Economics Bulletin

Volume 39, Issue 1

Foreign investors' preferences for family involvement and corporate governance: evidence from Turkey

Pinar Sener
EDC PARIS BUSINESS SCHOOL-OCRE LAB

Abstract

This study examines whether firm-level governance mechanisms affect foreign holdings. Using a panel of 196 Turkish-listed nonfinancial firms over 2006 to 2010, the findings reveal that foreign investors' decisions are not affected by board structure. In addition, this study shows that foreign investors do not consider family involvement in a firm to be a potential threat, and invest in family firms when families have moderate levels of ownership. However, they are indifferent to the use of control-enhancing mechanisms by family firms. Their preference for larger firms, firms that have higher book-to-market ratio and firms that pay dividends is similar to investor preferences in developed countries.

Citation: Pinar Sener, (2019) "Foreign investors' preferences for family involvement and corporate governance: evidence from Turkey", *Economics Bulletin*, Volume 39, Issue 1, pages 237-246
Contact: Pinar Sener - pinarsener82@gmail.com.
Submitted: March 22, 2018. **Published:** February 02, 2019.

1. Introduction

Corporate governance has been recently discussed as an important determinant of investors' decisions. In countries with weak governance, the rights of investors are poorly protected by law and the acquisition of information is costly (Klapper and Love 2004). Therefore, poor country-level governance may deter investors (Klapper and Love 2004; Min and Bowman 2015). However, country-level investor protection is not binding, as firms may adapt additional provisions not imposed by laws, to reduce investors' risks and satisfy their need for external financing. For example, firms can select independent boards, increase disclosure and transparency, or use disciplinary mechanisms to prevent controlling shareholders from expropriating minority shareholders (Klapper and Love 2004).

Firms' governance structures influence information asymmetries between foreign and local investors, and foreign investors have a relative informational disadvantage. Monitoring costs of poorly governed firms are likely higher for foreign investors, as it is easier for domestic investors to be informed about governance problems and expropriation activities (Leuz *et al*. 2009). Thus, foreign investors are more sensitive to corporate governance issues (Kim *et al*. 2011).

Prior literature focused on firm-level governance to explain foreign equity ownership. Studies explored the effect of independent directors on foreign holdings (e.g., Min and Bowman 2015; Kim et al. 2011). Little is known about other board characteristics affecting foreign investors' risks. Therefore, this work extends existing studies by investigating the impact of board leadership structure and board size, as well as independent directors, on foreign investors' preferences.

Dahlquist and Robertsson (2001) argued that non-resident investors are wary of firms with a dominant owner. Leuz et al. (2009) revealed that U.S. investors, comprising nearly half the global foreign portfolio investment, likely hold fewer shares in firms with high levels of family control in countries with weak disclosure requirements, securities regulations, and outside shareholder rights. However, their study ignored the different ways families may affect governance decisions, as it only focused on ownership. This study separately explores two dimensions of family involvement: ownership and management.

This study focuses on Turkey for several reasons. First, country-level investor protection is weak, since it is a French origin civil law country. Thus, firms likely differ in their degrees of investor protection to attract outside financing. Second, foreign investors are dominant in the stock market and their average shareholdings are higher than domestic investors (OECD 2013). Family business groups are the major actors in the Turkish business system. The wedge between ownership and control is substantial in many family firms, increasing investors' expropriation risk (OECD 2013). This study can explain foreign investors' preferences in other emerging countries as well, where investor protection is low, and ownership concentration and the use of control-enhancing mechanisms are high.

2. Literature Review and Hypotheses

2.1 Board structure and foreign investors

Previous studies have considered the size and composition of boards to reduce agency problems. Most argue that independent directors monitor management effectively and eliminate the tension between management and shareholders (Anderson and Reeb 2004). However, when large shareholders control firms, independent directors play an important role

in reducing the agency problems between large and minority shareholders. With weak country-level investor protection, monitoring costs and the expropriation risks are high for foreign investors, who thus value independent directors, to reduce them (Miletkov *et al*. 2014). For instance, Min and Bowman (2015) reveal greater importance of independent directors for non-resident investors in Korea, particularly after the 1997 crisis. Miletkov et al. (2014) also show that foreign holdings positively relate to board independence, particularly in countries with poor legal environments and investor protection. Following prior literature and considering the fact that the country-level investor protection is weak in Turkey, foreign investors may value independent boards. Accordingly, the following hypothesis is anticipated,

Hypothesis 1: There is a positive relationship between the percentage of independent directors on board and foreign holdings.

When the CEO also serves as chairperson, the CEO's power strengthens and the board's ability to properly perform its monitoring and advising roles reduces, as the CEO participates in board member selection (Shivdasani and Yermack 1999). In firms with dominant shareholders, the likelihood of decisions at the expense of minority shareholders increases with CEO duality. On the other hand, non-duality of CEO is a positive signal for minority shareholders about the controlling shareholders' awareness of their expropriation concerns (Braun and Sharma 2007). Schnatterly and Johnson (2014) show that investors with long-term gain anticipation are likely to invest in firms without CEO duality. In Turkey, Kaymak and Bektas (2008) find that over concentration of power in a single individual is against firm's best interest since

Hypothesis 2: There is a negative relationship between CEO duality and foreign holdings.

Board size matters in solving agency problems. A smaller board more efficiently supervises top management and facilitates coordination between directors. However, large boards involve free-rider problems and reduced firm performance (Boubaker *et al*. 2015). Accordingly, foreign investors may value smaller boards to avoid cooperation problems especially in Turkey where their rights are poorly protected.

Hypothesis 3: There is a negative relationship between board size and foreign holdings.

2.2 Family involvement in firm and foreign investors

While financial objectives impact decision-making more in nonfamily firms, nonfinancial factors, such as the preservation and enhancement of family control and dynasty, drive family firms' decisions (Gomez-Mejia *et al*. 2011). These may be at the expense of investors who seek to minimize risks and maximize return (Fernando *et al*. 2013). Consequently, foreign investors with an interest in firms' management and who enjoy the benefits of security may avoid family firms (Dahlquist and Robertsson 2001). Family involvement, however, implies a long-term perspective, due to the likelihood of inheritance (Allouche *et al*. 2008), and thus longer investment horizons and more investment in efficient projects (James 1999). Firms engage in activities to enhance their reputation, become more visible, and gain prestige in society (Gomez-Mejia *et al*. 2011). Foreign investors who prefer to invest in shares of familiar firms (Huberman 2001) may not avoid family firms due to their recognizability.

Family involvement in firm may be through ownership and management and the type and level of involvement may affect firm decisions and performance. For instance, Anderson and Reeb (2003) find a non-linear relationship between family ownership and firm performance, which is first positive and then negative, due to increased agency conflicts between family and minority shareholders. Liu et al. (2015) show that family firms are likely to hold cash for tunneling when family members occupy management positions. Therefore, foreign investors may also consider the type and degree of family involvement while investing, especially in countries where their rights are poorly protected. In Turkey, Ertuna and Yamak (2011) conclude that foreign investors solely form joint ventures with family firms to decrease uncertainty and gain legitimacy. Ertuna and Tukel (2013) also reveal that foreign investors favor firms with family involvement. Following the literature and considering the fact that weak country-level investor protection may exacerbate minority shareholders' expropriation when family shareholders gain nearly full control of the firm, the following hypotheses are developed,

Hypothesis 4a: The relationship between family ownership and foreign holdings is nonlinear. There is a positive (negative) relationship between family ownership and foreign holdings at low (high) levels of ownership.

Hypothesis 4b: There is a negative relationship between family management and foreign holdings.

Control-enhancing mechanisms are another way to extract private benefits. They allow a controlling shareholder's voting rights to exceed its cash flow rights (Villalonga and Amit 2006). Controlling shareholders are likely to engage in inefficient activities when their voting rights exceed their cash flow rights (Morck *et al.* 1988). Giannetti and Simonov (2006) argue that foreign investors are wary of firms with a high control to cash flow ratio due to the fear of expropriation. Since the expropriation risk increases in countries with weak investor protection, the following hypothesis is anticipated,

Hypothesis 5: There is a negative relationship between the use of control-enhancing mechanisms and foreign holdings.

3. Methodology

3.1 Data and sample

The sample comprises firms listed on the Borsa Istanbul (BIST) between 2006 and 2010. Financial firms and firms with missing data were excluded. The final sample consists of 196 firms and an unbalanced panel of about 825 firm-year observations. Data on firm-specific attributes and foreign holdings were drawn from the BIST. Other data on ownership and board characteristics were collected from the articles of associations, and firms' compliance and annual reports, on the Public Disclosure Platform.

3.2 Variables

3.2.1 Foreign investment

Scaling foreign holding by free float instead of market capitalization to account for the percentage of investable shares is important because of family firms' low floating ratios

(Leuz *et al*. 2009). Here, foreign holding is the proportion of a firm's free float held by foreign investors.

3.2.2 Governance variables

Board independence, CEO duality, and board size are used to investigate board structure's effect on foreign holdings. Board independence is the number of independent directors divided by board size. CEO duality is a dummy that equals 1 if the CEO also serves as board chair and 0 otherwise. Board size is the natural logarithm of the number of board members.

Villalonga and Amit's (2006) definition of a family firm is used: a firm whose founder or a member of the family by either blood or marriage is an officer, director, or the owner of at least five percent of the firm's equity, individually or as a group. For sensitivity analysis, a firm is defined as a family firm if the largest shareholder with more than 20% of the voting rights is the family. Family ownership is the percentage of ultimate voting rights held by families. Ultimate firm owners and their voting rights are detected according to La Porta et al.'s (1999) methodology. Two dummy variables, family CEO and family chairman, measure family management's effect on foreign holdings. Family CEO takes the value of 1 in the presence of a family CEO and 0 otherwise, and family chairman equals 1 in the presence of a family chairman and 0 otherwise. A dummy variable that equals 1 if the family has dual-class shares or pyramids and 0 otherwise is used to assess the use of control-enhancing mechanisms. Wedge is defined as the difference between the family shareholder's voting and cash flow rights.

3.2.3 Control variables

Firm size is a proxy for firm visibility and defined as the natural logarithm of market capitalization (Dahlquist and Robertsson 2001). Leverage shows long-term financial distress, calculated by dividing total debt by total assets (Giannetti and Simonov 2006). Dividend yield, the dividend per share over price per share, is also controlled, as low dividends may signal governance problems (Leuz *et al*. 2009). Book-to-market ratio is used for firm valuation, and is computed by dividing the book value by market value of equity (Kang and Stulz 1997). Growth firms have low ratios and value firms have high ratios (Dahlquist and Robertsson 2001). ROA measures firm operating performance, and is defined as the ratio of net income to total assets (Kang and Stulz 1997). Firm age is the natural log of the number of years since the firm's foundation. Six industry dummies and a dummy to control for the 2008-2009 crisis for the respective observations are also included.

3.3 Estimation

To estimate models, the static panel data analysis, which controls for individual heterogeneity or unobservable company effects, is used. Two most commonly used static panel data models are fixed effects and random effects models (Cameron and Trivedi, 2010). In this study, random effects model is preferred because fixed effects model requires within data variation, which this sample lacks due to limited changes in ownership status, board structure, or sector in the study period (Andres 2008). Serial correlation and heteroscedasticity are also controlled by using Huber-White Sandwich Estimator for variance (Cameron and Trivedi, 2010). The effect of outliers is minimized by winsorizing the variables at the 5^{th} and 95^{th} percentiles (Campbell *et al*. 2008).

The following models are estimated to examine governance practices' effect on foreign holdings:

$$Foreign\ holdings_{it} = \beta_0 + \beta_1 Independent\ director_{it} + \beta_2 Board\ size_{it} + \beta_3 CEO\ duality_{it} + \beta_4 Dividend\ yield_{it} + \beta_5 Book\text{-}to\text{-}market\ ratio_{it} + \beta_6 Leverage_{it} + \beta_7 Firm\ size_{it} + \beta_8 Firm\ age_{it} + \beta_9 ROA_{it} + \varepsilon_{it} \quad (1)$$

$$Foreign\ holdings_{it} = \beta_0 + \beta_1 Family\ ownership_{it} + \beta_2 Family\ ownership_{it}^2 + \beta_3 Dividend\ yield_{it} + \beta_4 Book\text{-}to\text{-}market\ ratio_{it} + \beta_5 Leverage_{it} + \beta_6 Firm\ size_{it} + \beta_7 Firm\ age_{it} + \beta_8 ROA_{it} + \varepsilon_{it} \quad (2)$$

$$Foreign\ holdings_{it} = \beta_0 + \beta_1 Family\ ownership_{it} + \beta_2 Family\ ownership_{it}^2 + \beta_3 Control\text{-}enhancing\ mechanisms_{it} + \beta_4 Dividend\ yield_{it} + \beta_5 Book\text{-}to\text{-}market\ ratio_{it} + \beta_6 Leverage_{it} + \beta_7 Firm\ size_{it} + \beta_8 Firm\ age_{it} + \beta_9 ROA_{it} + \varepsilon_{it} \quad (3)$$

$$Foreign\ holdings_{it} = \beta_0 + \beta_1 Family\ CEO_{it} + \beta_2 Family\ chairman_{it} + \beta_3 Control\text{-}enhancing\ mechanisms_{it} + \beta_4 Dividend\ yield_{it} + \beta_5 Book\text{-}to\text{-}market\ ratio_{it} + \beta_6 Leverage_{it} + \beta_7 Firm\ size_{it} + \beta_8 Firm\ age_{it} + \beta_9 ROA_{it} + \varepsilon_{it} \quad (4)$$

where $\beta_{0\text{-}9}$ are vectors of parameters to be estimated, and ε_{it} is the error term.

4. Results

4.1 Descriptive statistics

Table 1 presents summary statistics for all variables and correlations among the variables. The table indicates that foreign holding has a significantly positive association with board independence, board size, the use of control-enhancing mechanisms, and family chairman, and a significantly negative association with CEO duality. All correlations are below 0.7, indicating that multicollinearity is not a concern (Lehman *et al*. 1988).

Table 1. Descriptive statistics and correlations

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Mean	0.20	0.08	0.05	6.36	0.39	0.45	0.5	0.11	2.08	1.01	50.31	18.65	34.42	2.34
SD	0.26	0.27	0.11	2.04	0.3	0.5	0.5	0.31	4.08	0.82	41.85	1.71	14.4	17.36
1	1													
2	-0.13*	1												
3	0.12*	-0.03	1											
4	0.34*	-0.14*	0.13*	1										
5	-0.03	-0.07	0.04	-0.01	1									
6	0.12*	-0.03	-0.04	0.18*	0.17*	1								
7	0.10*	0.01	0.03	-0.01	0.57*	-0.03	1							
8	-0.04	0.38*	0.03	-0.16*	0.18*	-0.13*	0.29*	1						
9	0.24*	-0.10*	-0.07*	0.28*	-0.11*	0.06	-0.11*	-0.11*	1					
10	-0.18*	-0.08*	0.09*	-0.07*	0.12*	-0.04	0.11*	0.01	-0.05	1				
11	-0.08*	-0.05	-0.03	-0.23*	0.04	-0.13*	0.10*	-0.04	-0.18*	-0.11*	1			
12	0.65*	-0.13*	0.11*	0.54*	-0.15*	0.16*	-0.04	-0.14*	0.30*	-0.33*	-0.23*	1		
13	0.09*	-0.02	0.07*	0.18*	0.00	0.01	-0.05	0.04	0.10*	0.03	-0.04	0.25*	1	
14	0.20*	-0.02	0.00	0.21*	-0.07*	0.05	-0.03	0.01	0.28*	-0.18*	-0.46*	0.35*	0.03	1

* Correlation is significant at the 5% level 1: Foreign holding, 2: CEO duality, 3: Board independence, 4: Board size, 5: Family ownership, 6: Control enhancing mechanisms, 7: Family chairman, 8: Family CEO, 9: Dividend yield, 10: Book-to-market ratio, 11: Leverage, 12: Log (market capitalization), 13 Firm age, 14: ROA

4.2 Multivariate analyses

Table 2 displays random effects regression results. Column 1 demonstrates that board structure has no significant effect on foreign holdings because the coefficients of independent director (β =0.059, p>.10), board size (β =0.031, p>.10) and CEO duality (β =-0.035, p>.10) are insignificant. Thus, hypotheses 1, 2 and 3 are not supported. The second specification reveals an inverted U-shaped relationship between family ownership and foreign holdings since the coefficient of family ownership is positive and significant (β=0.456, p<.05), while the coefficient of the squared value of family ownership is negative and significant (β=-0.493, p<.10). These findings show that when family ownership increases by 1 unit, foreign holdings increase by 7% for a firm with average level of family ownership. Thus, hypothesis 4a is supported. In the third specification, the use of control-enhancing mechanisms explores whether foreigners avoid family firms with separation between voting and control rights. The insignificant coefficient of control-enhancing mechanisms (β=0.023, p>.10) indicates that foreign investors do not consider such mechanisms' use to increase their expropriation risk. Hence, hypothesis 5 is not supported.

Table 2. Results for the effect of firm-level governance on firm performance

	I	II	III	IV
Independent director	0.059			
	(0.069)			
Board size	0.031			
	(0.034)			
CEO duality	-0.035			
	(0.027)			
Family ownership		0.456**	0.435**	
		(0.222)	(0.219)	
Family ownership^2		-0.493*	-0.483*	
		(0.259)	(0.259)	
Control-enhancing mechanisms			0.023	
			(0.030)	
Family CEO				0.015
				(0.042)
Family chairman				0.059*
				(0.031)
Dividend yield	0.005*	0.007**	0.007**	0.008**
	(0.003)	(0.003)	(0.003)	(0.003)
Book-to-market ratio	0.037***	0.033***	0.033***	0.036***
	(0.011)	(0.009)	(0.010)	(0.010)
Leverage	0.001	0.001	0.001	0.001
	(0.000)	(0.001)	(0.001)	(0.001)
Log (market capitalization)	0.074***	0.080***	0.078***	0.079***
	(0.009)	(0.008)	(0.008)	(0.008)
Log (age)	-0.078***	-0.078***	-0.082***	-0.078***
	(0.020)	(0.019)	(0.020)	(0.020)
ROA	0.001**	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)
Constant	-1.019***	-1.067***	-1.031***	-1.047***
	(0.197)	(0.167)	(0.172)	(0.173)
Observations	825	847	833	847
R2	0.49	0.49	0.47	0.48
Wald chi2	315.22***	371.77***	353.45***	361.63***

All variables are truncated at the 1% and 99% levels. The industry dummies and crisis dummy are included in models, but the coefficients are not reported. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively. Robust standard errors are reported in parentheses.

In the final specification, family management's impact on foreign holdings is investigated. The coefficient of family CEO is insignificant (β =0.015, p>.10), while the coefficient of family chairman is positive and significant (β =0.059, p<.10), indicating that foreign investors value the presence of a family chairman on the board. Family chairman increases foreign holdings by 5.9% compared to non-family chairman. Thus, hypothesis 4b is partially supported.

Among control variables, the significant and positive coefficients of book-to-market ratio and dividend yield indicate that foreign investors prefer value firms and firms paying dividends (Dahlquist and Robertsson 2001). The significantly positive and negative coefficients of firm size and firm age, respectively, indicate that foreign investors value larger and younger firms (Kang and Stulz 1997). This is consistent with the literature.

4.3 Robustness tests

4.3.1 Alternative definition of family firm

To check the validity of the findings about family involvement in ownership and management, only firms where the family is the largest shareholder and has at least 20% of the voting rights are deemed as family firms. Column 1 in Table 3 reveals that the inverted U-shaped relationship between family ownership and foreign holdings holds. The coefficient of family ownership is positive and significant (β=0.420, p<.05), while the coefficient of the squared value of family ownership is negative and significant (β=-0.466, p<.10), indicating that when family ownership increases by 1 unit, foreign holdings increase by 5.6% for a firm with average level of family ownership. However, column 2 shows that family involvement in management does not significantly influence foreign holdings since the coefficients of family CEO and chairman are insignificant. This can be explained by the elimination of family firms with foreign partners from the definition. Therefore, when the family becomes the largest shareholder without any foreign partner, foreign investors are indifferent to family involvement in management.

4.3.2 Alternative measure of control-enhancing mechanisms

A dummy variable representing control-enhancing mechanisms investigates the separation of ownership and control's effect on foreign holdings. Previous studies use a continuous variable, wedge, the difference between the family shareholder's voting and cash flow rights. Therefore, wedge is used to check our findings' robustness. Its insignificant coefficient, as per Column 3, supports the main finding of foreign investors' indifference to the separation.

5. Conclusion

This study investigates foreign investors' preferences in an emerging country context, with special emphasis on corporate governance variables, such as board structure and family involvement in firms. The results indicate that foreign investors do not show the same preferences for firm-level governance mechanisms as their counterparts investing in developed markets. While foreign investors value moderate levels of family involvement in ownership and a family chairman on the board, they are indifferent to the disparity between ownership and control rights and board structure. Their preference for larger firms, firms that

have higher book-to-market ratio and firms that pay dividends is similar to investor preferences in developed countries.

Table 3. Results for additional tests

	I	II	III
Family ownership	0.420**		0.438**
	(0.196)		(0.215)
Family ownership2	-0.466*		-0.508*
	(0.240)		(0.260)
Wedge			0.169
			(0.152)
Family CEO		0.016	
		(0.040)	
Family chairman		0.051	
		(0.031)	
Dividend yield	0.007**	0.007**	0.007**
	(0.003)	(0.003)	(0.003)
Book-to-market ratio	0.034***	0.037***	0.033***
	(0.009)	(0.010)	(0.009)
Leverage	0.001	0.001*	0.001
	(0.001)	(0.001)	(0.001)
Log (market capitalization)	0.082***	0.081***	0.078***
	(0.007)	(0.008)	(0.008)
Log (age)	-0.079***	-0.082***	-0.071***
	(0.019)	(0.020)	(0.020)
ROA	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)
Constant	-1.113***	-1.067***	-1.054***
	(0.165)	(0.173)	(0.169)
Observations	847	847	847
R2	0.48	0.48	0.49
Wald chi2	380.13***	363.96***	384.85***

All variables are truncated at the 1% and 99% levels. The industry dummies and crisis dummy are included in models, but the coefficients are not reported. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively. Robust standard errors are reported in parentheses.

References

Allouche, J., B. Amann, J. Jaussaud and T. Kurashina (2008) "The impact of family control on the performance and financial characteristics of family versus nonfamily businesses in Japan: a matched-pair investigation" *Family Business Review* **21**, 315-329.

Anderson, R.C. and D.M. Reeb (2003) "Founding-family ownership and firm performance: evidence from the S&P 500" *Journal of Finance* **58**, 1301-1328.

Anderson, R.C. and D.M. Reeb (2004) "Board composition: balancing family influence in S&P 500 firms" *Administrative Sciences Quarterly* **49**, 209–237.

Andres, C. (2008) "Large shareholders and firm performance-an empirical examination of founding family ownership" *Journal of Corporate Finance* **14**, 431–455.

Boubaker, S., I. Derouiche and D. K. Nguyen (2015) "Does the board of directors affect cash holdings? A study of French listed firms" *Journal of Management and Governance* **19(2)**, 341–370.

Braun, M. and A. Sharma (2007) "Should the CEO also be chair of the board? An empirical examination of family-controlled public firms" *Family Business Review* **20**, 111-126.

Cameron, A. C. and P.K. Trivedi (2010) *Microeconometrics using Stata, revised edition*. College Station, TX: Stata Press.

Campbell, J. Y., J. Hilscher and J. Szilagyi (2008) "In search of distress risk" *Journal of Finance* **63(6)**, 2899-2939.

Dahlquist, M. and G. Robertsson (2001) "Direct foreign ownership, institutional investors, and firm characteristics" *Journal of Financial Economics* **59**, 413-440.

Ertuna, B. and A. Tukel (2013). "Do foreign institutional investors reward transparency and disclosure: Evidence from an emerging market" *Journal of Emerging Market Finance* **12**(1), 31-57.

Ertuna, B. and S. Yamak (2011) "Foreign equity configurations in an emerging country: Implications for performance" *European Management Journal* **29**(2), 117-128.

Fernando, G.D., Jr. R.A. Schneible and S-H. Suh (2013) "Family firms and institutional investors" *Family Business Review* **20**, 1-18.

Giannetti, M. and A. Simonov (2006) "Which investors fear expropriation? Evidence from investors' portfolio choices" *Journal of Finance* **61**, 1507-1547.

Gomez-Mejia, L.R., C. Cruz, P. Berrone and J. De Castro (2011) "The bind that ties: Socioemotional wealth preservation in family firms" *Academy of Management Annals* **5**, 653–707.

Huberman, G. (2001) "Familiarity breeds investment" *Review of Financial Studies* **14**, 659-680.

James, H. (1999) "Owner as manager, extended horizons and the family firm" *International Journal of the Economics of Business* **6**, 41-56.

Kang, J-K. and R. Stulz (1997) "Why is there a home bias? An analysis of foreign portfolio equity ownership in Japan" *Journal of Financial Economics* **46**, 3-28.

Kaymak, T. and E. Bektas (2008),) "East meets west? Board characteristics in an emerging market: Evidence from Turkish Banks" *Corporate Governance: An International Review* **16**, 550-561.

Kim, W., T. Sung, and S-J. Wei (2011) "Does corporate governance risk at home affect investment choices abroad?" *Journal of International Economics* **85**, 25-41.

Klapper, L.F. and I. Love (2004) "Corporate governance, investor protection, and performance in emerging markets" *Journal of Corporate Finance* **10**, 703-728.

La Porta, R., F. López de Silanes and A. Shleifer (1999) "Corporate ownership around the world" *Journal of Finance* **54**, 471–517.

Lehmann, D. R., S. Gupta and J. Steckel (1988) *Marketing research*, Addison Wesley.

Leuz, C., K. Lins and F. Warnock (2009) "Do foreigners invest less in poorly governed firms?" *Review of Financial Stdies* **22**, 3245–85.

Liu, Q., T. Luo and G. G. Tian (2015) "Family control and corporate cash holdings: Evidence from China" *Journal of Corporate Finance* **31**, 220-245.

Miletkov, M.K., A.B. Poulsen and M.B. Wintokic (2014) "The role of corporate board structure in attracting foreign investors" *Journal of Corporate Finance* **29**, 143-157.

Min, B. S. and R. G. Bowman (2015) "Corporate governance, regulation and foreign equity ownership: Lessons from Korea" *Economic Modelling* **47**, 145-155.

Morck, R., A. Schleifer and R. Vishny (1988) "Managerial ownership and market valuation: An
empirical analysis" *Journal of Financial Economics* **20**, 293–315.

OECD (2013) *Supervision and enforcement in corporate governance*. Corporate Governance, OECD Publishing.

Schnatterly, K. and S.G. Johnson (2014) "Independent boards and the institutional investors that prefer them: Drivers of institutional investor heterogeneity in governance preferences" *Strategic Management Journal* **35,** 1552-1563.

Shivdasani, A. and D. Yermack (1999) "CEO involvement in the selection of new board members: an empirical analysis" *Journal of Finance* **54**, 1829–1853.

Villalonga, B. and R. Amit (2006) "How do family ownership, control and management affect firm value?" *Journal of Financial Economics* **80**, 385–417.