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Family Italian listed firms: Comparison in performances and identification of two main configurations

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Abstract

Purpose – The purpose of this study is to underscore the impact of the family variable on performance. The authors were interested in understanding whether the differences between Family Firms (FFs) and Non-Family Firms (NFFs), on the one hand, and between large FFs and medium-sized FFs, on the other, were reflected in the performance achieved.

Design/methodology/approach – In this paper a sample of 80 industrial companies listed on the Italian Stock Market (FTSE MIB and STAR indexes) were considered, and mixed criteria to distinguish FFs and NFFs (Smyrnios-Romano *et al.*, 1998) were used. The empirical method allowed the development of some research hypotheses by exploiting the Pearson correlation.

Findings – There are two main categories of FFs, which correspond to two different strategic and organizational categories, namely, the FFs listed on the large capitalized companies index (FTSE MIB) and the FFs listed on the medium-capitalized companies index (STAR). Each kind of FFs (large FFs and medium-sized FFs) has a specific effect on profitability and financial performance. Specifically, if a company is medium sized, family presence is a relevant variable in achieving better profitability and financial performance than NFFs of the same size; on the other hand, if the company expands to become a large one, the family presence is an irrelevant variable in terms of both profitability and financial leverage (debt ratio).

Research limitations/implications – Limitations of the study concern the definition of the sample, as this paper focused on the industrial sector and the method adopted, as it could be integrated with some econometrical models. The implications of this paper are relevant for families and regulatory bodies because it helps them better understand the effects of governance and company size both on short- and long-term performance. Moreover, the findings of the study can influence the decision-making process of investors to identify the long-term outperformers listed on the Italian Stock Exchange.

Originality/value – This study contributes to the literature on FFs by defining two different categories of FFs, namely, large and medium-sized. It seems that larger companies record a weaker family influence on short-term profitability.

Keywords Performance, Family firms, Corporate governance

Paper type Research paper

1. Introduction

Some scholars claim that the economy of countries throughout the world is persistently dominated by Family Firms (FFs), especially in Europe, Asia and Latin America; hence, the importance of FFs is duly acknowledged in the economic and social framework and, consequently, in the literature (Astrachan and Shanker, 2003; Claessens *et al.*, 2000; Faccio and Lang, 2002; IFERA, 2013; La Porta *et al.*, 1999; Morck and Yeung, 2004).

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In the USA, one-third of the S&P500 firms still count the active presence of founding family members in their management. Said numbers are even higher in other parts of the world due to the global prevalence of this organizational form (*Business Week*, 2003). For instance, Claessens *et al.* (2000) found extensive family control in more than half of the 2,980 East Asian companies they studied, while Faccio and Lang (2002) reported that just over 44 per cent of the firms in their sample (5,232 firms) from 13 Western European countries were family-controlled. About European countries, the official documents of the European Commission (2012) stress that Family Businesses constitute a substantial part of existing European companies and have a significant role to play in the strength and dynamics of the European economy. Regarding the Italian situation, the presence of numerous small- and medium-sized companies, often family-controlled, plays an important role within the international scenario (Mediobanca, 2013). The Bank of Italy survey reports that FFs account for 68 per cent of total firms and 50 per cent of the workforce in manufacturing companies with over 50 employees, and for 93 per cent of manufacturing companies with fewer than 50 employees (Bank of Italy, 1994). There are no precise statistics on FFs in the agricultural and services sectors, but it is reasonable to estimate that the numbers are high in these settings as well (Corbetta and Montemerlo, 1999). It emerged that, in both advanced and developing economies, FFs organize most of the economic activity and are increasingly considered by both public opinion and policymakers as a driving force and a valid alternative to managerial control (Colli, 2013).

An important issue concerning the past 20 years and underscored by studies on FFs is corporate governance, with particular focus on the relationship between owners, Board of Directors and CEOs (Keasey *et al.*, 2005; Monks and Minow, 2004) and on the convergence of family and business (Neubauer and Lank, 1998). Various theories are usually adopted (e.g. Agency Theory, Contingent Approach, Life-cycle Approach, Stewardship Theory, Social Capital Theory) to investigate relations between corporate governance and performance (Vighneswara, 2011). Focus is especially on the composition of the Board of Directors and on its influence on performance, despite a lack of clarity about how Board composition affects the performance of firms.

This paper compares the performance of FFs against that of Non-Family Firms (NFFs), considering that the family as an important variable for efficiency and efficacy management of the business. Dyer (2006) refers to the family as "the missing variable in organizational research", and he warns that "failing to use the family as a variable in organizational research can lead to incomplete or misleading findings" (Speckbacher and Wentges, 2007). In particular, after distinguishing between Italian-listed FFs and Italian-listed NFFs, having considered Board composition and ownership structure, we compared the economic and financial results achieved by the two groups to understand whether there was a relevant difference and its causes.

Hence, the main goal of this study is to underscore the remarkable impact of the family variable on performance (Miller *et al.*, 2007). This topic is especially significant in Italy where FFs are widely present, and in Europe as well, where:

> […] the context is characterized by high ownership concentration and the presence of family groups that remain in control of a significant number of firms, in contrast to the less amenable American and Anglo-Saxon markets (Garcia-Ramos and Garcia-Olalla, 2011).

Another goal of the paper that is strictly correlated with the previous one is to ascertain the presence of a distinction within FFs in terms of organizational and institutional features, considering their different economic and financial performance. We were especially interested in understanding if the size of the companies, expressed in terms of the number of employees, assets quantified in the balance sheet and revenues measured in the income statement, was a proxy variable of the complexity of the firm and, therefore, a significant element to be considered in addition to the presence of the family on the Board.

This is due to the fact that we observed how, in the Italian Stock Market, FFs listed on the FTSE MIB index (large capitalized companies) achieved a different financial and economic performance to the ones listed on the STAR index (medium-capitalized companies).

Section 2 of this paper analyzes the theoretical background of FFs, paying special attention to the key issues considered. Section 3 outlines the research method and describes the sample. Section 4 presents the findings and discusses the results. Finally, Section 5 defines the conclusions and implications of the study, along with its limitations.

2. Theoretical background

2.1 Defining FFs

FFs, including both narrow and broad definitions of family business, play an important role in economic activities worldwide and contribute to creating wealth and jobs (Astrachan and Shanker, 2003). The quantification of family businesses in the USA and Europe is the subject of several studies (Colli *et al.*, 2003; Corbetta, 1995; Larner, 1970; Neubauer and Lank, 1998; Shanker and Astrachan, 1996; Sluyterman and Winkelman, 1993).

A family business is often defined as the initial phase of the constitution process of a company, which involves about one or two generations before becoming a public company. However, it is not that easy to find a definition for the expression "family business" and ambiguities persist in the literature. The editorial note of the first issue of *Family Business Review* asks: "What is a family business?" (Lansberg *et al.*, 1988). People seem to understand the meaning of these words, but when they try to give a precise definition, they quickly discover that the phenomenon is indeed very complex (Hoy and Verser, 1994). The question is repeatedly asked because the literature provides several different definitions for family business, and also because different criteria have been used to classify FFs. In particular, the following are possible definitions based on the ownership and control criterion:

- a family business is a "firm in which significant voting rights or ownership is controlled by a member or members of a single family" (Barnes and Herson, 1976);
- a firm can be defined as FF when capital shares are owned by a single family (Alcorn, 1982; Lansberg *et al.*, 1988);
- in a family business, one or more families having kinship or similar ties are the owners of the full risk-contributed capital (Ferrero, 1980);
- in a family business, one or more families linked by kinship or similar ties or by strong alliances contribute with full or limited risk capital, personal or collateral guarantees or managerial skills; these families own a full risk capital share that

entitles them to control the business even without the absolute majority of capital (Corbetta and Dematté, 1993);

- a business governed and/or managed on a sustainable, potentially cross-generational basis to shape and perhaps pursue the formal or implicit vision held by members of the same family or of a small number of families (Chua *et al.*, 1999);
- Miller *et al.* (2003) do not explicitly define an FF, but they assume that management succession means that firm leadership will pass from one family member to another or, in the absence of a competent family contender in the short-term, to a bridge manager between family tenures;
- the presence of both a family member with some identifiable ownership share of the firm and multiple generations of family members holding leading positions within that firm (Zahra *et al.*, 2004); and
- Morck and Yeung (2004) used the following criteria of family control to distinguish FFs: the largest group of shareholders in a firm is a specific family, and the stake of that family is higher than either a 10 or 20 per cent control of voting shares.

If the criterion used to define a family business is the number of family members involved in its management – an emphasized criterion even in recent times (Di Mascio, 2008) – the following are possible definitions:

- a family business must be owned and managed by members belonging to one or more families (Stern, 1986); and
- in an FF, there must be at least two family generations involved in its management (Ward, 1988), also with the aim of conveying managerial skills to the next generation (Churchill and Hatten, 1987).

In recent years, the definitions for family business have been based on mixed criteria related to ownership and control (Smyrnios *et al.*, 1998).

According to other authors, an enterprise is classified as a family business if (Chua *et al.*, 1999):

- at least 50 per cent of the shares are owned by the family, and the family is responsible for the management of the company;
- at least 50 per cent of the shares are owned by the family, the enterprise is not family-run, but the CEO perceives it as a family business; or
- family ownership is less than 50 per cent, the company is family-run, the CEO perceives it as a family business and a venture capital or investment company owns at least 50 per cent of the shares.

Our study adopted mixed criteria, which are the most adequate and precise to circumscribe the family business phenomenon and to distinguish it from the NNFs, due to the fact that they consider many variables simultaneously, instead of only one (Smyrnios *et al.*, 1998). Our criterion mirrors the Italian context in which a business is usually an FF when one or more families control participation in the capital and also

manage the business by being present on the Board of Directors, even without holding executive roles.

Precisely, the mixed criterion adopted includes:

- controlled participation in the capital by the family; and
- the presence of at least one family member on the Board.

Indeed, most Italian businesses, whatever their size, are FFs, and the Bank of Italy survey on a sample of over 1,200 industrial firms with more than 50 employees revealed that 58 per cent of those companies based in Italy are directly owned by one person, by a group of family members or by a few shareholders who are mutually bound by agreements (Corbetta, 1995). Furthermore, one-third of those companies are indirectly controlled by parent companies, and at least half of them are estimated to be owned by families (Barca, 1994). In the majority of cases, the families who own the business do not confine themselves to merely owning it; they are inclined to manage it and to assume a governing role (i.e. sitting on the Board of Directors), depriving the Board of Directors of its decision-making role (Corbetta and Tomaselli, 1996).

Regardless of the criteria chosen, all definitions underscore an evident interaction between the family, considered as an entity, its members and the activities performed by the business (Miglietta, 2009).

The relations between family and enterprise are decisive for the survival of the firm and for creating value. The main goal of the family is to maintain and support its members, and this is the reason why the family invests its own resources in business activities, based on entrepreneurial values (Bertini, 1995; Catturi, 1995; Coda, 1988; Sorci, 1986; Vergara, 1986), which are also inspired by tradition, unity and affection (Salvato, 2002; Ward, 1997). Both the family and the business are motivated by a series of shared values, which include ensuring the continuity of the economic activity (Giannessi, 1960; Onida, 1954; Zappa, 1957) and creating value (Catuogno, 2006; Cuccurullo, 2006; Tiscini, 2006).

The family business phenomenon in Italy has been strongly analyzed in terms of relationship between FFs, governance and internationalization process. Precisely, Tardivo and Cugno (2011) and Bresciani *et al.* (2013) analyzed studies that focused on FFs by taking into account several topics, such as organizational structures and decision-making (Gubitta and Giannecchini, 2002; Songini, 2007), corporate governance (Bernini *et al.*, 2013; Carminati, 2010; Corbetta *et al.*, 2002a) with particular reference to how the Italian governance model in FFs is based on direct ownership with a predatory attitude against minority shareholders (Colli and Larsson, 2013), second- and third-generation turnover (Corbetta *et al.*, 2002b; Montemerlo, 2010; Zocchi, 2004a, 2004b) and international development (Stampacchia *et al.*, 2008).

2.2 The performance of FFs

The literature also focused on the analysis of the performance achieved by family businesses. We can group the various assertions developed in the theoretical background and concerning relations between family business and performance, into three categories:

(1) Authors who claim that FFs outperform NFFs, considering many different relevant variables, such as a minimum of family ownership, the presence of the

founders on the Board as CEO or Chairman, the size of the company and the family generation that controls the business.

(2) Authors who claim that FFs underperform NFFs, due to corporate governance issues.

(3) Authors who claim that there is neutrality in terms of performance between FFs and NFFs.

The first group includes an important study (Anderson and Reeb, 2003) conducted in the USA which shows that listed FFs have higher Tobin's q values and higher return on assets (ROA) than comparable NFFs, also proving that family ownership reduces the classical agency problem between managers and shareholders. In particular, they find a positive effect associated with family ownership that starts to taper off at around 30 per cent of ownership, and also underscore the point that the association between family ownership in large public firms and firm performance is not uniform across all levels of family ownership. The potential for entrenchment and poor performance reaches its highest, especially when families have major control of the firm. It emerges that FFs outperform NFFs in the ROA and, precisely, the economic performance of large listed family businesses is better than the economic performance of public non-family companies. Along the same lines, Culasso *et al.* (2012) affirm that the performance achieved by medium-sized Italian family businesses, both listed and non-listed, is far better than non-family companies of the same size. To underscore the influence of size on performance in FFs, a study conducted in Taiwan on 786 public FFs (Chu, 2011), besides stating that family ownership is positively associated with firm performance and that the said positive association is strong, especially when family members serve as CEOs, shows that the association between family ownership and firm performance is stronger in small- and medium-sized enterprises (SMEs) than in large companies. Another study (Gonzalez *et al.*, 2012) analyzed 523 listed and non-listed Colombian firms, reporting that FFs exhibit better financial performance on average than NFFs when the founder is still involved in operations, although the said effect diminishes with firm size, suggesting that some kinds of family involvement appear to make firm growth expensive.

The second group, instead, includes other studies, which have shown that family ownership has a negative impact on business performance (Faccio *et al.*, 2001; Volpin, 2002). In particular, Faccio *et al.* (2001) suggest that the problems of the analyzed East Asian firms are related to corporate governance and to the political–regulatory environment.

Finally, the third group counts some authors who have asserted the neutral effect of family ownership on economic performance, both regarding absolute ownership and share capital held by the family (Sciascia and Mazzola, 2008).

In the literature, some studies have also focused on the difference between the performance of family companies led by their founders and FFs not led by their founders (Adams *et al.*, 2003; Barontini and Caprio, 2006; Cucculelli and Micucci, 2008; Garcìa-Ramos and Garcìa-Olalla, 2011; Villalonga and Amit, 2004, 2006), while other surveys analyzed the performance achieved by family businesses that have reached the second or third generation, observing a destruction of values (Pérez-Gonzàlez *et al.*, 2007; Villalonga and Amit, 2006).

3. Methodology

3.1 The sample

We considered a sample of companies listed on the Italian Stock Market and included in the FTSE MIB and STAR indexes. FTSE MIB is the main benchmark index of the Italian Stock Market, and it captures about 80 per cent of domestic market capitalization. FTSE MIB measures the performance of 40 large capitalized Italian primary high-liquidity companies and attempts to replicate the broad sector weights of the Italian Stock Market. STAR index, instead, is dedicated to 67 medium-capitalized companies of the Italian Stock Market with market capitalization between €40 million and 1 billion, that comply with the followings features:

- high degree of transparency and communication;
- high liquidity (not less than 35 per cent of float); and
- corporate governance aligned to international standards.

Our aim in considering this sample was to test the following research questions in companies that represent Italian excellence, both large-capitalized companies (FTSE MIB) and medium ones (STAR). We also separately analyzed the first (FTSE MIB) and second samples (STAR) to verify the presence of a link between capitalization and performance.

Considering the sample of Italian firms listed in the FTSE MIB and STAR indexes, we excluded banks, insurance and other financial companies, as we wanted to focus on the industrial sector to achieve a satisfactory degree of homogeneity. We also eliminated foreign industrial listed companies to focus on Italian firms. The number of companies finally selected was equal to 80.

The study adopted a mixed criterion to distinguish FFs and NFFs, as indicated in Section 2.1. We did so by using data included in the "Corporate Governance Report" of each company published on the *Borsa Italiana* [Italian Stock Exchange] Web site.

By applying this criterion, it emerges that the 80 companies of the sample comprise 55 FFs and 25 NFFs, as shown in Table I.

It is interesting to observe that about 68.75 per cent of FTSE MIB and STAR companies on the Italian Stock Exchange are FFs. In the FTSE MIB index, which comprises large-capitalized companies, FFs account for about 48.15 per cent, while FFs are 79.25 per cent in the STAR index that includes medium-capitalized companies.

Companies typologies	Family firms	Non family firms	FTSE MIB family firms	FTSE MIB non family firms	STAR family firms	STAR non family firms
Companies (No)	55	25	13	14	42	11
Companies (%)	68.75	31.25	48.15	51.85	79.25	20.75

Table I.
The sample

Source: Personal elaboration

3.2 The research method

The main goal of this study is to analyze the relationship between the presence of a family on the Board of a firm and corporate performance, distinguishing between the listed Italian FFs and the listed Italian NFFs. Indeed, our hypothesis (*H1*) was that the presence of a family is an important factor in terms of impact on corporate performance:

H1. The family is a relevant variable that influences corporate performance.

A first research question (*RQ1*) was formulated to reach the declared goal and verify *H1*:

RQ1. Do the FFs outperform NFFs? Are there any relevant differences between FTSE MIB companies and STAR ones?

To answer *RQ1*, we compared the most significant economic and financial parameters known in literature (Baginski and Hassel, 2004; Ferrero *et al.*, 2003; Foster, 1986; Giroux, 2003; Helfert, 1997; Higgins, 2007; Ingram *et al.*, 2002; Meigs *et al.*, 2001; Value, 2001) for FFs and NFFs, both in general and within each index (FTSE MIB and STAR). Considering the economic indicators, the following ratios were adopted:

- ROA (return on assets);
- ROI (return on investment);
- ROS (return on sales); and
- ROE (return on equity).

Considering the financial ratios, the following parameters were analyzed:

- liquidity ratio;
- current ratio;
- debt ratio; and
- fixed asset coverage ratio.

The mean of each financial and economic ratio achieved by companies included in the sample was determined for every financial year covered by the study. The source of data was the AIDA database, which contains a wide variety of information on about 1 million companies in Italy, with up to five years of history, which are consistent with the financial statements and financial and economic indicators.

The analysis considered the past six years (2006-2011). Subsequently, we calculated:

- the 2006-2011 mean for each ratio;
- the 2006-2011 median for each ratio; and
- the 2006-2011 standard deviation for each ratio.

Then, economic and financial performance was compared between FFs and NFFs. Precisely, we first considered all the companies listed in the FTSE MIB and in the STAR indexes. Subsequently, the analysis compared FFs against NFFs in the FTSE MIB and in the STAR index, respectively.

Analyzing the findings collected by answering *RQ1* and, especially, information concerning the economic indicators, we observed that NFFs outperform FFs in the FTSE MIB index, while the reverse occurs in the STAR index. This element led us to

formulate an important assumption and a correlated new hypothesis we were proud to verify.

The *main assumption* was that there are two kinds of FFs, the ones listed on the high capitalization index (FTSE MIB) and those listed on the medium-capitalized index (STAR), which correspond to two different organizational configurations.

H2 was that, if capitalization is positively correlated with size, expressed in terms of number of employees, assets quantified in the balance sheet and revenues measured in the income statement, the presence of a family in the business is a relevant variable to achieve higher *economic performance* than NFFs *only* when the *size* of the company is not large. Indeed, the size of a company could be considered as a proxy of the complexity/diversification of the business that influences the impact of family actions on the company. If this *H2* is verified, we shall be able to affirm that, when FFs are not large, they outperform same-sized NFFs in terms of economic results, while large FFs underperform in comparison with same-sized NFFs.

Moreover, regarding *financial performance*, the presence of a family in the business is a relevant variable to achieve higher results than NFFs, *regardless* of the *size* of the company, which is always positively correlated with capitalization. Indeed, FFs outperform NFFs in all financial ratios, both in the FTSE MIB and in the STAR index, with the exception of the debt ratio in the FTSE index. In any case, this exception could confirm our main assumption about the existence of two FF configurations and, in particular, it would seem that FTSE MIB FFs have specific business-related financial requirements and are covered by financial debts more than STAR FFs and FTSE MIB NFFs. At the same time, the size of the company seems to be a relevant variable that influences the *financial performance* of an FF. Indeed, STAR FFs outperform FTSE MIB FFs, while this is not the case with NFFs (all financial ratios of FTSE MIB NFFs are better than STAR NFFs, with the exception of the fixed assets coverage ratio, and debt ratio specificity that is equal in the two indexes):

H2. Size is a relevant variable in distinguishing the FFs in two main configurations, with a different economic and financial performance (debt ratio) in comparison with same-sized NFFs and FFs of other sizes.

To demonstrate *H2*, we defined *RQ2*:

RQ2. Is there a correlation between the capitalization of a firm and its size expressed in terms of a) number of employees, b) assets quantified in the balance sheet and c) revenues measured in the income statement? If yes, how does size influence the economic and financial performance of FFs?

The aim of this question was to verify the existence of a positive correlation between capitalization and size to understand the findings of *RQ1* as caused by size and not only by the fact of belonging to companies listed in a specific index, with a particular capitalization (FTSE MIB with large-capitalized companies and STAR with medium-capitalized ones). This is also underpinned by studies conducted in Taiwan (Chu, 2011) and Colombia (Gonzalez *et al.*, 2012), which reveal a stronger relationship between family ownership and firm performance in SMEs than in large FFs.

Specifically, the Pearson correlation ratio was used to identify a positive or a negative correlation between capitalization and size. The source of the capitalization data was the

Borsa Italiana (Italian Stock Exchange) Web site and the source of size parameters was the AIDA database.

Due to the fact that we have adopted the Pearson correlation ratio (p) to verify our hypotheses, it is important to emphasize that:

- if $p > 0$ there is a direct correlation;
- if $p = 0$ there is no correlation;
- if $p < 0$ there is an indirect correlation;
- if $0 < p < 0,3$ the correlation is weak;
- if $0,3 < p < 0,7$ the correlation is moderate; and
- if $p > 0,7$ the correlation is strong.

4. Findings

Findings are described below, distinguishing between different RQs.

4.1. RQ1

For *RQ1* "Do the FFs outperform NFFs? Are there any relevant differences between FTSE MIB companies and STAR ones?", we compared the most significant economic and financial parameters between FFs and NFFs, both in general and within each index (FTSE MIB and STAR), as shown in Table II.

4.1.1 Economic results. Table II compares the economic performance of FFs and NFFs.

Evaluating the *economic performance* and, especially, considering the mean of each ratio (whose trend is confirmed by the median), it is clear that:

- NFFs outperform in the ROE (9.15 per cent) compared with FFs (8.48 per cent), due to the leverage effect of the debt ratio, as confirmed by the following financial analysis.
- FFs outperform in the core business, as shown by ROI (9.95 per cent), compared with NFFs (8.57 per cent). Moreover, FFs excel in ROS (8.14 per cent), compared with NFFs (7.23 per cent) and in ROA (7.00 per cent), compared with NFFs (6.21 per cent).

Figure 1 underscores the behaviour of the various parameters.

Specifically, a diminishing trend can be observed for FFs during the 2007-2009 period; it is more evident in 2008. If we analyze the average of the six years, ROE is higher in NFFs, despite a reduction in 2011. ROA, ROI and ROS are better in FFs; these companies especially excel in ROI ratio, despite the evident drop in 2009.

The median along the six years is aligned to the mean, although the difference between FFs and NFFs is always greater.

We also calculated the standard deviation and ascertained that it is much greater for FFs in the case of ROA, ROI and ROS; therefore, it demonstrates an unsteady trend in comparison with NFFs.

We also compared the economic performance of FFs and NFFs included in the two different indexes considered, the FTSE MIB and the STAR indexes, as shown in Table III.

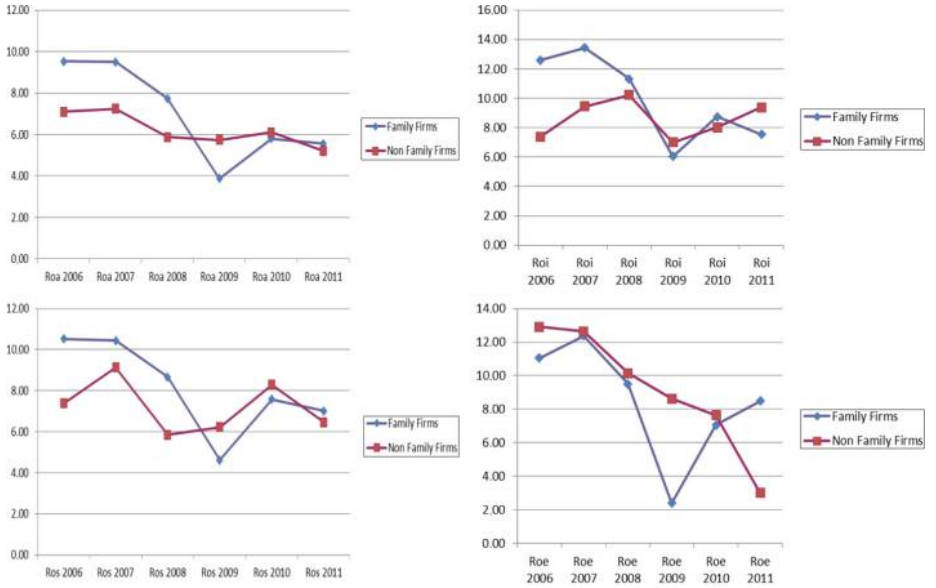
Companies typologies	Family firms	Non family firms
Indicators		
Companies (No)	55	25
Companies (%)	68.75	31.25
Roa 2006	9.52	7.09
Roa 2007	9.50	7.24
Roa 2008	7.74	5.88
Roa 2009	3.87	5.74
Roa 2010	5.80	6.11
Roa 2011	5.56	5.20
Roa-Mean (2006-2011)	7.00	6.21
Roa-Median (2006-2011)	6.77	5.99
Roa-SD (2006-2011)	2.30	0.80
Roi 2006	12.60	7.39
Roi 2007	13.43	9.45
Roi 2008	11.33	10.21
Roi 2009	6.04	6.99
Roi 2010	8.75	8.02
Roi 2011	7.54	9.37
Roi-Mean (2006-2011)	9.95	8.57
Roi-Median (2006-2011)	10.04	8.70
Roi-SD (2006-2011)	2.95	1.29
Ros 2006	10.53	7.38
Ros 2007	10.44	9.14
Ros 2008	8.67	5.84
Ros 2009	4.63	6.23
Ros 2010	7.57	8.30
Ros 2011	7.01	6.46
Ros-Mean (2006-2011)	8.14	7.23
Ros-Median (2006-2011)	8.12	6.92
Ros-SD (2006-2011)	2.25	1.29
Roe 2006	11.06	12.91
Roe 2007	12.38	12.63
Roe 2008	9.51	10.14
Roe 2009	2.39	8.62
Roe 2010	7.06	7.64
Roe 2011	8.48	2.99
Roe-Mean (2006-2011)	8.48	9.15
Roe-Median (2006-2011)	8.99	9.38
Roe-SD (2006-2011)	3.52	3.68

Source: Personal elaboration based on the AIDA database

Table II. Economic performance of FFs and NFFs

Considering the mean of each indicator in the chart (whose trend is confirmed by the median), it is evident that:

- on the one hand, NFFs in FTSE MIB index outperform in the ROE (15.38 per cent), ROI (13.40 per cent), ROA (9.41 per cent) and ROS (13.63 per cent), compared with FFs, which means that the economic indicators of NFFs are better than those of FFs; and



Source: Personal elaboration based on the AIDA database

Figure 1. Economic ratio trends in FFs and NFFs

- on the other hand, FFs in the STAR index outperform in ROE (7.40 per cent), ROA (6.60 per cent), ROI (9.34 per cent) and ROS (7.10 per cent), compared with NFFs, which means that the economic indicators of FFs are better than those of NFFs.

It can be useful to observe the behaviours of the economic parameters, comparing FTSE MIB and STAR indexes, as illustrated in Figure 2.

Summarizing, an outperformance of FTSE MIB firms in comparison with the STAR ones can be observed in all economic ratios, despite the declining trend, both for FFs and NFFs. This confirms the existence of relations between the economic fundamentals and the capitalization of the company and, precisely, higher capitalization corresponds to higher profitability.

Furthermore, we observed that on the STAR index FFs outperform NFFs in terms of economic ratios, while NFFs outperform FFs on the FTSE MIB.

Concluding the study of economic performance, it can be said that:

- FFs outperform in the core business (ROI and ROS) and in the ROA, while NFFs outperform in the ROE;
- FTSE MIB companies outperform STAR ones;
- FTSE MIB NFFs outperform FTSE MIB FFs; and
- STAR FFs outperform STAR NFFs.

It is also interesting to observe variations in performance during the period considered: in general, the effects of the corporate crisis are more evident in all economic ratios in 2009.

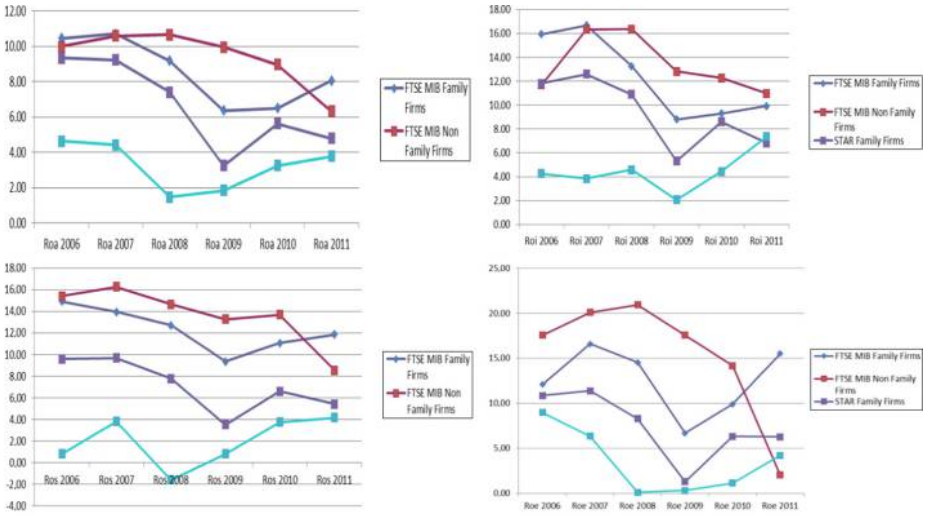
Companies typologies	FTSE MIB family firms	FTSE MIB non family firms	STAR family firms	STAR non family firms
Indicators				
Companies (No)	13	14	42	11
Companies (%)	48.15	51.85	79.25	20.75
Roa 2006	10.46	10.00	9.33	4.63
Roa 2007	10.69	10.58	9.23	4.41
Roa 2008	9.18	10.64	7.39	1.46
Roa 2009	6.36	9.95	3.24	1.84
Roa 2010	6.51	8.96	5.62	3.25
Roa 2011	8.06	6.32	4.78	3.78
Roa-Mean (2006-2011)	8.54	9.41	6.60	3.23
Roa-Median (2006-2011)	8.62	9.98	6.51	3.52
Roa-SD (2006-2011)	1.89	1.63	2.47	1.32
Roi 2006	15.93	11.69	11.82	4.26
Roi 2007	16.67	16.31	12.59	3.83
Roi 2008	13.26	16.34	10.90	4.59
Roi 2009	8.80	12.82	5.32	2.06
Roi 2010	9.30	12.26	8.60	4.44
Roi 2011	9.93	10.96	6.82	7.36
Roi-Mean (2006-2011)	12.32	13.40	9.34	4.42
Roi-Median (2006-2011)	11.60	12.54	9.75	4.35
Roi-SD (2006-2011)	3.47	2.35	2.91	1.71
Ros 2006	14.92	15.42	9.60	0.80
Ros 2007	13.94	16.25	9.68	3.81
Ros 2008	12.70	14.64	7.78	−1.60
Ros 2009	9.36	13.27	3.53	0.81
Ros 2010	11.08	13.67	6.61	3.75
Ros 2011	11.87	8.55	5.43	4.17
Ros-Mean (2006-2011)	12.31	13.63	7.10	1.96
Ros-Median (2006-2011)	12.28	14.15	7.20	2.28
Ros-SD (2006-2011)	2.00	2.72	2.42	2.32
Roe 2006	12.07	17.55	10.85	8.98
Roe 2007	16.58	20.07	11.38	6.33
Roe 2008	14.54	20.93	8.28	0.11
Roe 2009	6.67	17.55	1.30	0.32
Roe 2010	9.89	14.15	6.32	1.12
Roe 2011	15.50	2.04	6.25	4.20
Roe-Mean (2006-2011)	12.54	15.38	7.40	3.51
Roe-Median (2006-2011)	13.31	17.55	7.30	2.66
Roe-SD (2006-2011)	3.76	6.95	3.70	3.63

Source: Personal elaboration based on the AIDA database

Table III.
Economic performance of FFs and NFFs within FTSE MIB and STAR

4.1.2 Financial results. We compared the financial performance of FFs and NFFs (Table IV).

Financial performance is analyzed as described below, focusing on the mean of each indicator (whose trend is confirmed by the median). FFs particularly outperform in:



Source: Personal elaboration based on the AIDA database

Figure 2.
Economic ratio trends of FFs and NFFs: A comparison of FTSE MIB and STAR companies

- liquidity ratio (1.25) compared with NFFs (1.09);
- current ratio (1.70) compared with NFFs (1.36);
- debt ratio (2.99) compared with NFFs (3.29); and
- fixed asset coverage ratio (1.78) compared with NFFs (1.23).

The following Figure 3 shows the trend of the financial ratios.

The trends underscored by the graphs point out that FFs outperform NFFs in all ratios.

Financial performances between FFs and NFFs are analyzed in Table V, also considering the differences between FTSE MIB and STAR indexes.

Some evidence of the financial performance of FFs and NFFs is underscored by comparing FTSE MIB and STAR indexes:

- FFs in FTSE MIB outperform in the liquidity ratio (1.20), compared with NFFs (1.11), current ratio (1.57), compared with NFFs (1.37), and fixed asset coverage ratio (1.21), compared with NFFs (1.08);
- NFFs in FTSE MIB outperform in the debt ratio (3.16), compared with FFs (3.46); and
- FFs in the STAR index outperform in the liquidity ratio (1.26), compared with NFFs (1.04), current ratio (1.73), compared with NFFs (1.34), debt ratio (2.86), compared with NFFs (3.16) and fixed asset coverage ratio (1.93), compared with NFFs (1.37).

The behaviour of financial ratios, comparing FTSE MIB and STAR, is shown in Figure 4.

The analysis conducted clearly indicates that:

- FFs outperform NFFs in financial ratios;
- STAR FFs are the best companies of the sample in terms of financial ratios, both comparing STAR FFs with FTSE MIB FFs and STAR FFs with STAR NFFs; and

Companies indicators	Family firms	Non family firms
Indicators		
Companies (No)	55	25
Companies (%)	68.75	31.25
Liquidity ratio 2006	1.37	1.24
Liquidity ratio 2007	1.33	1.15
Liquidity ratio 2008	1.19	0.99
Liquidity ratio 2009	1.21	1.03
Liquidity ratio 2010	1.17	1.01
Liquidity ratio 2011	1.22	1.10
Liquidity ratio-Mean (2006-2011)	1.25	1.09
Liquidity ratio-Median (2006-2011)	1.21	1.07
Liquidity ratio-SD (2006-2011)	0.08	0.10
Current ratio 2006	1.81	1.52
Current ratio 2007	1.75	1.40
Current ratio 2008	1.64	1.25
Current ratio 2009	1.65	1.28
Current ratio 2010	1.63	1.27
Current ratio 2011	1.72	1.43
Current ratio-Mean (2006-2011)	1.70	1.36
Current ratio-Median (2006-2011)	1.69	1.34
Current ratio-SD (2006-2011)	0.07	0.11
Debt ratio 2006	2.73	3.48
Debt ratio 2007	2.83	3.32
Debt ratio 2008	3.07	3.58
Debt ratio 2009	3.07	3.16
Debt ratio 2010	3.12	3.05
Debt ratio 2011	3.11	3.16
Debt ratio-Mean (2006-2011)	2.99	3.29
Debt ratio-Median (2006-2011)	3.07	3.24
Debt ratio-SD (2006-2011)	0.17	0.21
Fixed asset coverage ratio 2006	1.78	1.42
Fixed asset coverage ratio 2007	1.91	1.15
Fixed asset coverage ratio 2008	1.71	1.13
Fixed asset coverage ratio 2009	1.68	1.29
Fixed asset coverage ratio 2010	1.79	1.18
Fixed asset coverage ratio 2011	1.80	1.22
Fixed asset coverage ratio-Mean (2006-2011)	1.78	1.23
Fixed asset coverage ratio-Median (2006-2011)	1.78	1.20
Fixed asset coverage ratio-SD (2006-2011)	0.08	0.11

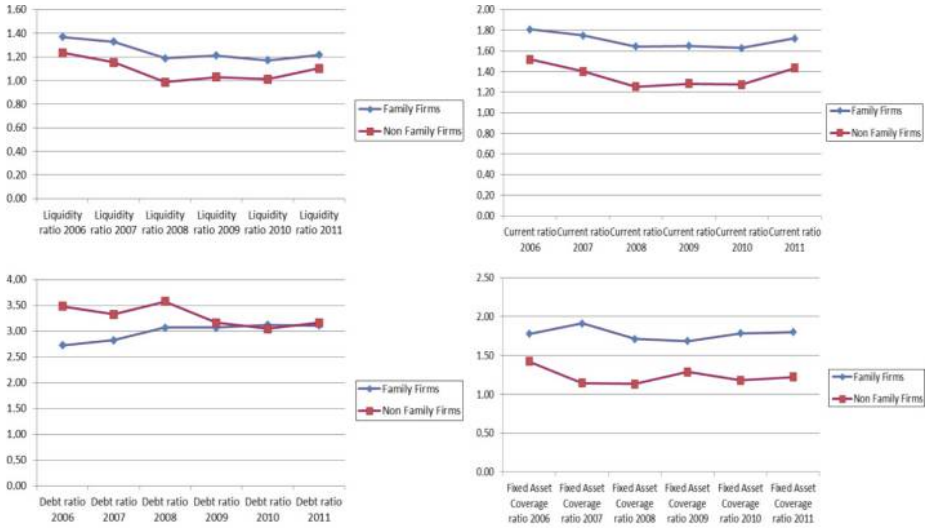
Source: Personal elaboration based on the AIDA database

Table IV.
Financial performance of FFs and NFFs

- FTSE MIB FFs outperform FTSE MIB NFFs in all ratios, with the exception of the debt ratio.

4.1.3 Discussion of RQ1. Answers to *RQ1* indicated that:

- FFs outperform NFFs in ROA, ROI, ROS and financial ratios, while NFFs outperform in ROE;



Source: Personal elaboration based on the AIDA database

Figure 3.
financial ratio trend of FFs and NFFs

- FTSE MIB NFFs outperform FTSE MIB FFs in all economic ratios, while FTSE MIB FFs outperform FTSE MIB NFFs in all financial ratios, with the exception of the debt ratio; and
- STAR FFs outperform STAR NFFs in all ratios.

Thus, *H1* was partially confirmed.

Considering the results achieved, and particularly the *economic performance*, we observed that NFFs outperform FFs in the FTSE MIB index, while the reverse occurs in the STAR index. At the same time, considering the *financial performance*, STAR FFs outperform both FTSE MIB FFs and STAR NFFs, while FTSE MIB FFs outperform FTSE MIB NFFs in all *financial ratios*, with the exception of the debt ratio. The said evidence confirmed the analyzed literature on FFs' performance that emphasized a positive correlation between family presence and performance, especially considering the size of the company as a relevant variable (Anderson and Reeb, 2003; Chu, 2011; Culasso *et al.*, 2012; Gonzalez *et al.*, 2012), leading us to affirm that there are two groups of FFs with two different organizational configurations:

(1) FFs listed on the large-capitalized companies index (FTSE MIB); and

(2) FFs listed on the medium-capitalized companies index (STAR).

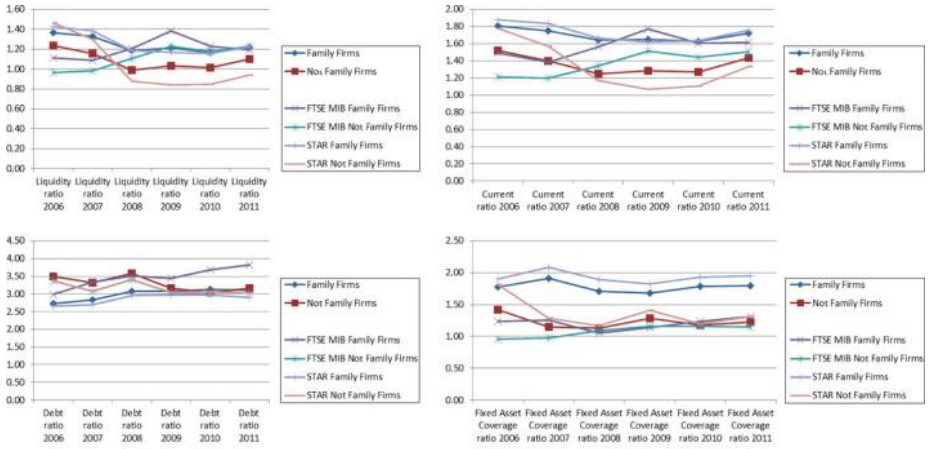
Adopting the theory that the performance of FFs is higher when family members serve as CEOs or as Chairman of the Board, and that the association between family ownership and firm performance is stronger in small- and medium-sized companies than in large ones (Chu, 2011), the FFs listed on the FTSE MIB index are more inclined to act as family holdings and are interested in activity diversification to gain high profitability. In these firms, the family is generally not involved in directly managing the business, and there is normally a duality between CEO (a manager)

Companies typologies	FTSE MIB family firms	FTSE MIB non family firms	STAR family firms	STAR non family firms
Indicators				
Companies (No)	13	14	42	11
Companies (%)	48.15	51.85	79.25	20.75
Liquidity ratio 2006	1.11	0.96	1.43	1.46
Liquidity ratio 2007	1.09	0.98	1.39	1.30
Liquidity ratio 2008	1.21	1.10	1.18	0.88
Liquidity ratio 2009	1.38	1.23	1.17	0.84
Liquidity ratio 2010	1.23	1.17	1.15	0.85
Liquidity ratio 2011	1.19	1.23	1.22	0.94
Liquidity ratio-Mean (2006-2011)	1.20	1.11	1.26	1.04
Liquidity ratio-Median (2006-2011)	1.20	1.14	1.20	0.91
Liquidity ratio-SD (2006-2011)	0.10	0.12	0.12	0.27
Current ratio 2006	1.49	1.21	1.88	1.78
Current ratio 2007	1.39	1.20	1.84	1.57
Current ratio 2008	1.57	1.34	1.66	1.17
Current ratio 2009	1.77	1.51	1.62	1.07
Current ratio 2010	1.61	1.44	1.63	1.10
Current ratio 2011	1.61	1.51	1.76	1.34
Current ratio-Mean (2006-2011)	1.57	1.37	1.73	1.34
Current ratio-Median (2006-2011)	1.59	1.39	1.71	1.25
Current ratio-SD (2006-2011)	0.13	0.14	0.11	0.28
Debt ratio 2006	2.99	3.37	2.67	3.37
Debt ratio 2007	3.33	3.08	2.69	3.08
Debt ratio 2008	3.52	3.41	2.95	3.41
Debt ratio 2009	3.44	3.04	2.97	3.04
Debt ratio 2010	3.69	3.06	2.97	3.06
Debt ratio 2011	3.82	3.02	2.89	3.02
Debt ratio-Mean (2006-2011)	3.46	3.16	2.86	3.16
Debt ratio-Median (2006-2011)	3.48	3.07	2.92	3.07
Debt ratio-SD (2006-2011)	0.29	0.18	0.14	0.18
Fixed asset coverage ratio 2006	1.24	0.96	1.90	1.82
Fixed asset coverage ratio 2007	1.26	0.98	2.08	1.29
Fixed asset coverage ratio 2008	1.05	1.09	1.89	1.17
Fixed asset coverage ratio 2009	1.14	1.16	1.82	1.41
Fixed asset coverage ratio 2010	1.24	1.16	1.93	1.20
Fixed asset coverage ratio 2011	1.31	1.15	1.95	1.32
Fixed asset coverage ratio-Mean (2006-2011)	1.21	1.08	1.93	1.37
Fixed asset coverage ratio-Median (2006-2011)	1.24	1.12	1.91	1.30
Fixed asset coverage ratio-SD (2006-2011)	0.09	0.09	0.09	0.24

Source: Personal elaboration based on the AIDA database

Table V. Financial performance of FFs and NFFs: a comparison of FTSE MIB and STAR companies

and chairman (a member of the family). These FTSE MIB FFs underperform, compared with FTSE MIB NFFs, in terms of economic ratios. Conversely, the FFs listed on the STAR index outperform STAR NFFs, as they are more focused on the traditional core business according to which the family is directly involved in



Source: Personal elaboration based on the AIDA database

Figure 4. financial ratio trend of FFs and NFFs: A comparison of FTSE MIB and STAR companies

managing the company and in encouraging innovation, with executive members on the Board.

Hence, we defined a new hypothesis (*H2*) that, if the capitalization is positively correlated with the size of the companies, the size of a FF will be a relevant variable that influences performance. Precisely, we distinguished not-large (medium) FFs from large FFs, and we considered the size as a proxy variable of organizational complexity and diversification, which contributes to justify the different economic and financial (to be precise, only the debt ratio) performance achieved by the FFs, compared with same-sized NFFs or with FFs of other sizes:

H2. Size is a relevant variable in distinguishing the FFs in two main configurations, with a different economic and financial performance (debt ratio) in comparison with same-sized NFFs and FFs of other sizes.

We defined *RQ2* to demonstrate this hypothesis.

4.2 RQ2

4.2.1 Results. Regarding *RQ2* "Is there a correlation between the capitalization of a firm and its size expressed in terms of a) number of employees, b) assets quantified in the balance sheet and c) revenues measured in the income statement?" If yes, how does size influence the economic and financial performance of FFs?

The aim of this question was to verify the existence of a positive correlation that would enable us to interpret *RQ1* findings as also caused by size and not only by belonging to companies listed on a specific index with a different capitalization (FTSE MIB with large-capitalized companies, and STAR with medium-capitalized ones).

We correlated the capitalization of each firm, distinguished in FFs and NFFs, considered the mean of the period 2006-2011, with the size expressed in terms of: the number of employees, assets quantified in the balance sheet and revenues measured in the income statement (mean 2006-2011). Subsequently, we analyzed the same correlation within each index (FTSE MIB and STAR), distinguishing FFs and NFFs.

As indicated in table, it can be said that there is a positive correlation between capitalization and size, expressed in terms of the number of employees, assets quantified in the balance sheet and revenues measured in the income statement.

If we look at the global sample (FFs on one side and NFFs on the other), the positive correlation is strong, regardless of the presence of the family in the company.

The correlation is strong also in the FTSE MIB NFFs and in the STAR NFFs, and it is moderate/strong in the FTSE MIB FFs and in the STAR FFs (Table VI).

4.2.2 Discussion on RQ2. Concluding, we can affirm that the capitalization and the size of a company are positively and strongly correlated. Consequently:

- If we consider the economic performance of FFs, the size is a relevant variable: bigger FFs have better economic ratios (FTSE MIB FFs outperform STAR FFs). At the same time, the presence of the family is relevant only with not-large-sized companies (STAR FFs outperform STAR NFFs, while FTSE MIB FFs underperform compared with FTSE MIB NFFs).
- If we consider the financial performance of FFs, the size is a relevant variable: small FFs have better financial ratios (STAR FFs are the best of the sample). In any case, the presence of the family is always relevant, regardless of the size (FFs outperform NFFs).

Thus, *H2* was partially confirmed.

Indeed, referring to *H2* and, indirectly, to our main assumption, we can conclude affirming that the analyzed literature enhances the importance of the size of an FF as a relevant variable in achieving performance (Anderson and Reeb, 2003; Chu, 2011; Culasso *et al.*, 2012; Gonzalez *et al.*, 2012), and that there are actually two FFs configurations, namely:

(1) FTSE MIB FFs, which are *large-sized* companies; and

(2) STAR FFs, which are *not-large-sized (medium)* companies.

The not-large (medium) FFs outperform not-large (medium) NFFs in terms of *economic results*, while large FFs underperform compared with large NFFs.

The not-large (medium) FFs prevail in terms of *financial results*, both comparing not-large (medium) FFs with large FFs and not-large (medium) FFs with not-large (medium) NFFs.

Large FFs outperform large NFFs in all *financial ratios*, with the exception of the debt ratio.

Our *H2* is partially confirmed and, in particular:

- the presence of a family is a relevant variable in the *economic results* of a company only if the size of the firm is not-large (medium); and
- the presence of a family is a relevant variable in the *financial results* of a company, *regardless of the size*, with the exception of the debts ratio, for which the large-sized FFs underperform compared with medium FFs.

As stated before, the performance of FFs is higher than that of NFFs when family members act in a not-large company; in fact, the analysis of large FFs (Chu, 2011) revealed that:

Table VI. Correlation between capitalization and size

Companies typologies	Capitalization (Mean 2006-2011) (family firms)	Capitalization (Mean 2006-2011) (non family firms)	Capitalization (Mean 2006-2011) FTSE MIB (family firms)	Capitalization (Mean 2006-2011) FTSE MIB (non family firms)	Capitalization (Mean 2006-2011) STAR (family firms)	Capitalization (Mean 2006-2011) STAR (non family firms)
Parameters						
Number of employees (Mean 2006-2011)	0.79	0.78	0.60	0.73	0.67	0.72
Total assets (Mean 2006-2011)	0.81	0.90	0.71	0.87	0.71	0.78
Revenues (Mean 2006-2011)	0.75	0.98	0.64	0.98	0.63	0.79

Source: Personal elaboration based on the AIDA and *Bloomberg* database

- the family, generally, is not involved in directly managing the business;
- there is normally a duality between CEO (a manager) and chairman (a member of the family); and
- the firm is a family holding focused on diversifying the traditional business to gain high ROE, using the financial leverage.

As a result of these factors, the return on the core business (ROI) in large FFs is lower than in same-sized NFFs in which the family is not present.

Conversely, medium-sized FFs are more interested in returning to the traditional core business through product and service development and innovation. In these companies, the family is usually directly involved in managing the company, and have executive members on the Board. This consideration is confirmed by a higher ROIs of medium FFs than medium NFFs and by a lower debt ratio of medium FFs compared with NFFs.

Hence, the scope of the listing for large FFs seems to be a money collection strategy to improve the diversification of business activities, in addition to being eligible to receive funds from banks. Conversely, the advantage of the listing for not-large FFs is usually a money collection strategy to improve the traditional business through innovation, while maintaining a low debt ratio.

5. Conclusion, implications and limitations

RQ1 of this study was to analyze the impact on performance of the presence of the family in listed Italian companies (FTSE MIB and STAR indexes), especially by comparing the economic and financial results achieved by FFs and NFFs during the period of 2006-2011.

Referring to *RQ1*, our analysis revealed that:

- FFs outperform NFFs in ROA, ROI, ROS and in all financial ratios (liquidity, current, fixed asset coverage and debt ratios), while NFFs outperform only in ROE;
- FTSE MIB NFFs outperform FTSE MIB FFs in all economic ratios, while FTSE MIB FFs outperform FTSE MIB NFFs in all financial ratios, with the exception of the debt ratio; and
- STAR FFs outperform STAR NFFs in all economic and financial ratios.

Subsequently, we formulated *RQ2* that was strictly correlated to the previous one to verify if the size of the companies could be considered as a relevant variable in distinguishing two main FFs configurations with different economic (with special focus on ROA, ROI, ROS and ROE ratios) and financial performance (with special focus on debt ratio), in comparison to same-sized NFFs and to FFs of other sizes.

Referring to *RQ2*, we stated that:

- the presence of a family is a relevant variable in the *economic results* of a company, *only* if the *size* of the firm is *not-large* (medium-sized FFs or STAR FFs); and
- the presence of a family is a relevant variable in the *financial results* of a company, *regardless of* the *size, with the exception of the debts ratio*, regarding which large-sized FFs (FTSE MIB FFs) underperform compared with medium-sized FFs (STAR FFs).

Concluding, we claimed that there are two main FFs configurations, and that the distinction between them is essentially based on their size, expressed in terms of the number of employees, assets quantified in the balance sheet and revenues measured in the income statement, which is always positively correlated with the capitalization. Each kind of FF (large-sized FFs and not-large-sized FFs) has specific effects on economic and financial performances, which can be generalized:

- if a company is *not-large-sized* (STAR index), the presence of a *family* is a *relevant variable* in achieving better economic and financial performance than same-sized NFFs;
- if the company becomes a *large-sized* one (FTSE MIB index), the *family* presence becomes an *irrelevant* variable both for the *economic performance*, as the economic results of NFFs are better than those of FFs, and for the financial leverage (*debt ratio*), as FFs have a higher debt ratio than large NFFs and medium-sized FFs; and
- the *family* presence is a *relevant* variable, *regardless of the size*, for *financial performance*, with the exception of the financial leverage (*debt ratio*).

This study, even considering other similar articles on the FFs performance issue (Chu, 2011; Gonzalez *et al.*, 2012; Villalonga and Amit, 2004), contributes to the literature on FFs, as it shows the effects of family presence on the Board on corporate performance. The said effect is strictly correlated with the size of the company as a proxy variable of organizational complexity. In particular, it emerged that the presence of family is not a relevant variable in terms of profitability *in large companies*; therefore, the benefits associated with the presence of family, in terms of profitability, cease when the company increases in size. At the same time, *regardless of the size*, the presence of family is a relevant variable in achieving better results in terms of financial indicators (with the exception of the debt ratio for large companies).

These effects might also be capable of being generalized for companies operating in other countries and, especially, for those countries in which the FFs' phenomenon is as common as in Italy. Future developments of this study would make a comparative analysis among firms from various countries, especially considering both the presence of the family on the Board and the size of the company as relevant variables in terms of performance.

The scope of this study is relevant for FFs owners, as it can enable them to understand and manage the effects of size and corporate governance in the financial and operative structure of the firms. Indeed, we believe that family owners can take our assumptions into account to formulate more conscious and rational strategic intentions and initiatives, especially regarding business diversification and growth, even considering the risks correlated with said decisions and the effects on performance. During the formulation process of their strategies, family owners have to especially consider that the influence of the family on short-term profitability will be weaker in large companies. In other words, if the strategy encourages business diversification and growth, in the long term, the family might not be able to directly manage corporate complexities, and the company would become a not-family run firm.

On the other hand, our findings can help regulatory bodies to practically define good policies for listed companies, by especially considering the need for integration between

risks, strategic planning and control. Risk management systems should be effectively used by firms to map and monitor risks associated with growth and diversification, especially considering the corporate governance structure of the company itself. Moreover, our article also contributes to the decision-making process of investors, as it processes significant generalizations to identify the outperforming companies on the Italian listed stock exchange market. Finally, the study can also be useful to improve scholarship in this field, above all considering the growing importance of the FF issue.

This study presents a few limits that can be summarized as specified below:

- other external and internal causes that impact on performance trends are not considered (as, for example, the presence of executive family members on the Board; the chosen dividends policy; the innovation and development strategy adopted; etc.);
- parameters other than economic and financial ratios that are used to measure the performance of listed FFs and NFFs are not considered (as, for example, quantitative and qualitative parameters concerning customer and employee satisfaction, quantitative and qualitative indicators of excellence in business processes, both in terms of efficacy and of effectiveness, quantitative and qualitative parameters regarding the intangible assets of the firm, such as the intellectual and organizational capital, etc.);
- only listed companies (FFs and NFFs) are considered (we did not consider unlisted companies, but it must be said that the listed companies represent a sample in which a certain degree of homogeneity can be observed in terms of organizational and financial features);
- the selected firms belong to different industrial sectors and, consequently, economic and financial ratios could be influenced by external and internal variables typical of the sector; and
- the method adopted could be integrated with some econometrical models.

Further research will remove the said limits and especially analyze the behaviour of FFs (large and not-large) in the dividends policy and in the innovation strategy, taking into account the existence of a correlation between the dividends policy and the innovation strategy on the one hand, with performance on the other.

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