

FAMILIAL CONTROL, SIZE AND PERFORMANCE
IN THE LARGEST FRENCH FIRMS



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by

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1. Introduction

Contrasting with the traditional profit-maximizing economic theory of the firm where managerial discretion is unimportant, there is a growing body of U.S. economic studies suggesting first, that the large corporation is characterized by a wide dispersion of stock ownership implying a separation of ownership and control; secondly, that the shift in control from owners to managers leads to firm's policies and performance conflicting with stockholders interests.

In Europe and especially on the Continent, there is however a great uncertainty as to the usefulness of transferring this view to the European industrial scene without adaptation. The main difficulty stems from the scarcity of empirical studies, both at the descriptive level of the degree of separation between ownership and control and at the level of the behavioral implications as expressed in the compared performance of the firms.

The purpose of this paper is to present, after a short look at the types of control existing in European firms, the results of an econometric study which for the first time explores to what extent large French firms in the hands of wealthy families have performed in a significantly different manner than non-familial firms. For this purpose, we adopt specifications, both of the control at work and of the link between the type of control and the observed performance, which try to avoid possible confusions made in many previous empirical studies and which allow the testing of the theory of large managerial firms proposed by R. Mosen and A. Downs^{1/} and O.E. Williamson^{2/}.

^{1/} R. Mosen and A. Downs, A Theory of Large Managerial Firms, The Journal of Political Economy, June 1965, no. 2

^{2/} O.E. Williamson, The Economics of Discretionary Behavior : Managerial Objectives in a Theory of the Firm, New York, Prentice Hall, 1964; Hierarchical Control and Optimum Firm Size, The Journal of Political Economy, April 1967, no. 2.

II. The Theoretical Framework

1. Although European empirical research is still very scarce, the impression is that the U.S. concept of "managerial capitalism" does not fit the European experience : corporate control appears to be mainly in the hands of holding companies and banks, and of large families who have supplied generation after generation managers for the European business enterprise^{1/}. In the United Kingdom, various classifications of companies according to control-type show that a strong minority of British firms are still owner-controlled and that the other firms are not automatically managerially controlled : the role of governmental or quasi-governmental agencies and the growing intervention of financial institutions, as large corporations have increasingly relied on external funds to finance expansion, are also evident in Great-Britain. In West Germany, the few existing data suggest that family and financial controls are much more important than managerial control, and that family control is itself more important than control by financial institutions. However bank-control is probably under-estimated because the banks are the only stock-brokers in Germany and exert the voting rights of the shares they hold on deposit for their clients. The real share-holding power of the banks is difficult to detect, because they do not publish all their holdings. In Belgium, an analysis of 41 large non-financial corporations has established that there is a dominant owner in each case. In the cases of family-owned corporations, the family has a monopoly of executive posts, while in the corporations whose main owner is a Belgian holding company, the holding company selects the top executives and controls the cash-flow. In as far as the holding companies are the main suppliers of funds to industry, they obtain in exchange various forms of control over the industrial sector.

^{1/} For an overall view, see A. Jacquemin and H. de Jong, European Industrial Organization, McMillan and Wiley, 1977, Chapter 6.

Finally, in France, a study of the 200 largest corporations shows that half of them are family businesses (see Table 1) existing since several generations. The next most important and more recent control type is by foreign corporations, followed by technocratic control where banks are dominant, and by public enterprises. Furthermore the most frequent situation (87 cases - see last column) is where one owner or group of owners has absolute control^{1/}.

Managerial firms in the usual U.S. sense (firms managed by men who do not own anywhere near a controlling interest in them) are quite exceptional : in only 5 firms is there not one person or organized coalition of persons owning more than 5% of the shares. One essential implication is that it is more important in Europe to build up an analysis of the eventual specificities of the familial firms' behavior and performance as compared with the whole group of non-familial firms, than to focus upon the few existing managerial firms.

Table 1 : Nature and Form of Control exercised in the
200 Largest French Industrial Corporations^{2/}

Control Types	Family (FA)	Technocratic		Public	Foreign	Coop.	TOTAL
		Bank	Industrial				
Majority	36	2	1	7	40	1	87
Majority with influence ^{3/}	2	3	-	-	1	-	6
Minority	43	11	2	1	9	-	66
Minority with influence	19	9	2	-	6	-	36
Internal	--	-	4	-	-	-	4
Internal with influence	--	-	1	-	-	-	1
TOTAL	100	25	10	8	56	1	200

^{1/} possessing the majority of shares

^{2/} Taken from F. Morin, La structure financière du capitalisme français, Calman-Levy, Paris, 1974, p. 65.

^{3/} It means that the second shareholder owns more than half of the first owner's shares.

For our analysis of the French case, a data sample of 109 corporations belonging to the list of the 200 largest French firms is used^{1/} for which F. Morin has established in 1971 a very refined classification according to their nature (familial, financial, foreign, public...) and to the form (majority, strong or weak minority, internal...) of control exercised. Our purpose being to determine the significance of familial control on firm performance, the basic question is how to specify this possible impact of control.

Most of the previous empirical studies^{2/} have adopted a simple specification according to which a dummy variable for control type is added to multiple regression models where size as well as variables aimed at catching the characteristics of the industries are the other exogeneous variables. But in fact this specification does not correspond to any existing theoretical model where it is always assumed that differences in control-type can be only indirectly exercised, through the differentiated effects of the firm's structural features upon its performance.

2. From this point of view, the already mentioned models of R. Menses and A. Downs, and of O.E. Williamson are especially explicit. The basic idea is that "a shift from a profit-maximizing to a utility-maximizing assumption seems appropriate where large firm size is involved, since the characteristics of the opportunity set to which the management has access progressively favor non-profit objectives as size increases. In addition, the bureaucratic operations of a large firm may be less attractive to strictly profit-oriented

^{1/} The list is taken from Entreprise and the data are consolidated. For lack of data 57 familial firms and 52 non-familial firms have been excluded from the Morin's sample.

^{2/} For a recent exception, see M. Stano, Monopoly Power, Ownership Control and Corporate Performance, The Bell Journal of Economics, Autumn 1976, no. 2.

managers than to managers who have broader objectives^{1/}. The bureaucratic structure of large firm will cause management to deviate systematically from achieving ownership objectives, not only because the motives are not identical but also because in those firms which are not strictly managed by the owners, control loss varies directly with firm size^{2/}. An alternative way to express this view is to argue that "transaction costs" inside the corporation, including the costs of obtaining information and costs due to the possibility of opposition by the incumbent management tend to increase with size so that the marginal benefit from exercising control could become insufficient to justify it.

This approach does not imply a precise specification of the degree of monopoly prevalent in each firm's industry : it simply assumes that the firms analyzed enjoy enough of a market power so that they can earn profits larger than the "normal" level associated with a perfectly competitive industry^{3/}. But what is really essential is that "some behavior which is non-optimal from the point of view of the owner arises because of both size and goal divergence. Large size is what requires him to delegate authority in the first place; but goal divergence can cause delegation to create non-optimal results"^{4/}.

^{1/} O.E. Williamson, Hierarchical Control and Optimum Firm Size, op. cit., p. 131. For a recent test of the utility-maximizing behavior in the case of banking, see F. Edwards, Managerial Objectives in Regulated Industries : Expense-Preference Behavior in Banking, The Journal of Political Economy, no. 1, Feb. 1977.

^{2/} According to Monsen and Downs, op. cit., managers at every level of the corporation pyramid tend to screen information in their possession so that only data favorable to them are passed upward to their superiors, and to carry out only part of the orders given to them (pp. 228-230).

^{3/} Monsen and Downs, op. cit., p. 224. At the limit, it could be argued that diffused ownership managerial firm holding market power but having a small size could still be induced to pursue the ownership objectives because it is quite easy for the owners to be well informed of what is going on in this small firm.

^{4/} Monsen and Downs, op. cit., p. 230, who for example suggest that screening of information arises because of size but it does not always lead to inefficiency unless a difference of motives is also present.

Among the other implications of the Mosen-Downs-Williamson theories, some concern the growth of the firm. Two aspects might be underlined. First, managerial firms may be more willing to finance through stock offerings and bank borrowing than owner-managers who try to limit the risk of a control loss caused by external financing^{1/}. Second, the managers may adopt "a relatively conservative attitude leading to slower growth than a pure policy of profit-maximization among those firms which survive"^{2/}.

III. The Empirical Analysis

The most direct way of testing such theories would be to distinguish, in a sample of the largest firms, two sub-samples, one made of owner-managed firms and the other non-owner-managed firms, and to determine to what extent size has a significantly distinct impact upon performance. However, such a test does not seem feasible in the U.S. context. Indeed, it is usually admitted that in most of the largest American firms, ownership and management are functions carried out by two entirely separate groups of people.

In Europe on the contrary, and especially in France, we have seen that familial control is still very important among the largest firms. Therefore, it becomes quite possible to test the Mosen-Downs-Williamson theory by comparing two kinds of large firms : the profit-maximizer familial firm and the non-familial firm where goal divergence is more likely to operate.

1. In order to test the possible impact of the control-type upon the profitability of the largest French firms, the choice of variables is the following.

Added-value has been selected as the best all-around indicator of size, since it takes into account the contribution of capital, labor,

^{1/} Mosen and Downs, op. cit., p. 233

^{2/} Mosen and Downs, op. cit., p. 232

and the factors yielding supra-normal profits, as well as the degree of vertical integration^{1/}.

The characteristics of the industry to which the firm belongs and which are important in terms of market structure and the growth rate of market demand are expressed by 13 dummies corresponding to 13 industry groups among which the firms in our sample have been distributed (see Table 2) : steel, building materials, electrical engineering, mechanical engineering are especially well represented.

Table 2 : Sectoral Distribution of the Sample (n = 109)

	FA	NFA	Total
Automobiles (AUT)	0	4	4
Food	7	2	9
Machinery (MEC)	5	5	10
Beverages (Bev)	6	0	6
Steel	3	6	9
Textiles (Tex)	3	2	5
Electrical (Ele)	7	9	16
Chemicals (Che)	6	4	10
Publishing (Pub)	4	2	6
Oil	0	7	7
Building Materials (BM)	7	8	15
Miscellaneous (Misc)	4	1	5
Public Works (PUW)	5	2	7

Our measure of profitability is the net cash flow as a percentage of equity.^{2/} First, given the manner in which accounting principles are manipulated in Europe to provide the income figure the firm wants to report, cash flows may prove to be the best measure of income for evaluation of performance. Second, using profits as

^{1/} F.M. Scherer, Industrial Market Structure and Economic Performance, Rand McNally, Chicago, 1971, p. 41. This degree could be very different according to the type of control.

^{2/} Data on assets are not available.

a percentage of stockholders' equity is considered by many as best satisfying the assumptions of classical economic theory^{1/} that firms maximize equity ownership returns and that equity capital is allocated efficiently only when marginal returns (adjusted for risk differences) are equal in all industries. Furthermore in order to avoid the effects of short-run variations in demand and costs, we use the simple average of yearly rates of return over the period 1970-74.

Finally, two criteria have been adopted for determining the type of control. On the one hand, almost all anglo-saxon studies^{2/} use a more or less mechanical statistical criterion namely the percentage of shares which is owned by the largest holder or the largest holders. On this basis, and following Morin, our sample contains 59 firms under a minority control, 48 under a majority control and 2 under an "internal control"^{3/}.

However such a criterion is not satisfying as the percentage of stock necessary to give a position of control could be quite low and varies from one case to another : in some situations, control of a corporation could be exercised with 5% or sometimes even less of the total shares; reciprocally a large holder can in fact exercise no active business leadership in the corporation. This implies that the Mosen-Downs-Williamson theory could not be tested with such a classification : the inefficiency linked with bureaucratic management structures could be as important in large concentrated ownership firms where the owner behaves as a passive recipient, as in diffused ownership firms.

^{1/} F.M. Scherer, op. cit., p. 80. The borrowed funds can then be treated as inputs, whose relative importance varies from industry to industry according to factors such as growth prospects and stability.

^{2/} For an exception, see S. Nyman and A. Silberston, *The Ownership and Control of Industry*, in A. Jacquemin and H. de Jong, Welfare Aspects of Industrial Markets, M. Nijhoff, Leiden, 1977.

^{3/} This is a situation where no shareholder or group of shareholders hold more than 5% of the shares.

A second but more painful way of locating control in any given corporation is therefore to adopt a case by case approach in order to identify who really exercises control over the firm and manages it. This is exactly what Morin did : he systematically searched through business and financial Journals, interviews and inquiries, taking into account the extent of interlocking directorships as well as family connections. For our sample, the resulting classification distinguishes 57 firms which are family controlled and 52 which are non-family controlled^{1/}. Contrasting with family controlled firms, it is clearly expected that these large non-familial firms be they controlled by banks, multinational companies or public authority, will be less attracted by strictly profit-oriented management^{2/}.

1/ Among familial firms, there are 34 under minority control and 23 under majority control, while among non-familial firms, there are 27 under minority control and 25 under majority control.

2/ It is usually admitted that for firms controlled by banks or financial institutions, the preference function incorporates both profit and liquidity considerations, linked with certain established and conventional ratios. For an early analysis, see W. Cooper, Theory of the Firm : some Suggestions for Revision, American Economic Review, no. 6, Dec. 1949. Another way of expressing this is to argue that the managers of these firms, and more generally of large regulated and publicly held corporations "seem to behave in a risk averse way to the detriment of the equity holders". See M. Jensen and W. Meckling, Theory of the Firm : Managerial Behavior, Agency Costs and Ownership Structure, Journal of Financial Economics, 3, 1976. An implication derived by these authors is that we should find more intensive use of debt financing in these cases. In the case of the public firms, it is also necessary to take into account the multiple trade-offs between profitability and the various regulations expressing the "general interest". Top managers of these firms will be more conciliatory in their public dealings than might be required for profit-maximization. Finally, it is known that in the case of a subsidiary depending upon a foreign firm, the strategy, especially the transfer-pricing strategy, has to be global, aiming at maximizing results on a multinational basis and not allowing subsidiaries to make decentralized decisions that maximize their individual profits. See for example R. Mason, R. Miller and D. Weigel, The Economics of International Business, Wiley, 1975, pp. 379-382.

2. The first structural equations that we have tested have the form adopted by previous research :

$$\begin{aligned}\frac{CF}{E} = & \alpha_0 + \alpha_1 \ln AV + \alpha_2 MIN + \alpha_3 FOOD + \alpha_4 BEV \\ & + \alpha_5 PUW + \alpha_6 MEC + \alpha_7 STEEL + \alpha_8 OIL + \alpha_9 ELE \\ & + \alpha_{10} AUT + \alpha_{11} ChE + \alpha_{12} TEX + \alpha_{13} BM + \alpha_{14} MISC\end{aligned}$$

where :

$\frac{CF}{E}$ is the ratio of net cash flow to equity, averaged over 1970-74, the cash flow being net of interest charge and of corporate tax.

AV is the added value in 1971, measured in millions of French francs and expressed in natural logarithmic form as one might expect the rate of return to rise at a decreasing rate with proportional increases in size.

MIN represents the type of control expressed by a 0 - 1 dummy for minority control.

The other variables are dummies for industries as defined in Table 2^{1/}.

Distinct equations have been tested where the expression of the control type is replaced by a dummy variable FA assuming a value of 1 for family control as defined by the preferred "case by case" approach (see equation no. 2).

The results obtained are displayed in Table 3. In both cases, the coefficients relating log AV to profit rates have positive signs and are significantly different from zero, confirming previous American

^{1/} The dummy for one sector (PUB) is excluded to avoid a linear dependence in the data matrix.

Table 3

	<u>No 1</u>	<u>No 2</u>
Constant	0.17 (2.18)	0.15 (1.93)
ln AV	0.024 (1.85)	0.026 (2.03)
MIN	-0.028 (-1.31)	-
FA	-	-0.013 (-0.52)
FOOD	0.10 (1.76)	-0.092 (-1.6)
BEV	-0.10 (1.58)	-0.094 (-1.4)
PUW	0.06 (0.9)	0.06 (0.85)
MEC	-0.036 (0.6)	-0.03 (-0.53)
STEEL	0.009 (0.15)	-0.026 (-0.35)
OIL	0.015 (0.22)	0.014 (0.2)
ELE	0.02 (0.37)	0.025 (0.45)
AUT	-0.07 (-1.0)	-0.084 (-1.05)
CHE	-0.02 (-0.36)	-0.025 (-0.34)
TEX	0.04 (0.76)	0.045 (0.72)
BM	0.05 (0.9)	0.05 (0.88)
MISC	-0.02 (-0.38)	-0.017 (-0.24)
R ²	0.26	0.25
F	2.4	2.26
n	109	109

Note : the t-ratios are given in parentheses, n is the number of observations; R² is the coefficient of determination. The critical value of $t_{0,95} = 1,66$.

studies^{1/}.

The effects of sectors are not very significant, suggesting that very large firms may possess unifying characteristics crossing industry boundaries.

Finally, the variable expressing the type of control, be it FA or MIN, is not significant.)

This non-significant impact of the type of control upon profitability leads us to adopt the specification which seems the most appropriate for testing the theory discussed in section 3. We are indeed conjecturing that the positive marginal effect of size upon the rate of return is significantly higher in case of a family control firm, as compared with a non-family control type. In order to test this hypothesis, separate regressions are run for the two groups of familial (equation no.1 of Table 4) and non-familial firms (equation no.2).^{2/}

The coefficients of the size variable are clearly different. To test whether this difference is statistically significant, we estimated the regression :

1/ See M. Hall and L. Weiss, Firm Size and Profitability, Review of Economics and Statistics, 49, August, 1967.

It may be useful to check for the possible existence of heteroscedasticity : it has been often noticed that the variance of profit rates for large firms is smaller than that of small firms, so that least-squares estimates are not efficient. Testing the assumption, we have regressed the absolute values of residuals on our measure of size :

$$\begin{array}{l} |e| = 0,0082 - 0,001 \ln AV \\ (2,2) \quad (0,15) \quad R^2 = 0,002 \quad n = 109 \end{array}$$

Given the weakness of the parametric test, we have checked the absence of heteroscedasticity by computing the Spearman coefficient of rank correlation between size and the absolute values of residuals. The obtained coefficient, $r = -0,036$, confirms the assumption of homoscedasticity.

^{2/}Running separate regressions for the minority and the majority control groups, leads to coefficients of size which are not statistically different: 0,030 (2,05) for firms under a minority control and 0,027 (1,4) for firms under a majority control.

Table 4

	<u>No.1</u>	<u>No.2</u>
Constant	0.05 (0.53)	0.2 (1.26)
ln AV	0.04 (2.46)	0.01 (0.85)
FOOD	-0.01 (-1.65)	-0.0004(-0.003)
BEV	-0.08 (-1.23)	-
PUW	0.028 (0.4)	0.15 (1.1)
MEC	0.033 (0.49)	-0.08 (-0.62)
STEEL	-0.028 (-0.35)	0.013 (0.1)
OIL	-	0.05 (0.38)
ELE	0.07 (1.2)	0.01 (0.1)
AUT	-	-0.05 (-0.4)
CHE	-0.008 (-0.13)	-0.02 (-0.19)
TEX	-0.044 (-0.64)	0.23 (1.65)
BM	0.064 (1.0)	0.05 (0.4)
MISC	-0.01 (-0.15)	0.02 (0.1)
R ²	0.40	0.32
F	2.25	1.4
n	57	52

$$\frac{CF}{E} = \beta_1 FA + \beta_2 FA \ln AV + \beta_3 NFA + \beta_4 NFA \log AV$$

and tested for the equality of $\hat{\beta}_2$ and $\hat{\beta}_4$. For a degree of signification of 0,99, the required critical value is given by

$$t_1 - \frac{0,01}{2} = t_{0,995} = 2,63.$$

The obtained value equals $t = 7,08$, so that we can reject the hypothesis that the two coefficients are equal^{1/}.

Hence the positive effect of size on profitability, observed in the combined regression is imputable to the family control firms, while for non-familial firms, size does not greatly improve profitability and could be associated with systematic deviations from achieving ownership objectives : thus an increase from 100 to 1000 F.F. in the added value will result in an increase of 8.12 percent profitability for familial firms, but only of 2.3 percent for non-familial firms.

Two factors could underlie this result. On the one hand, familial firms could be more able to limit the internal bureaucratic inefficiencies linked with larger size and to improve plant utilization, and be more induced to safeguard a profitable use of their given capital under the constraint of a difficult and dangerous external financing. On the other hand, it could be argued that familial firms employ more debt so that their degree of financial leverage would be higher, such a capital structure resulting from a less risk-averse behavior. But in the French context, this second factor is not very plausible^{2/}.

^{1/} If we test the difference by including the sectors, we obtain a t value of $t = 6,57$ which fully confirms this result. Re-running the regressions and using the size of firms in 1970, instead of 1971, also confirms the results

^{2/} According to Morin, *op.cit.*, p. 81, French banks are much more reluctant to grant credits to familial firms than to non-familial ones, such as regulated and publicly held firms, firms controlled by banks or financial institutions, multinationals. See also note ^{2/} p. 9. Unfortunately we have no data to control statistically this information.

3. It is dangerous to test simultaneously the existence of an impact of initial size and initial profitability upon the firm's rate of growth, which would be distinct for familial and non-familial firms : indeed, the results of the preceeding section suggest an interdependence between these two explanatory variables.^{1/}

Therefore, we have tested separately the two aspects accepting the difficulty of clearly disentangling their separate influence^{2/}. The form of the first structural equations is the following :

$$g = \alpha_0 + \alpha_1 \ln AV_{70} + \sum_{i=2}^{13} \alpha_i I_i$$

where g is the annual average relative changes in sales over the period 1970-74, AV_{70} the initial size and I_i the sector i .

Running separate regressions for the two groups of familial and non-familial firms, it appears (Table 5, equations 1 and 2), that the positive regression coefficient of initial size is significant and much higher in the case of the familial firms. A t test confirms the rejection of the hypothesis of equal regression slopes : $t = 4,81 > t_{0,995} = 2,617$. Hence size of the large familial firms lead to a more rapid growth than size of non-familial firms who may adopt a "relatively conservative attitude", as suggested in section 2.

The test of the second implication is formulated by the following structural equation :

$$g = \beta_0 + \beta_1 \frac{CF}{E} 1970 + \sum_{i=2}^{13} \beta_i I_i$$

Again, regressions are run for the two sub-samples, and the results are displayed in Table 5 (equations 3 and 4).

^{1/} A confirmation is given by using the Farrar-Glauber test for collinearity. Regressing the rate of growth on initial size, initial profit rates, sectors and the type of control, the off-diagonal partial correlation and associated t - ratio show a significant collinearity ($t = 4,75$).

^{2/} It is not possible to use here a simultaneous equation model, given the problem of identification.

While initial profitability exercises a positive and very significant effect upon the rate of growth of familial firms, it has a negative impact upon the rate of growth of non-familial firms. The two slope coefficients are clearly different with a t value of $t = 3,7$, confirming the view that in the case of familial firms, there is a strong complementary between profitability and growth.

Table 5

	<u>No.1</u>	<u>No.2</u>	<u>No.3</u>	<u>No.4</u>
Constant	0.018 (0.11)	0.27 (0.92)	0.19 (1.27)	0.43 (1.26)
ln AV 70	0.047 (2.65)	0.016 (0.42)	-	-
CF ₇₀ /E ₇₀	-	-	0.378 (2.50)	-0.038 (-0.12)
FOOD	-0.042 (-0.31)	-0.12 (-0.43)	-0.05 (-0.37)	-0.20 (-0.52)
BEV	-0.17 (-1.12)	-	-0.17 (-1.13)	-
PUW	-0.12 (-0.77)	-0.21 (-0.75)	-0.16 (-1.04)	-0.26 (-0.63)
MEC	-0.0002 (-0.001)	-0.04 (-0.16)	-0.05 (-0.34)	-0.12 (-0.33)
STEEL	-0.10 (-0.62)	-0.10 (-0.5)	-0.10 (-0.61)	-0.18 (-0.47)
OIL	-	-0.01 (-0.05)	-	-0.037 (-0.11)
ELE	-0.003 (-0.02)	-0.13 (-0.52)	-0.06 (-0.4)	-0.19 (-0.53)
AUT	-	-0.23 (-0.89)	-	-0.28 (-0.78)
CHE	-0.06 (-0.37)	0.27 (1.05)	-0.07 (-0.44)	0.19 (0.52)
TEX	-0.04 (-0.31)	-0.24 (-0.87)	-0.01 (-0.84)	-0.31 (-0.8)
BM	-0.044 (-0.29)	0.037 (0.15)	-0.73 (-0.47)	-0.028 (-0.78)
MISC	-0.059 (-0.4)	-0.23 (-0.7)	-0.08 (-0.49)	-0.28 (-0.66)
R ²	0.40	0.29	0.39	0.29
F	2.42	1.34	2.33	1.20
n	57	52	57	52

Conclusion

Our paper has confirmed, for the largest French firms, the Mosen-Downs-Williamson theory according to which only a combination of size and divergent goals causes deviations from profit-maximization.

Indeed, it has been established that when ownership and management are not essentially separate, large size has a systematically better impact upon profitability than when such a divorce exists.

Furthermore, two likely implications of this theory, namely the superior positive effect of initial size and/or initial profitability of the familial firms upon their rate of growth, have been suggested.

Summing up, by using a correct specification of the variable expressing the control type and of its indirect impact upon the firm's performance, the behavior of large familial French firms appears to present several important specificities which justify distinguishing between types of firms on the basis of the existing control.

Such a distinction leads us to conclude that the still very important control of large firms by wealthy families does not imply, as it is too often argued, a lack of efficiency and dynamism.