Earnings management and performance in family-controlled firms Evidence from an emerging economy

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Resumen

Purpose - The purpose of this paper is to introduce an earnings management dimension to compute pre-manipulated accounting performance (free of discretionary accruals) to determine whether family-controlled firms perform better than non-family-controlled firms.

Design/methodology/approach - The authors used Jones' model (1991) to obtain a pre-manipulated performance measure for a sample of Chilean firms. The authors then regressed the pre-manipulated measures of accounting performance as dependent variables against the family nature of the largest shareholder using the Blundell and Bond generalized method of moments estimator.

Findings - The authors found that the pre-manipulated performance of family-controlled firms is superior to that of non-family-controlled firms. The authors also show that the presence of institutional investors in the firm's ownership structure has a positive influence on the performance of family companies. The results suggest that earnings management behavior is not sufficient to explain the better performance of family-controlled firms that has been reported in the literature.

Originality/value - The authors provide new evidence regarding the real superior performance of family business. These results provide some degree of confidence to investors since family firms provide good quality earnings measures of financial performance.

Palabras clave

Palabras clave de autor: Family-controlled firms; Earnings management; Institutional investors

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