CORPORATE GOVERNANCE AND PERFORMANCE IN HONG KONG FOUNDING FAMILY FIRMS: EVIDENCE FROM THE HANG SENG COMPOSITE INDUSTRY INDEX

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Abstract

This research investigates the corporate governance and performance between founding family firms and non-founding family firms in Hong Kong, and the performance inside founding family firms under three different management status.

Jensen & Meckling (1976) point out that agency costs will be generated by the divergence between his interest and those of the outside shareholders if the owner-manager sells equity claims on the corporation. There are two different mainstreams of views regarding relationship between ownership and performance in family business: negative and positive effect generated from family ownership and control. To what extents the two different views are relevant to Hong Kong family firms are still unclear.

In fact, Hong Kong founding families are present in two-third of Hong Kong listed firms in the Hang Seng Composite Industry Index. By focusing on Hong Kong business, this dissertation seeks to study this research problem with 75 Hong Kong listed companies in HSCI from 2008 through 2012, yielding 347 observations. Contrary to our conjecture, the empirical result suggests that the founding family firms in Hong Kong may not outperform nonfamily firms, and the founding family firms with founders as CEOs are one of best performers among founding family firms.

This research not only studies the performance behaviours of Hong Kong founding/non-founding family business and inside founding family business, but also sets a foundation for further research regading corporate governance and the performance of founding family firms in Hong Kong, especially of Chinese family owned businesses in Mainland China. What’s more, it gives insights for entrepreneurs to manage their businesses and plan the succession of founding family business in Hong Kong.

Keywords: Founding Family Business, Corporate Governance, Performance, Agency Costs
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