete than for sons. However, given that the daughters included in our sample are more likely to be the ones with ownership and position, the regression coefficients for daughters should be positively biased, if anything. This is contrary to our results.

## 6. Real effects of family structure on the businesses they run

We now turn to the question of whether the differences in the size and composition of families are associated with differences in group performance. Several hypotheses have been put forward as to why we might expect lower performance for groups run by larger families. If family managers are less skilled than outside managers, greater involvement of family members will negatively affect performance. Larger family involvement might also lead to more infighting over resources and segregation of business lines across family members. It is also possible that business families are faced with a quantity/quality tradeoff: as the number of family members increases, the amount of resources that can be devoted to each family member declines, leading to lower average managerial quality. Under these views, a larger family would have worse performance at the group and firm level.

On the other hand, one might conjecture that the market for corporate control and top executive talent is thin in Thailand. A larger family offers a deeper talent pool of potential managers to draw from. Moreover, if governance of professional (outside) managers is difficult to establish, relying on trust relationships along kinship lines might be preferable since it could serve as a substitute for direct monitoring. These theories would imply that larger families would be positively related to group performance.

### 6.1. Family structure and firm performance

In Table 6 we study the relation between firm performance and the structure of the families behind the firms. Panel A presents regressions for all firms in the group and separately breaks out groups where the founder dead or alive. Panel B examines private and public firms. The unit of observation is a group firm (i.e., a firm that belongs to a family group). The dependent variable is residual return on assets, computed as the residual from a regression of firm-level ROA (1996 net profits divided by 1996 year-end total assets) on one-digit industry codes and a control for the measure of the log of total firm assets. The estimation of residual ROA includes all firms in our dataset, not just the group firms. Therefore, residual ROA measures the performance of the firms net of industry and firm size effects.

All regressions in Table 6 also include a dummy variable for the number of generations since the group was started and a control for the age of the firm. Standard errors are clustered at the family-group level. In Column 1, we regress residual ROA on the size of the family, measured as the number of people in the family tree. The coefficient on family size is negative and not significant. However, when we include a measure for the number of sons in Column 2, the coefficient on the number of sons is negative and highly significant. The estimated coefficient is −0.34. This means that a one-standard-deviation increase in the number of sons leads to a 1% decrease in the residual ROA of the family firms. This effect is quite large since all industry variation has

Table 6

Firm performance and family structure

The unit of observation is a firm. Residual return on assets is the residual from the OLS regression of return on assets on one-digit SIC fixed effects and natural logarithm of firm's total assets across all firms in the full sample, including firms not belonging to the 93 families. Number of sons (daughters) is the total number of founder's sons (daughters) from all wives. Sons from different wives is a dummy variable with value of one if there are founder's sons from different founder's wives, and zero otherwise. Firm age is as of 1996. All regressions are estimated using OLS and controlled for number of generations fixed effect. Contants are included but not reported here. Standard errors are clustered at the family-group level. Robust standard errors are in parentheses. * Represents coefficients significant at 10%; ** significant at 5%; and *** significant at 1%.

| | Dependent variable: Residual ROA ($\times$ 100) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | All Firms | | | | Founder Dead | | Founder alive | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Family size | −0.043 | 0.000 | 0.014 | 0.016 | 0.023 | 0.017 | −0.530 | −0.136 |
| | (0.032) | (0.025) | (0.023) | (0.023) | (0.022) | (0.021) | (0.425) | (0.791) |
| Number of sons | | −0.340 | −0.473 | −0.284 | −0.483 | −0.334 | 0.348 | 0.117 |
| | | (0.156)** | (0.132)*** | (0.160)* | (0.114)*** | (0.151)** | (0.797) | (0.948) |
| Sons from different wives | | | −0.386 | | −0.402 | | 4.649 | |
| | | | (0.802) | | (0.681) | | (2.828) | |
| Number of daughters | | | | −0.216 | | −0.145 | | −0.291 |
| | | | | (0.108)** | | (0.085)* | | (0.821) |
| Firm age | 0.026 | 0.024 | 0.036 | 0.022 | 0.049 | 0.048 | 0.001 | −0.052 |
| | (0.020) | (0.020) | (0.020)* | (0.020) | (0.021)** | (0.021)** | (0.063) | (0.060) |
| Observations | 586 | 586 | 507 | 586 | 309 | 337 | 198 | 249 |
| R-squared | 0.03 | 0.04 | 0.05 | 0.04 | 0.08 | 0.07 | 0.04 | 0.02 |
| Number of families | 93 | 93 | 93 | 93 | 37 | 45 | 33 | 48 |

| | Public | | Private | |
|---|---|---|---|---|
| | (9) | (10) | (11) | (12) |
| Family size | 0.068 | 0.068 | −0.025 | −0.023 |
| | (0.021)*** | (0.023)*** | (0.035) | (0.037) |
| Number of sons | −0.393 | −0.279 | −0.427 | −0.231 |
| | (0.166)** | (0.225) | (0.180)** | (0.195) |
| Sons from different wives | −1.711 | | 0.376 | |
| | (1.303) | | (1.138) | |
| Number of dauthers | | −0.129 | | −0.191 |
| | | (0.200) | | (0.150) |
| Firm age | 0.022 | 0.013 | 0.032 | 0.019 |
| | (0.029) | (0.031) | (0.031) | (0.028) |
| Observations | 151 | 169 | 356 | 417 |
| R-squared | 0.05 | 0.04 | 0.06 | 0.05 |
| Number of families | 52 | 62 | 55 | 75 |

already been taken out. The coefficient on the family size measure becomes insignificant and very close to zero. In Column 3, we add a dummy for the presence of sons from different wives (of the founder). The coefficient on the multiple wives dummy is negative but not significant. In Column 4 we add the number of daughters of the founder, and find a negative effect that is similar in magnitude to the effect of sons. The presence of an additional daughter of the founder reduces ROA by 0.216.

When we separate out firms where the founder is still alive versus those where the founder is dead (Columns 5–8), we find a dramatic asymmetry in the results. In firms where the founder is dead (Columns 5 and 6), we see a significant and robust negative relation between performance and the number of sons, and a somewhat smaller negative relation for the number of daughters. In contrast, for firms in groups where the

founder is still active (Columns 7 and 8) we find a positive but not significant relation between firm performance and the number of sons. These results indicate that the negative relation between firm performance and the number of sons (and to a lesser degree the number of daughters) is only present in families where the founder has passed away. While the founder is still alive, the composition of the family does not appear to affect firm performance. These findings are consistent with previous studies such as Pérez-González (2006) and Villalonga and Amit (2006), who also find that the performance of family firms is particularly poor once the founder is gone.

In Panel B of Table 6 we separate family firms into those that are publicly traded and those that are private. When we compare the results for private and public firms in Panel B we find that the negative relation between the number of sons and firm performance is approximately of the same magnitude in both types of firms. There is no evidence of a significant negative effect of daughters when we divide up the firms in this fashion.

These results are interesting along a number of dimensions. They suggest that the lower performance of family firms is not uniformly due to a greater involvement of all family members if the family is larger. Instead, our results suggest that the sons of the founder play a particular role, since the poor performance of family firms is mainly associated the number of founders' sons in the family. The results are not consistent with the hypothesis that trust relationships among family members (in particular the sons) and the ability to draw from a deeper talent pool in larger families provide a source of comparative advantage to these families. These findings are instead more supportive of theories that suggest efficiency losses through greater involvement of sons. As we discussed before, an alternative explanation for this finding could be that family firms forgo the opportunity of hiring outsiders whose managerial skills might be superior to those of family members; such a difference in managerial quality between family members and outsiders might be especially acute in larger families because of the quantity-quality tradeoff in raising children. We unfortunately do not have data on the talent or educational background of sons, which could help us test this alternative story more directly. However, we do not think that this hypothesis is very plausible since these are some of the richest families in Thailand where the quality-quantity tradeoff would not be binding. Moreover, the results in the following section suggest that changes in governance structure do play an important role in the performance of group firms.

## 6.2. Governance and family structure

A number of papers have documented that pyramidal group structures allow the expropriation of minority shareholders by the shareholders of higher-up group firms through tunneling resources out of these firms (see, e.g., Bertrand, Mehta, and Mullainathan, 2002; Claessens, Djankov, and Lang, 2000). A similar logic can apply between family members or, in our context, even between sons of the founder. One plausible explanation for the lower performance of family groups with more sons is that the dilution of ownership among equally powerful sons increases the amount of tunneling from lower-down group firms. If the sons of the founder do not trust each other to use their control rights in the interest of the firm, there can be a "race to the bottom" where one brother tries to tunnel resources out of group firms before another brother can do so.

To investigate whether the performance results can be explained by a deterioration in the governance structure of family groups with more sons, we first analyze whether families with more sons display a greater discrepancy between cash flow and control rights, which provides incentives for tunneling. We construct several measures of the discrepancy between control and ownership for each of the firms in the groups covered in our sample. We follow the standard measures of excess control defined as the gap between total family ownership and total family control as calculated in La Porta, Lopez-de-Silanes, and Shleifer (1999), and Claessens, Djankov, and Lang (2000). However, our data also allow us to also compute similar measures of excess control for each individual family member's ownership and control rights within each of the group firms. Given the central role played by sons, it is of interest to contrast excess control by sons with excess control by other family members.

In Table 7 we analyze whether groups become more pyramidal (i.e., larger excess control structures) if there are more family members (and sons in particular), especially once the founder is gone. While certainly not a proof of tunneling, such evidence would be consistent with greater *incentives* to tunnel. In Panel A of Table 7 we first regress the existence of family excess control (i.e., a dummy for whether total family control is larger

Table 7

Excess control and family structure

The unit of observation is a firm. "Family Control > Family Ownership" is a dummy variable with the value of one if the family has voting rights more than its cash flow rights. "Number of Sons with Control > Ownership" is the number of founder's sons whose voting rights exceed their cash flow rights. Difference in sons' control and ownership is the average difference between voting rights and control rights across founder's sons. Number of sons (daughters) is the total number of founder's sons (daughters) from all wives. All regressions are estimated using OLS and controlled for number of generations fixed effects. Constants are included but not reported here. Standard errors are in parentheses. * Represents coefficients significant at 10%; ** significant at 5%; and *** significant at 1%.

| | All firms | | Founder dead | | Founder alive | | Public | | Private | |
|---|---|---|---|---|---|---|---|---|---|---|
| Panel A: Dependent variable = Family control > Family ownership? (Yes = 1) | | | | | | | | | | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| Number of sons | 0.013 | 0.012 | 0.021 | 0.027 | −0.057 | −0.057 | 0.026 | 0.025 | 0.010 | 0.006 |
| | (0.007)* | (0.008) | (0.007)*** | (0.009)*** | (0.018)*** | (0.018)*** | (0.013)* | (0.015)* | (0.008) | (0.010) |
| Number of daughters | | 0.003 | | −0.010 | | 0.003 | | 0.002 | | 0.006 |
| | | (0.008) | | (0.009) | | (0.017) | | (0.015) | | (0.010) |
| Observations | 586 | 586 | 337 | 337 | 249 | 249 | 169 | 169 | 417 | 417 |
| R-squared | 0.02 | 0.02 | 0.04 | 0.04 | 0.11 | 0.11 | 0.10 | 0.10 | 0.02 | 0.03 |
| Number of families | 93 | 93 | 45 | 45 | 48 | 48 | 62 | 62 | 75 | 75 |
| Panel B: Dependent variable = Number of sons with control > Ownership | | | | | | | | | | |
| | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) | (19) | (20) |
| Number of sons | 0.264 | 0.326 | 0.259 | 0.342 | 0.126 | 0.147 | 0.398 | 0.458 | 0.223 | 0.264 |
| | (0.025)*** | (0.030)*** | (0.033)*** | (0.040)*** | (0.040)*** | (0.039)*** | (0.046)*** | (0.051)*** | (0.030)*** | (0.035)*** |
| Number of daughters | | −0.116 | | −0.143 | | −0.135 | | −0.133 | | −0.074 |
| | | (0.029)*** | | (0.040)*** | | (0.037)*** | | (0.052)** | | (0.035)** |
| Observations | 586 | 586 | 337 | 337 | 249 | 249 | 169 | 169 | 417 | 417 |
| R-squared | 0.31 | 0.33 | 0.28 | 0.31 | 0.05 | 0.10 | 0.51 | 0.53 | 0.26 | 0.27 |
| Number of families | 93 | 93 | 45 | 45 | 48 | 48 | 62 | 62 | 75 | 75 |
| Panel C: Dependent variable = Difference in sons' control and Ownership | | | | | | | | | | |
| | (21) | (22) | (23) | (24) | (25) | (26) | (27) | (28) | (29) | (30) |
| Number of sons | 0.501 | 0.895 | 0.348 | 0.834 | 0.764 | 0.865 | 0.981 | 1.306 | 0.347 | 0.711 |
| | (0.119)*** | (0.137)*** | (0.159)** | (0.191)*** | (0.168)*** | (0.164)*** | (0.210)*** | (0.230)*** | (0.143)** | (0.169)*** |
| Number of daughters | | −0.741 | | −0.836 | | −0.649 | | −0.727 | | −0.655 |
| | | (0.135)*** | | (0.190)*** | | (0.156)*** | | (0.232)*** | | (0.169)*** |
| Observations | 586 | 586 | 337 | 337 | 249 | 249 | 169 | 169 | 417 | 417 |
| R-squared | 0.12 | 0.16 | 0.09 | 0.14 | 0.09 | 0.15 | 0.27 | 0.31 | 0.09 | 0.12 |
| Number of families | 93 | 93 | 45 | 45 | 48 | 48 | 62 | 62 | 75 | 75 |

than total family ownership) on the number of sons, controlling for the number of generations the group has been in existence. As before, this family excess control variable includes the holdings of all family members. We find a positive but only marginally significant relation. In Column 2, we include the number of daughters in the regression and find no significant relation between family excess control and the number of daughters. However, we find a very different picture if we separate the groups where the founder is dead versus those where he is still alive. For groups where the founder is dead we find a strong positive relation between the measure of family excess control and the number of sons in the firms (Column 3). We do not find this relation for the number of daughters (Column 4). However, for groups where the founder is still present, this relation is negative and significant (Column 5). Again, we do not find this result for the number of daughters (Column 6).

We replicate these results for the private and public firms within the groups in Columns 7–10. The sensitivity of family excess control to the number of sons is larger and more significant in public firms. This indicates that a greater number of sons is associated with especially high tunneling incentives in publicly traded firms, especially when the founder is gone. Of course, because we do not directly measure tunneling, there are other possible interpretations for this finding. For example, it could also reflect a desire by founders to have each son manage a (more prestigious) publicly traded firm, leading to an increase in the number of publicly traded firms in the lower levels of the pyramidal structure.

In Panel B of Table 7 we focus on excess control in the hands of sons relative to the rest of the family. The dependent variable is a simple count of the number of sons with excess control. This measure of excess control allows us to understand whether sons in particular see an increase in excess control once the founder is dead. We find that families with more sons also have a larger number of sons with excess control (Column1). However, when we include the number of daughters as an explanatory variable (Column 2) we find a significant negative coefficient. This suggests that in families with more daughters, daughters crowd out some of the excess control from the sons. However, the number of sons that have excess control is much larger for families where the founder is dead (Columns 3–6). In fact, the coefficient on the number of sons is about twice as large when the founder is gone (Column 14) versus when he is still alive (Column 16). And again, we find that the results are stronger for public firms than for private firms (Columns 17–20).

We replicate the results using a measure of the average difference between control and ownership among sons at a given firm (Panel C, Columns 21–30). We find that a greater number of sons is associated with a higher average difference between control and ownership for sons. The relation is stronger when the founder is dead and in the subset of publicly traded firms.

Overall, these results further suggest that the presence of more sons leads to a governance structure that is more pyramidal, which means that the gap between control and ownership rights becomes more skewed in the hands of the sons. This allows for more "expropriation positions" for sons once the founder is gone. Moreover, if the trust relationship among the sons is not strong, there are increased incentives for tunneling by the sons as they race to secure their part of the profits before one of the other brothers can tunnel it out.

We should note that it is theoretically possible that an increase in the number of controlling shareholders might *improve* corporate governance. For example, Gomes and Novaes (2006) suggest that under certain conditions it is optimal for founders to share control with multiple outside shareholders to increase the value of the firm, instead of just selling ownership stakes to outside shareholders. Their model assumes that under shared control each of the large shareholders has *veto power* over decisions that would reduce the value of their individual ownership stakes. This can enhance the overall value of the firm if private benefits are distributed unequally among controlling shareholders and if projects with low public benefits but high private benefits can thus be blocked. Thus, the critical difference between these results and our interpretation relies on the assumption that even controlling shareholders *cannot exercise effective veto power* if each controlling shareholder can tunnel resources from the firm unilaterally. In other words, the hypothesis we propose in the current paper relies on the idea that controlling shareholders cannot block each other's transgressions and thus engage in a race to the bottom. These types of misbehaviors become more pronounced when there are more sons involved as large shareholders. While we admittedly cannot prove this assumption, we think it is a reasonable description of emerging markets where enforcement is weak. In contrast, the board negotiation process described in Gomes and Novaes (2006) might be more representative of shareholder behavior in more developed capital markets.

In regressions not reported here, we also directly analyze how the depth of business groups relates to family size. This analysis very much parallels the analysis in Table 7. We defined depth as the maximum number of layers within a group separating a group firm from the firm(s) at the top of that group. This variable ranges from 0 to 6, with a mean of about 2. Not surprisingly, we find that larger families are associated with deeper groups. In families where the founder is dead, we see a strong positive relation between the number of sons and group depth. But there is a negative and barely significant relation when the founder is still around. In other words, consistent with the results in Table 7, larger families are associated with deeper and more pyramidal group structures once the founder is dead.

## 6.3. Group size and diversification and family structure

The above analysis suggests that the organizational and control structure of groups is importantly related to the size and composition of the families behind them, especially once the founder is dead. We now discuss the possible relation between family structure and other group characteristics. Specifically, we analyze whether the number of firms in a group and its level of industry concentration change when there are more sons in the group or when the founder is dead. In Table 8, we regress these different group characteristics on our family structure variables. The regressions in this table are performed at the family level. All regressions in this table include a control for the age of the group.

The first dependent variable we consider is the number of firms in the group (as of 1996). Column 1 of Table 8 documents a positive and statistically significant correlation across families between the number of firms in the group and the number of sons in the family but not a significant relation with the total number of family members. In Column 2 we focus only on families where the founder is dead and find that this positive relation between the number of group firms and the number of sons is entirely driven by the those families where the founder is dead. Interestingly, neither family size nor the number of sons is correlated with group size in families where the founder is still alive (Column 3). In Columns 4–6, we repeat the previous regression but use

Table 8
Group size, industry concentration, organization structure, and family size

The unit of observation is a family business group. Number of firms is the number of public and private firms in our sample that belonged to a given family. Total assets is group's total assets in millions of baht. Industry concentration is computed as the squareroot of the summation of the squares of the fraction of group assets in each industry to total group assets in all industries. Specifically, the concentration index equals one if the group is concentrated in only one industry. Industries are classified approximately at the two-digit SIC. Family size is the total number of direct descendants of the founder of each business group, including the founder himself. Number of sons is the number of founder's sons. Group age is defined as the age of the oldest firm for each group in our sample. All regressions are estimated using OLS. Standard errors are in parentheses. * Represents coefficients significant at 10%; ** significant at 5%; and *** significant at 1%. The total number of groups in the full sample is 91 (two groups are eliminated due to their complicated structure of cyclical cross-shareholdings).

| | Number of firms | | | Total assets (millions Baht) | | | Industry concentration (2-digit SIC) | | |
|---|---|---|---|---|---|---|---|---|---|
| | All firms (1) | Founder dead (2) | Founder alive (3) | All firms (4) | Founder dead (5) | Founder alive (6) | All firms (7) | Founder dead (8) | Founder alive (9) |
| Family size | 0.079 | 0.056 | 0.007 | 2.469 | 2.212 | −1.989 | −0.001 | 0.000 | −0.002 |
| | (0.050) | (0.068) | (0.194) | (1.324)* | (1.995) | (3.325) | (0.002) | (0.002) | (0.014) |
| Number of sons | 0.548 | 1.336 | −0.408 | 2.403 | 7.475 | 3.216 | −0.002 | −0.031 | 0.040 |
| | (0.314)* | (0.523)** | (0.414) | (8.369) | (15.443) | (7.094) | (0.012) | (0.015)** | (0.030) |
| Group age | 0.096 | 0.086 | 0.084 | 2.113 | 2.279 | 1.150 | −0.004 | −0.004 | −0.004 |
| | (0.047)** | (0.073) | (0.047)* | (1.266)* | (2.144) | (0.806) | (0.002)** | (0.002)* | (0.003) |
| Constant | 0.121 | −1.610 | 3.212 | −45.623 | −59.297 | 2.291 | 0.849 | 0.929 | 0.747 |
| | (1.717) | (3.194) | (1.440)** | (45.748) | (94.322) | (24.672) | (0.065)*** | (0.093)*** | (0.104)*** |
| Number of observations | 91 | 44 | 47 | 91 | 44 | 47 | 91 | 44 | 47 |
| *R*-squared | 0.20 | 0.27 | 0.12 | 0.13 | 0.12 | 0.05 | 0.08 | 0.20 | 0.13 |

total assets as a dependent variable. We find that larger families are associated with larger total group assets; however, the effect is economically much smaller. Moreover, we do not find any relation with the number of sons in the group. These combined results suggest that the average size of the firms within a group declines with the number of male family members. In other words, the assets of the group tend to be divided into more separate firms with a larger number of sons in the family once the founder is gone.

In Columns 7–9, we use the Herfindahl concentration index (at the Thai equivalent of the two-digit SIC level) as a dependent variable. We find that the industry concentration of a group declines when there are more sons in the family but only when the founder is gone. This result can be seen as a corollary to the previous result for the number of firms in a group, since a group can become more diversified when there are more firms within the group.

## 6.4. Firm performance and excess control

In a final step, we want to investigate whether there is a direct relation between the performance of group firms and the level of excess control by family members. If the poor performance of family firms after the founder's departure is in part explained by deteriorating governance due to the many sons who are vying for the group's assets, we would expect to find a direct relation between excess control and firm performance. Of course, we need to be careful not to make any inference about the direction of causality from this analysis, since we have already seen that both performance and governance are related to family structure.

To investigate this question, in Panel A of Table 9 we first regress firm-level (residual) ROA on total family ownership in the firm and on a dummy variable for excess family control (i.e., total family control is larger than total family ownership). For the precise construction of the measure please see the Appendix. If there is excess control at the individual level, there is excess control at the family level. We use a control for the year the firm was established in all the regressions. Moreover, we include family fixed effects in all regressions to control for fixed differences in the use of control between families. Across all groups, in Column 1, we find a strong robust negative correlation between total family ownership and firm performance. This is in line with our prior findings in Table 7 that groups with larger families perform worse. Higher excess control for the family overall is negatively correlated with residual ROA in the full sample, but the effect is not significant. There is a significant negative relation between family ownership and residual ROA once the founder is dead (Column 3), but no such relationship when the founder is still alive (Column 5). The coefficient on excess family control is negative (but insignificant) when the founder is dead but positive when he is still alive.

We now break out total family control and ownership into individual-specific measures of excess control. Specifically, we contrast excess control in the hands of sons with excess control in the hands of other family members. In Column 2 we find a strong negative correlation between residual ROA and the measure of excess control of the sons, but no effect for other family members. We then divide families into those where the founder is dead (Column 4 of Panel A) versus those where the founder is still involved (Column 6 of Panel A). We find a large and significant negative correlation between residual ROA and the measure of excess control of the sons when the founder is gone but no effect on the other family members. In contrast, for those groups where the founder is still involved there is no significant relation between residual ROA and excess control of the sons. We find parallel results when we use the *number* of sons with excess control but the coefficient estimates (not reported) are not significant at traditional levels.

One possible interpretation for the asymmetry we observe between sons and other family members is that it reflects differences in ownership stakes. It might be that the gap between control and ownership of any shareholder (not only sons) reduces profitability but only when the degree of control is sufficiently large for this shareholder to be relevant. We check this possibility (results not reported) by creating a dummy variable that equals one when sons' ownership is more than 25% (zero otherwise) and another dummy variable that equals one when other family members' ownership is more than 25% (zero otherwise). We then interact these dummy variables with sons' excess control and others' excess control, respectively. The results confirm that even when others own more than 25%, their excess control does not affect profitability. On the contrary, sons' excess control matters both when their ownership is less than 25% and when their ownership is more than 25%. Hence, it appears that sons' excess control differentially impacts profitability relative to other family members' excess control, even when these other family members are relevant shareholders. We do find,

Table 9

Firm performance, family ownership, and excess control

The unit of observation is a firm. Residual return on assets is the residual from the OLS regression of return on assets on one-digit SIC fixed effects and the natural logarithm of firm total assets across all firms in the full sample, including firms not belonging to the 93 families. Family ownership is the total percentage of ultimate ownership directly or indirectly held by family members in a particular firm. "Family Control > Family Ownership" is a dummy variable with the value of one if the family has voting rights that exceed its cash flow rights. Difference in sons' control and ownership is the average difference between voting rights and control rights across founder's sons. Difference in others' control and ownership is the average difference between voting rights and control rights across family members other than founder's sons. All regressions are estimated using OLS and controlled for family fixed effects. Constants are included but not reported here. Standard errors are clustered at the family-group level. Robust standard errors are in parentheses. * Represents coefficients significant at 10%; ** significant at 5%; and *** significant at 1%.

| Dependent variable: residual ROA ($\times$ 100) | All firms | | Founder dead | | Founder alive | |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Family ownership | −0.036 | −0.036 | −0.050 | −0.045 | −0.011 | −0.020 |
| | (0.016)** | (0.015)** | (0.018)*** | (0.018)** | (0.030) | (0.026) |
| Family control > Family ownership? (Yes = 1) | −1.059 | | −2.308 | | 1.134 | |
| | (1.148) | | (1.496) | | (1.533) | |
| Difference in sons' control and ownership | | −0.168 | | −0.167 | | −0.344 |
| | | (0.049)*** | | (0.052)*** | | (0.265) |
| Difference in others' control and ownership | | 0.023 | | 0.026 | | 0.035 |
| | | (0.051) | | (0.096) | | (0.073) |
| Observations | 586 | 586 | 337 | 337 | 249 | 249 |
| R-squared | 0.26 | 0.27 | 0.20 | 0.21 | 0.36 | 0.36 |
| Number of families | 93 | 93 | 45 | 45 | 48 | 48 |

| Dependent variable: residual ROA ($\times$ 100) | | | Public | | Private | |
|---|---|---|---|---|---|---|
| | | | (7) | (8) | (9) | (10) |
| Family ownership | | | −0.044 | −0.028 | −0.029 | −0.030 |
| | | | (0.051) | (0.045) | (0.020) | (0.018)* |
| Family control > Family ownership ? (Yes = 1) | | | −1.245 | | −1.091 | |
| | | | (2.772) | | (1.497) | |
| Difference in sons' control and ownership | | | | 0.203 | | −0.202 |
| | | | | (0.078)** | | (0.060)*** |
| Difference in others' control and ownership | | | | −0.255 | | 0.047 |
| | | | | (0.142)* | | (0.055) |
| Observations | | | 169 | 169 | 417 | 417 |
| R-squared | | | 0.51 | 0.53 | 0.26 | 0.28 |
| Number of families | | | 62 | 62 | 75 | 75 |

however, that the negative effect of sons' excess control on performance is stronger when their ownership is higher.

These results are striking. They indicate that excess control in the hands of sons is strongly negatively associated with firm performance, but excess control in the hands of other family members does not have the same effect. This might suggest that potential governance abuses within a family are not merely a function of the excess control rights a family member holds, but it is also determined by the person's position within the family. A son of the founder might have greater freedom than other family members to use excess control rights to his benefit. This might provide insight into the internal dynamics of the family and could suggest that there is a layer of governance or power structure within the family itself that affects the way family members can exercise their ownership and control rights within family firms.

Finally, in Panel B of Table 9 we run the same set of regressions but for public and private firms. We find that the negative relation between performance and excess control by sons is entirely driven by private firms (contrast Column 11 with Column 13). For public firms the relation between firm performance and excess

control by sons is actually positive and significant. If the public firms within a family group are important for the image of the family or even as a way for the sons to maintain liquidity of their ownership stakes, then the observed positive relation for public firms could be suggestive of the propping of public firms where sons hold excess control. Overall, these findings reinforce a governance interpretation for our findings, as we expect tunneling to be more prominent in opaque private firms and propping in more visible public firms.[6]

Our findings suggest that not all family members have the power or inclination to take advantage of their excess control position at group firms. Only excess control in the hands of sons appears to significantly hurt performance, and predominantly at private firms. In addition, the contrast between groups where the founder is no longer present and those where the founder is still alive suggests that the founder has a disciplining effect on his sons' behavior. The fact that performance is negatively related to the number of sons with excess control suggests that the amount of distortion might be driven by competition between the sons over a given company's resources.

## 7. Conclusion

Families run a large fraction of firms around the world. Families themselves, however, are not monolithic entities but are composed of individual members who can have different stakes and objectives in family businesses. We take a first step in going beyond the case-study evidence to ask whether constraints imposed by family structure affect the corporate structure and performance of family-run firms.

We show that the larger is the family, in particular the more sons the founder has, the more positions within family firms are held by family members instead of outside managers and board members. The number of sons of the founder is pivotal. Groups that are run by larger families (especially more sons) tend to have lower performance. These effects are especially pronounced in groups where the founder is no longer active and ultimate control has passed on to an heir.

We also analyze how the pyramidal ownership structure of group firms affects the performance of the firms. Firms where many sons of the founder indirectly own a fraction of the ownership show lower performance. This finding is consistent with the hypothesis that having several sons with excess control can lead to a "race to the bottom", where each son is trying to tunnel resources out of the company before his brothers do the same.

Overall, our findings provide novel evidence that wider family involvement in business groups alters business decisions and the performance of family-run firms. One hypothesis that emerges from our analysis is that the decay of family-run groups over time is due in part to increased incentives on the part of family members to tunnel resources out of the firm as control becomes more diluted among different family members. A slightly different interpretation is that outright infighting for group resources leads to inefficient decision making. Conflicts between different parts of the family might lead to distortions in the governance structure and internal operations of these groups. These conflicts seem to be especially important once the founder has died or retired.

A deeper question in this context is why families do not separate control rights (i.e., management) more effectively from the ownership structure of the firm by placing management control in the hand of professionals while retaining ownership control within the family. Such arrangements are widely used in many European countries where family firms are still prevalent. This would allow family members to fight over the cash flow streams without distorting the efficiency of the business decisions within the firms. We conjecture that a potential answer to this question lies in the limited enforcement of contracts and governance in a country like Thailand. It could be that cash flow rights de facto can only be guaranteed in conjunction with control rights. Therefore, family members have to stay directly involved in the operations of the business if they want to protect their cash flow rights. Our analysis suggests that individual family members might have to be concerned not only about expropriation by outsiders but also expropriation by other (more powerful)

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[6]At first glance, one could view these findings as inconsistent with the findings in Table 7, where we find a stronger relationship between excess control and number of sons in public firms than private firms. However, it is important to stress again that the analysis in Table 7 only captures tunneling incentives, and not tunneling opportunities or actual tunneling. A given level of incentives for tunneling in public firms might not translate in as much opportunities for tunneling in these firms given the stronger external monitoring public firms are subject to.

family members. For example, the fact that weaker family members, such as daughters of the founder, are less likely to hold board positions in firms where sons of the founder are also on board is quite suggestive in this regard. Similarly, our findings that larger families and greater family involvement are associated with a breakdown of group assets into a larger set of (smaller) firms could also indicate that access to cash flow for a given family member requires control rights for that family member.

## Appendix A

### A.1. Firm data

Our firm-level data are from Thailand. Each registered firm in Thailand has to submit annual financial statements, audited by an authorized auditor, to the Ministry of Commerce. Registered firms include registered partnerships, privately held limited companies, and publicly traded companies. The database is physically assembled and maintained by the Ministry's Department of Business Development.[7] We access this database in several ways.

(1) *Direct request made to the Department of Business Development*: The Department makes the database available to general public upon request. The database contains all the information each firm submits to the Ministry. For each firm, the information include the registration number, registration date, address, name of the firm, notes on change of status or change of names, types of business, the report of the shareholder meetings, financial statements, list of shareholders (names, nationality, profession, number of shares, date of acquire or purchase), and list of the directors. The coverage is all registered firms in Thailand for all available years. The data is not digitalized and must be requested on firm-by-firm basis based only on the registration number. The request must be made in person. Fees are charged based on the number of firms, the number of years, and the type of requested data.

(2) *Thailand Company Information (TCI)*: The Department of Business Development gives a right to Advanced Research Group Co., Ltd. to publish the financial statements of approximately the top 2,000 registered firms in a series of books called *Thailand Company Information* (TCI). The books have been released annually since 1987. The TCI database contains financial, ownership, and board composition information at the firm level. For all firms, the financial information includes total assets, total liabilities, total revenues, and net profits. Ownership data report the names of the shareholders and the percentage of company shares directly held by each shareholder. The database includes information of the names of directors on the firm's board. For publicly traded firms, specific positions on the board held by a particular person are also reported. The database provides information on industry classification similar to one-digit and two-digit SIC codes, and the founding year for each firm. All data in TCI are translated into English.

(3) *Business Online (BOL)*: The Department of Business Development also cooperates with Business Online Public Co., Ltd. to digitalize the basic information of over 600,000 registered companies in Thailand. The information includes the company's name, registration number, address, financial statement, list of shareholders, and directors. As BOL was established in 1996, the database contains only information in recent years. (At the time of working on our project, the BOL financial data went back to 1993 while the shareholder and director information went back only to 1997.) The data are available for purchase in digital format. The price is based on the number of firms, the number of years, and type of the data. Most of the data are in English, except for shareholder and director information, which is mostly in Thai.

(4) *Listed Company Info (SET)*: In addition to submitting an annual report to the Ministry of Commerce, all the listed firms must submit the same report and additional data to the Stock Exchange of Thailand (SET). The data that SET makes available to the investors and general public include the company profile, quarterly consolidated and unconsolidated financial statements, daily trading information, and announcement and news. The data are digital and come in a series of CD-ROMs. Recently, the Stock Exchange of Thailand changed the format of the data from CD-ROM to online access. Unfortunately, the online access contains only the data for the past five years. All the data are in English.

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[7]The Department of Business Development was previously known as the Department of Commercial Registration until the government reorganization that became effective in October 2002.

We construct our dataset from several sources listed above. We start by taking the list of firms directly from *Thailand Company Information* 1997–1998, which publishes the financial data for the end of 1996. The criteria that TCI use in selecting the firms to be included are that the firm must either (1) have annual revenues of at least 200 million Baht (approximately eight million U.S. dollars), (2) be listed on the Stock Exchange of Thailand, or (3) be one of the leading companies in its industry. In total, there are 2,153 firms included in TCI's 1996 list. All of these firms form our sample for 1996. Our 1996 sample therefore includes all publicly traded firms and the largest privately held firms in Thailand. For all firms, we get the general firm's profiles (registration number, name, type of business, and founding year) from the TCI 1997–1998 books.

The 1996 information on shareholders, board of directors, and financial statements come from two sources. For non-listed firms, we rely on the TCI books for all of these data as it was the only source available except by direct request to the Department of Business Development. However, for listed firms, we get the data from SET's *Listed Company Info* CD-ROMs because the data are digitalized and distinguish between consolidated and unconsolidated financial statements. We use unconsolidated financial statements in our analysis.

### A.2. Family data

Our objective is to construct family trees for the family groups in our sample that are as accurate and comprehensive as possible. For that purpose we rely on a number of sources. We start with information from a publication by the Brooker Group entitled *Thai Business Groups: A Unique Guide to Who Owns What*. This book identifies the 150 leading business groups in Thailand and covers the history of each of these groups since the time the first business was founded until today. The next step is constructing family trees of these business families listed in the Brooker book. Specifically, for each of the family business groups, we identify its founder and try to trace all of his direct descendants to the youngest active generation. To make the definition of family size consistent across families, we do not count the founder's siblings and their descendants as a part of the family when we compute family size because this set of information is incomplete for many families. However, the information is useful when we analyze the involvement of family members in the family business so we still collect the information on the founder's siblings and their descendants whenever possible. We also ignore family members who are younger than 15 in the late 1990s by including in our family tree only individuals with Mr., Mrs., Miss, Lady (Thanpuying and Khunying), Dr., or military titles.[8]

Although the Brooker book helps us identify the prominent business families and construct some family trees, it does not provide systematic information on the full family trees of all the families. We therefore gather more detailed descriptions of the business families from several alternative sources. The most useful source is from various biography books written on several Thai millionaires. For example, Sapphaibul (2001a, b) provides impressive information on 55 of the most famous business families. In addition, it is customary in Thailand when a public person dies that the descendants compile a funeral book that contains information about the person's life and his or her family relationships. When available, we also collect the family tree information from the funeral books published and distributed for the group founders or other family members. Next, we supplement the information with articles from various local magazines and newspapers. These articles are usually either a story about a famous family or an interview with a group founder or his descendants. The full list of the biography and funeral books as well as articles is at the end of this Appendix. We also collect a number of small news clips from social columns in several daily newspapers. Most of these news clips are obituaries or announcements of engagements, weddings, divorces, deaths, funeral arrangements, and anniversary celebrations. Finally, we conduct informal interviews with family members of a few business families to verify the accuracy of our data.

With the descriptive information we gather from these sources, we code the information systematically. We include in our family trees all of the family members we identify, whether or not they are involved in the family business. The founder generation is coded as generation one, his children are generation two, and so on. For each family member, we collect information on their specific position in the family tree (defined as the relationship to the founder), gender, birth order (defined as the rank order of children within a specific marriage), and biological versus adopted status. With less coverage and accuracy, we also code the

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[8] In Thailand, a person drops his or her junior title and starts using Mr. or Miss when he or she turns 15.

information on individual education, work experience, and involvement in family business. We also rely on these sources to identify which specific family members, if any, are designated as "heirs" of the family business. Note that we cannot systematically track whether a given family member in our family tree is still alive or not. However, we do know for all families whether the founder is still alive or not as of 1996.

Finally, for each family member, we collect information on the name of the spouse(s) whenever possible. This information will be especially interesting for the founders, since several of them have multiple wives and also children from multiple wives. We do not, however, count spouses as part of the family when we construct measures of family size. We carefully keep track of changes in last names, especially for married female family members and their descendants. We also gather information on relationships across families through marriages.

As a whole, we construct family trees for 93 business families. Ninety of them are among the Brooker's list; three of them are additional. By alphabetical order, the families included in our data are Asadathorn, Asavabhokin, Assakul, Bencharongkul, Bhirom Bhakdi, Bodiratnangkura, Boondicharern, Boonnamsap, Boonsoong, Bulakul, Bulsook, Chaiyawan, Chansiri, Chansrichwala, Charnvirakul, Chearavanont, Chirathivat, Chokwatana, Chotitawan, Darakananda, Dumnernchanvanit, Hetrakul, Horrungruang, Jantaranukul, Jungrungruangkit, Kanathanavanich, Karnasuta, Karnchanachari, Karnchanapas, Kiangsiri, Kitiparaporn, Krisdathanont, Kunanantakul, Kuvanant, Lailert/YipInTsoi/Chutrakul, Lamsam, Laohathai, Lee-Issaranukul, Leelaprachakul, Leelasithorn, Leenutaphong, Leeswadtrakul, Leophairatana, Lertsumitrkul, Mahadumrongkul, Mahagitsiri, Maleenont, Nakornsri, Narongdej, Nithivasin, Osathanugrah, Phaoenchoke, Phatraprasit, Phenjati, Phodhivorakhun, Phongsathorn, Phornprapha, Piyaoui, Poolvoralaks, Prasarttong-Osot, Raiva/Sila-on, Ratanarak, Sermsirimongkol, Shinawatra, Sirivadhanabhakdi, Sophonpanich, Srifuengfung, Sriorathaikul, Srivikorn, Sukosol, Supsakorn, Suriyasat, Tangkaravakoon, Tangmatitham, Tantipipatpong, Tantipong-anant, Techaruvichit, Tejapaibul, Tejavibul, Tuchinda, Uahwatanasakul, Umpujh, Vacharaphol, Vanich, Vilailuck, Viraporn, Viriyabhan, Viriyaprapaikit, Vongvanij, Wanglee, Wattanavekin, Wongkusolkit, and Yoovidhaya. The main characteristics of each family are shown in Table A1.

### A.3. Matching family data with firm data

The next task is putting the firm data and the family data together. First, we match the names listed as shareholders and directors to the names listed in our constructed family trees. It is very common that a Thai name is translated into different versions of English spelling so we pay careful attention when we match the names.

Next, we identify firms that belong to each of our 93 business families. The criterion is that the family as a whole has the highest percentage of ultimate ownership in that company. Ultimate ownership is defined as the cash-flow rights derived from holding shares in the firm directly or indirectly through pyramids or cross-shareholdings. The main characteristics of each family business group are shown in Table A2.

Note that we are very careful in matching female family members by looking at both their current last name and their maiden name. Specifically, to alleviate the concern that we overlook a female family member because she changes her last name after marriage, we match the female names in two steps:

*First step*: Starting with the family trees, we match the records where *both* the first name *and* the last name are perfectly identical (after correcting for various ways of spelling the same Thai names in English). Out of 4,408 records of ownership, 3,269 individual names and last names (74.16%) were matched in this first stage. Note that we considered both the original last name of the individual and the last name of her husband. Out of 232 daughters in our family trees, 102 have the husband's last name. Obviously, we may miss some of the last names, but it is also likely that some of the daughters without the husband's last name were indeed not married, and when they got married the last name in the firm database at the Ministry of Commerce might not be updated. We address this concern in the second step.

*Second step*: For each of the names in the family tree that are not matched in the first step, we check whether it could have been due to the change in last name. Specifically, we perform a match between family tree and firm records just based on *first* names. We can confidently apply this strategy since it is extremely rare in the Thai culture to give the same first name to more than one person within the same family. This is done for each

Table A1

Family characteristics

The unit of observation is a family. Families are ranked by number of generations, family size, and number of sons, respectively. The data are approximately as of 1996. Family size is the total number of direct descendants of the founder of each business group, including the founder himself. Family size does not include spouses, the founder's siblings and descendants of the founder's siblings. Number of generations is defined as the number of generations of the family from the founder (generation 1) to the latest generation that is active in family business. Number of sons (daughters) is the total number of founder's sons (daughters) from all wives. Multiple wives is a dummy variable with the value of one if the founder had more than one wife, and zero otherwise. Founder dead is a dummy variable with the value of one if the founder was dead by 1996 and zero otherwise.

| Family | Number of generations | Family size | Number of Sons | Daughters | Multiple wives? | Founder dead? | Family | Number of generations | Family size | Number of Sons | Daughters | Multiple wives? | Founder dead? |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 5 | 122 | 3 | 2 | 1 | 1 | 48 | 2 | 7 | 4 | 2 | 0 | 1 |
| 2 | 4 | 99 | 6 | 6 | 1 | 1 | 49 | 2 | 7 | 4 | 2 | n.a. | 1 |
| 3 | 4 | 34 | 6 | 1 | 1 | 1 | 50 | 2 | 7 | 4 | 2 | 0 | 0 |
| 4 | 4 | 33 | 5 | 2 | 0 | 1 | 51 | 2 | 7 | 2 | 4 | 0 | 0 |
| 5 | 4 | 27 | 4 | 2 | 0 | 1 | 52 | 2 | 7 | 2 | 4 | 0 | 1 |
| 6 | 4 | 25 | 1 | 2 | 0 | 1 | 53 | 2 | 6 | 5 | 0 | n.a. | 0 |
| 7 | 4 | 21 | 5 | 5 | 0 | 1 | 54 | 2 | 6 | 4 | 1 | 0 | 0 |
| 8 | 4 | 20 | 3 | 0 | 1 | 1 | 55 | 2 | 6 | 3 | 2 | 0 | 0 |
| 9 | 3 | 59 | 14 | 12 | 1 | 1 | 56 | 2 | 6 | 3 | 2 | 0 | 1 |
| 10 | 3 | 38 | 8 | 2 | 0 | 1 | 57 | 2 | 6 | 3 | 2 | 0 | 0 |
| 11 | 3 | 34 | 8 | 4 | 1 | 1 | 58 | 2 | 6 | 3 | 2 | 0 | 0 |
| 12 | 3 | 29 | 5 | 4 | 0 | 1 | 59 | 2 | 6 | 2 | 3 | 0 | 0 |
| 13 | 3 | 25 | 5 | 3 | 1 | 1 | 60 | 2 | 6 | 2 | 3 | 0 | 0 |
| 14 | 3 | 23 | 10 | 0 | n.a. | 0 | 61 | 2 | 6 | 1 | 4 | 0 | 0 |
| 15 | 3 | 21 | 8 | 8 | 0 | 1 | 62 | 2 | 6 | 0 | 5 | 0 | 0 |
| 16 | 3 | 19 | 4 | 8 | 1 | 1 | 63 | 2 | 5 | 4 | 0 | n.a. | 0 |
| 17 | 3 | 17 | 7 | 4 | 1 | 1 | 64 | 2 | 5 | 4 | 0 | n.a. | 0 |
| 18 | 3 | 16 | 6 | 1 | 0 | 0 | 65 | 2 | 5 | 3 | 1 | 0 | 0 |
| 19 | 3 | 16 | 2 | 1 | 0 | 1 | 66 | 2 | 5 | 3 | 1 | 0 | 1 |
| 20 | 3 | 15 | 6 | 6 | n.a. | 1 | 67 | 2 | 5 | 3 | 1 | 0 | 1 |
| 21 | 3 | 15 | 6 | 5 | 0 | 0 | 68 | 2 | 5 | 3 | 0 | 0 | 1 |
| 22 | 3 | 15 | 3 | 0 | 0 | 1 | 69 | 2 | 5 | 2 | 2 | n.a. | 0 |
| 23 | 3 | 14 | 2 | 3 | 0 | 0 | 70 | 2 | 5 | 2 | 2 | 0 | 0 |
| 24 | 3 | 13 | 2 | 2 | 0 | 1 | 71 | 2 | 5 | 1 | 3 | 0 | 0 |
| 25 | 3 | 12 | 5 | 4 | 1 | 1 | 72 | 2 | 5 | 1 | 3 | n.a. | 0 |
| 26 | 3 | 12 | 2 | 2 | 0 | 1 | 73 | 2 | 5 | 1 | 3 | 0 | 0 |
| 27 | 3 | 12 | 1 | 6 | 0 | 1 | 74 | 2 | 4 | 3 | 0 | n.a. | 0 |
| 28 | 3 | 11 | 4 | 0 | n.a. | 1 | 75 | 2 | 4 | 3 | 0 | 0 | 0 |
| 29 | 3 | 11 | 3 | 1 | 0 | 1 | 76 | 2 | 4 | 2 | 1 | 0 | 0 |
| 30 | 3 | 11 | 2 | 4 | 0 | 1 | 77 | 2 | 4 | 2 | 1 | 1 | 0 |
| 31 | 3 | 11 | 1 | 0 | 0 | 1 | 78 | 2 | 4 | 1 | 2 | 0 | 0 |
| 32 | 3 | 11 | 0 | 2 | 0 | 1 | 79 | 2 | 4 | 1 | 2 | 0 | 1 |
| 33 | 3 | 10 | 4 | 3 | 0 | 0 | 80 | 2 | 4 | 1 | 2 | 0 | 0 |
| 34 | 3 | 8 | 2 | 4 | n.a. | 0 | 81 | 2 | 4 | 1 | 2 | 0 | 1 |
| 35 | 3 | 7 | 3 | 2 | 0 | 1 | 82 | 2 | 4 | 1 | 2 | 0 | 0 |
| 36 | 3 | 6 | 3 | 0 | n.a. | 1 | 83 | 2 | 4 | 0 | 2 | 0 | 0 |
| 37 | 3 | 5 | 1 | 0 | n.a. | 1 | 84 | 2 | 3 | 2 | 0 | n.a. | 0 |
| 38 | 2 | 20 | 8 | 10 | 0 | 0 | 85 | 2 | 3 | 1 | 1 | 0 | 0 |
| 39 | 2 | 16 | 9 | 5 | 0 | 0 | 86 | 2 | 3 | 1 | 1 | 0 | 1 |
| 40 | 2 | 13 | 10 | 2 | 1 | 1 | 87 | 2 | 2 | 1 | 0 | n.a. | 0 |
| 41 | 2 | 12 | 4 | 7 | 1 | 0 | 88 | 2 | 2 | 1 | 0 | 0 | 0 |
| 42 | 2 | 11 | 4 | 1 | 1 | 0 | 89 | 2 | 1 | 0 | 0 | n.a. | 1 |
| 43 | 2 | 11 | 4 | 3 | 0 | 0 | 90 | 2 | 1 | 0 | 0 | n.a. | 1 |
| 44 | 2 | 10 | 4 | 2 | 1 | 0 | 91 | 2 | 1 | 0 | 0 | n.a. | 0 |
| 45 | 2 | 9 | 4 | 4 | 1 | 1 | 92 | 1 | 1 | 0 | 0 | n.a. | 0 |
| 46 | 2 | 8 | 4 | 3 | n.a. | 0 | 93 | 1 | 1 | 0 | 0 | n.a. | 0 |
| 47 | 2 | 8 | 2 | 5 | 1 | 0 | | | | | | | |

Table A2

Group characteristics

The unit of observation is a family business group. All data are as of 1996. Family numbers correspond to those assigned in Table A1. Number of firms is the number of public and private firms in our sample that belonged to families. Log of total assets is the natural logarithm of group total assets in thousand baht at the end of the year. Return on assets is net profit divided by total assets at the end of the year. Leverage is group total liabilities divided by group total assets. Group age is defined as the age of the oldest firm for each group in our sample. Group depth is defined as the maximum depth of the deepest firm in the group, where firm's maximum depth is the longest chain that vertically traces the firm to the family's ultimate ownership. Number of firms owning a particular firm is the largest number of group firms that own a particular firm in the same group. Number of firms owned by a particular firm is the largest number of group firms that are owned by a particular firm in the same group.

| Family | Number of firms | | | Log total assets | ROA (×100) | Leverage | Group age | Group depth | Number of firms | | Family | Number of firms | | | Log total assets | ROA (×100) | Leverage | Group age | Group depth | Number of firms | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All | Public | Private | | | | | | Owning | Owned | | All | Public | Private | | | | | | Owning | Owned |
| 1 | 8 | 4 | 4 | 18.25 | 1.03 | 0.90 | 63 | 4 | 3 | 3 | 48 | 8 | 4 | 4 | 19.05 | 2.99 | 0.71 | 67 | 3 | 3 | 3 |
| 2 | 14 | 7 | 7 | 20.34 | 2.00 | 0.89 | 64 | 4 | 4 | 7 | 49 | 2 | 0 | 2 | 14.44 | 10.62 | 0.68 | 7 | 2 | 1 | 0 |
| 3 | 18 | 7 | 11 | 21.22 | 1.43 | 0.74 | 52 | 5 | 6 | 11 | 50 | 5 | 0 | 5 | 18.60 | −0.27 | 0.33 | 55 | 2 | 3 | 3 |
| 4 | 25 | 1 | 24 | 18.23 | 7.34 | 0.65 | 44 | 3 | 3 | 11 | 51 | 1 | 0 | 1 | 14.74 | 4.88 | 1.10 | 18 | 0 | 0 | 0 |
| 5 | 22 | 6 | 16 | 17.90 | 3.79 | 0.65 | 114 | 3 | 2 | 8 | 52 | 9 | 4 | 5 | 19.95 | 1.73 | 0.89 | 51 | 6 | 7 | 6 |
| 6 | 2 | 1 | 1 | 15.42 | 2.69 | 0.57 | 66 | 0 | 0 | 0 | 53 | 1 | 0 | 1 | 15.68 | −0.13 | 0.87 | 28 | 0 | 0 | 0 |
| 7 | 4 | 1 | 3 | 17.76 | −0.01 | 0.92 | 49 | 3 | 1 | 1 | 54 | 13 | 6 | 7 | 16.87 | 4.71 | 0.41 | 27 | 3 | 4 | 12 |
| 8 | 5 | 0 | 5 | 17.12 | 9.10 | 0.65 | 63 | 1 | 1 | 3 | 55 | 10 | 1 | 9 | 19.75 | −0.32 | 0.29 | 27 | 4 | 4 | 6 |
| 9 | 31 | 6 | 25 | 18.43 | 1.56 | 0.69 | 39 | 4 | 2 | 6 | 56 | 1 | 1 | 0 | 14.50 | −1.37 | 0.66 | 27 | 0 | 0 | 0 |
| 10 | 35 | 19 | 16 | 17.90 | 3.75 | 0.52 | 44 | 7 | 5 | 23 | 57 | 2 | 1 | 1 | 15.11 | 12.03 | 0.49 | 23 | 1 | 1 | 1 |
| 11 | 4 | 0 | 4 | 16.21 | −0.71 | 0.96 | 31 | 2 | 6 | 2 | 58 | 4 | 3 | 1 | 16.56 | 4.63 | 0.55 | 11 | 2 | 1 | 3 |
| 12 | 1 | 1 | 0 | 15.11 | 8.54 | 0.53 | 27 | 0 | 0 | 0 | 59 | 3 | 2 | 1 | 14.41 | 4.54 | 0.58 | 26 | 0 | 0 | 0 |
| 13 | 9 | 1 | 8 | 16.48 | 2.11 | 0.68 | 38 | 3 | 3 | 4 | 60 | 58 | 5 | 53 | 20.28 | 1.14 | 0.91 | 62 | | | |
| 14 | 1 | 0 | 1 | 15.63 | 0.10 | 1.05 | 46 | 0 | 0 | 0 | 61 | 7 | 2 | 5 | 16.55 | 7.33 | 0.64 | 31 | 2 | 1 | 2 |
| 15 | 4 | 0 | 4 | 15.02 | 0.44 | 0.93 | 54 | 1 | 1 | 0 | 62 | 6 | 2 | 4 | 16.13 | 2.42 | 0.62 | 26 | 2 | 5 | 2 |
| 16 | 46 | 7 | 39 | 19.19 | 0.78 | 0.60 | 29 | 5 | 7 | 21 | 63 | 1 | 1 | 0 | 15.70 | 1.13 | 0.79 | 23 | 0 | 0 | 0 |
| 17 | 11 | 1 | 10 | 17.90 | 5.71 | 0.73 | 29 | 4 | 2 | 6 | 64 | 3 | 0 | 3 | 13.70 | −0.25 | 0.89 | 27 | 1 | 1 | 0 |
| 18 | 8 | 0 | 8 | 16.34 | 0.83 | 0.90 | 20 | 1 | 1 | 1 | 65 | 6 | 5 | 1 | 17.88 | 3.60 | 0.61 | 31 | 1 | 1 | 3 |
| 19 | 4 | 4 | 0 | 17.16 | 0.97 | 0.83 | 29 | 2 | 1 | 1 | 66 | 6 | 2 | 4 | 18.30 | 5.80 | 0.58 | 16 | 4 | 1 | 3 |
| 20 | 4 | 0 | 4 | 15.73 | 7.74 | 0.54 | 33 | 1 | 1 | 0 | 67 | 2 | 0 | 2 | 14.59 | −0.05 | 0.74 | 30 | 1 | 1 | 1 |
| 21 | 2 | 2 | 0 | 18.16 | 1.38 | 0.57 | 28 | 1 | 1 | 0 | 68 | 3 | 1 | 2 | 14.27 | 8.15 | 0.53 | 8 | 1 | 1 | 1 |
| 22 | 3 | 3 | 0 | 17.05 | −1.27 | 0.75 | 8 | 0 | 0 | 0 | 69 | 7 | 0 | 7 | 15.70 | −1.07 | 0.78 | 33 | 1 | 1 | 0 |
| 23 | 7 | 1 | 6 | 17.46 | 3.95 | 0.61 | 41 | 5 | 2 | 3 | 70 | 2 | 1 | 1 | 15.25 | 0.40 | 0.46 | 32 | 2 | 2 | 1 |
| 24 | 3 | 2 | 1 | 15.51 | 6.33 | 0.59 | 26 | 1 | 1 | 0 | 71 | 1 | 0 | 1 | 13.58 | 1.09 | 0.69 | 27 | 0 | 0 | 0 |
| 25 | 2 | 2 | 0 | 15.46 | −4.25 | 0.72 | 16 | 1 | 1 | 1 | 72 | 13 | 3 | 10 | 17.99 | −1.68 | 0.81 | 33 | 2 | 2 | 4 |
| 26 | 4 | 1 | 3 | 16.13 | 5.87 | 0.60 | 32 | 3 | 2 | 1 | 73 | 1 | 1 | 0 | 15.27 | 3.30 | 0.49 | 25 | 0 | 0 | 0 |
| 27 | 2 | 0 | 2 | 15.72 | 9.28 | 0.39 | 35 | 1 | 1 | 0 | 74 | 4 | 2 | 2 | 15.34 | 11.84 | 0.51 | 15 | 2 | 1 | 1 |
| 28 | 8 | 0 | 8 | 16.22 | 5.77 | 0.67 | 24 | 2 | 2 | 3 | 75 | 2 | 0 | 2 | 14.31 | 6.41 | 0.59 | 17 | 1 | 1 | 0 |
| 29 | 2 | 2 | 0 | 16.50 | 3.44 | 0.68 | 23 | 0 | 0 | 0 | 76 | 4 | 4 | 0 | 16.38 | 0.48 | 0.62 | 34 | 1 | 1 | 3 |
| 30 | 2 | 0 | 2 | 13.53 | 0.58 | 0.69 | 48 | 2 | 1 | 1 | 77 | 2 | 0 | 2 | 15.39 | −1.62 | 0.87 | 19 | 1 | 0 | 1 |
| 31 | 1 | 1 | 0 | 12.92 | 4.45 | 0.40 | 18 | 0 | 0 | 0 | 78 | 3 | 1 | 2 | 16.60 | 8.20 | 0.72 | 13 | 0 | 0 | 0 |
| 32 | 4 | 0 | 4 | 15.85 | −3.51 | 1.00 | 22 | 1 | 1 | 2 | 79 | 2 | 2 | 0 | 15.15 | −5.22 | 0.48 | 23 | 0 | 0 | 0 |
| 33 | 7 | 1 | 6 | 16.16 | 20.86 | 0.30 | 29 | 1 | 1 | 3 | 80 | 5 | 4 | 1 | 16.86 | 2.69 | 0.40 | 26 | 1 | 4 | 1 |

| | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **34** | 3 | 2 | 1 | 16.75 | −11.11 | 0.90 | 24 | 3 | 2 | 2 | **81** | 1 | 0 | 1 | 13.22 | 0.63 | 0.77 | 17 | 0 | 0 | 0 |
| **35** | 17 | 3 | 14 | 17.48 | 1.66 | 0.59 | 43 | 4 | 4 | 1 | **82** | 8 | 4 | 4 | 17.84 | 11.99 | 0.43 | 13 | 2 | 1 | 4 |
| **36** | 3 | 1 | 2 | 16.17 | 7.69 | 0.58 | 44 | 0 | 0 | 0 | **83** | 2 | 0 | 2 | 15.73 | 2.38 | 0.72 | 22 | 1 | 1 | 1 |
| **37** | 4 | 0 | 4 | 17.12 | 4.84 | 0.56 | 34 | | | | **84** | 4 | 2 | 2 | 17.48 | 0.88 | 0.91 | 24 | 1 | 1 | 3 |
| **38** | 3 | 2 | 1 | 17.25 | 0.48 | 0.80 | 37 | 1 | 1 | 1 | **85** | 16 | 4 | 12 | 17.47 | 1.03 | 0.73 | 35 | 3 | 3 | 8 |
| **39** | 1 | 0 | 1 | 13.52 | 0.89 | 0.96 | 7 | 0 | 0 | 0 | **86** | 1 | 1 | 0 | 18.60 | 0.91 | 0.90 | 47 | 0 | 0 | 0 |
| **40** | 4 | 2 | 2 | 18.70 | 1.31 | 0.91 | 57 | 2 | 4 | 2 | **87** | 4 | 4 | 0 | 16.69 | −1.35 | 0.69 | 43 | 1 | 1 | 2 |
| **41** | 2 | 0 | 2 | 14.92 | 0.01 | 0.83 | 18 | 0 | 0 | 0 | **88** | 3 | 3 | 0 | 17.76 | 0.07 | 0.82 | 26 | 2 | 2 | 1 |
| **42** | 4 | 2 | 2 | 16.12 | 4.74 | 0.58 | 17 | 2 | 1 | 2 | **89** | 5 | 1 | 4 | 17.39 | 0.25 | 0.90 | 47 | 2 | 2 | 1 |
| **43** | 2 | 1 | 1 | 15.81 | 5.87 | 0.69 | 32 | 1 | 2 | 0 | **90** | 1 | 0 | 1 | 13.69 | 1.71 | 0.69 | 23 | 0 | 0 | 0 |
| **44** | 2 | 0 | 2 | 13.47 | 0.51 | 0.47 | 10 | 1 | 1 | 0 | **91** | 7 | 3 | 4 | 17.32 | 4.80 | 0.60 | 23 | 2 | 2 | 3 |
| **45** | 1 | 0 | 1 | 15.69 | 0.73 | 0.43 | 21 | 0 | 0 | 0 | **92** | 7 | 2 | 5 | 16.81 | 0.55 | 0.83 | 38 | 2 | 2 | 1 |
| **46** | 3 | 0 | 3 | 17.47 | −0.16 | 0.97 | 54 | 2 | 4 | 1 | **93** | 1 | 1 | 0 | 12.54 | −11.20 | 1.10 | 11 | 0 | 0 | 0 |
| **47** | 1 | 0 | 1 | 15.66 | 0.60 | 0.95 | 16 | 0 | 0 | 0 | | | | | | | | | | | |

of the families. There is only one case where we find the same first name in the family tree and firm records, but different last names. For this particular one case, we do not consider this person as a family member.

Given that we only identify one case in step 2, we are quite confident that our name matching covers most of the family members listed in our family trees and there is no systematic bias between male and female family members in the matching process.

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*A.5. Construction of excess control measures*

Individual ownership is calculated by summing a given family member's direct and indirect ownership over a given firm. Direct ownership is simply the percentage of shares that a given family member owns. When there is a chain shareholding along the pyramid, we also compute the indirect ownership along the chain by calculating the product of shares held by a given individual along the chain. The calculation is more complicated if there is more than one chain for each firm.

In such cases, the total indirect ownership is the sum of the ownership over all chains that can be traced back to the given family member. For example, Firm X is 30% owned by Mr. A and 70% owned by firm Y. Firm Y is 40% owned by Mr. A. We say that Mr. A directly owns 30% of firm X. He also indirectly owns 40%*70% = 28% of firm X through firm Y along the pyramid chain. His ownership in firm X is therefore 30 + 28 = 58%.

Control is based on the voting rights of a given family member. Due to a one-share-one-vote rule, direct control rights are simply the shares that the family member holds. However, in case of a chain shareholding, control over the voting rights of a firm is the weakest link, i.e., the smallest share along each chain. Total indirect control is defined as the sum of the control over all chains. Finally, ultimate control is the sum of direct and indirect control for each family member. Using the previous scenario, Mr. A directly controls 30% of the voting rights of firm X. He also indirectly controls min {40%, 70%} = 40% over firm X. His control in firm X is therefore 30 + 40 = 70%. Using this approach, we can define a measure of excess control (i.e., extent of control greater than or in excess of ownership stake) at the individual level. In the example above, Mr. A has excess control over firm X (by 12%).

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