Print ISSN: 2288-4637 / Online ISSN 2288-4645
doi:10.13106/jafeb.2021.vol8.no4.0863

The Relationship Between Firm Value and Ownership of Family Firms: A Case Study in Indonesia

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Received: December 20, 2020 Revised: March 07, 2021 Accepted: March 15, 2021

Abstract

The purpose of this research is to examine the effect of family share ownership on the value of family companies and differences in the value of the firm - a family firm managed by family members and a family firm managed by non-family members. This research is also related to agency problems, namely share ownership and professional management can increase company value. This research uses the firm value as the dependent variable that is measured using Tobin's Q. Meanwhile the independent variable in this research is family ownership, and firm size is the control variable. The purposive sampling method was used to determine the sample for this research. The object of this research is 78 family companies listing on the Indonesian Stock Exchange in 2017. The hypothesis is tested by using multiple linear regression analysis which meets the analysis requirements test or classic assumption test. The results show that majority family ownership does not affect the value of the firm and there is no difference in the firm value of family firm led by family members and the firm value of family firm managed by non-family members.

Keywords: Firm Value, Family Firm, Ownership, Company Management

JEL Classification Code: P25, Z23, M41

1. Introduction

Share ownership structure can reflect the spread of power and influence among shareholders in carrying out the firm's operational activities. An ownership structure is a mechanism to regulate the interest of shareholders and managers (Tran et al., 2021). One type of shareholding structure in several countries in the world is diffused or dispersed ownership. It is where no single investor owns enough stock to control a company. With dispersed ownership, an entity has at least several owners/shareholders, and the running of the entity is delegated to the management team and a board of directors. Concentrated Ownership simply refers to the case where the majority of shares are held by few owners. In most countries, the typical listed company has concentrated rather than dispersed ownership. A corporate ownership structure with a controlling shareholder is prevalent throughout the world. A controlling shareholder, also known as a controlling interest, is a shareholder who owns the largest number of a company's outstanding shares. One type of controlling shareholder that is often encountered, especially in developing countries such as Indonesia is from the family in a firm (Claessens et al., 2000).

In the last decade, the phenomenon of the family business has received increasing attention from academics and consultants. Today, family businesses are recognized as a vital and distinct organizational form. Increasingly family businesses are being viewed as distinctive and economically significant business entities. (Remiasa & Wijaya, 2014). Aside from being one of the most essential contributors to improving the world economy, the number of family companies cannot be said to be small. According to Poza (2010), 80%–98% of companies in the world today are family companies, or there are 17,000,000 family companies

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spread across the globe. Gross monthly income of USD 2,000,000,000 is obtained from family companies. Family companies are also able to contribute more than 50% of gross domestic product (GDP) in the world and employ around 50% of the world's workforce. Conditions in the United States are no different; 24,000,000 family companies in the United States can afford 64% of the country's GDP and absorb 62% of the workforce (Poza, 2010).

Based on the results of a survey by the Indonesian Institute for Corporate and Directorship (IICD) in 2010 and PricewaterhouseCooper (PwC) in 2014, 60% of the total open companies in Southeast Asia were family companies and family companies in Southeast Asia placing leadership heirs as a top priority in family companies, while in Indonesia more than 95% of companies are included in the family firm category (PricewaterhouseCooper, 2014). The percentage of the number of family companies in Indonesia shows that family companies have become one of the most significant contributors to sustain the national economy (PricewaterhouseCooper, 2014). This is evidenced by the family firm being able to show its existence as support and strength in the improvement of the national economy during the economic crisis of 1997–1998 as well as the financial crisis in 2008. Family companies in Indonesia are private companies capable of contributing 82.44% of GDP national (Pricewaterhouse Cooper, 2014).

Basically, several characteristics are owned by family companies. First, a family firm is a firm owned by a family with dominant share ownership of more than 50%. Second, the main control lies with the founder of the firm such as husband or wife, parents or heirs. Third, in the management or administration section of a family firm, there is at least one family representative. Fourth, when a family firm is in the form of an open firm, the family that makes the acquisition must have at least 25% of the rights to the firm. Besides, according to Shanker and Astrachan (1996) family companies are characterized or defined from many perspectives such as majority ownership of the family, having control over voting rights in the firm, having control over the firm's strategic direction, multiple generation involvement, and the number of family members in the management board is more than one member. From these characteristics, they will be grouped into three definition groups, namely broad, middle, and narrow. Shanker and Astrachan (1996) were able to summarize various definitions and research on previous family companies.

Research conducted by Barry (1975), Barnes and Hershon (1976), Dyer (1986), and Lansberg et al. (1988) defined family companies based on the number of shares owned by family members. Then, family companies are seen from the involvement of family members in firm management (Beckhard & Dyer, 1983). Furthermore, family companies are companies that are managed for generations from founders to heirs (Ward, 1987). Besides, family companies are defined if there are at least two family members in firm management (Donnelley, 1988). A family firm is a firm where the founder (descendent) of the family firm becomes the CEO of the firm. Another definition says that family companies are determined by the number of majority shares owned by family members and also family members sitting on the board of commissioners (Anderson & Reeb, 2003; Ibrahim & Samad, 2010).

Family businesses are those where policy and decision are subject to significant influence by one or more family units. This influence is exercised through ownership and sometimes through the participation of family members in management. It is the interaction between two sets of organizations, family and business, that establishes the basic character of the family business and defines its uniqueness. A family business is a firm that has been closely identified with at least two generations of a family and when this link has had a mutual influence on the company policy and the interests and objectives of the family.

Families must have a values system, which unites members and provides a common framework for building relationships with the business and the community. This gives the organization a moral center that helps sustain it in the face of challenges and difficult decisions and provides a powerful way to differentiate itself in the marketplace. The vision for the future is a clearly defined and communicated vision that guides the family's actions. Such shared vision is particularly important in the current business environment when ambiguity and complexity can be high and incremental improvements are rarely enough. It allows a business-owning family to set goals and determine priorities.

The characteristics of a family firm can also make a firm have slow growth because family companies choose strategies that tend to be conservative, play safe, and compete in less competitive markets (Davis & Stern, 1988). Family ownership and control are still significant in the majority of business enterprises in the United States. A high percentage of these companies face special problems particularly related to corporate development and transition from an entrepreneurial to a professional management structure (Davis & Stern, 1988). The characteristic possessed by family companies in countries in China, East Asia, and Southeast Asia is that the decision-making process tends to be faster because it has a higher base of internal trust in maintaining the sustainability of the firm. Having a mutual sense of trust between members in a family firm will create a more secure organizational culture, create a culture of discipline, and make the decision-making process faster.

Basically, there are three elements in a family firm, namely family, business, and ownership. In a family firm, the boundaries of the three elements appear blurred because the three seem to be mixed. Relationship tension

often occurs in family companies because of overlapping functions that happen, but the success of a family firm starts from the escape of the boundaries of the relationship. There are two types of family companies, namely FBE (Family Business Enterprise) and FOE (Family Owned Enterprise). FBE is one type of family firm that is managed and owned in full by the founder's family. That is, important positions in an FBE are held by family members. Whereas FOE, is one type of family firm whose management is left to professional outsiders, but ownership remains in the hands of the family. In FOE, operational activities will be more professional because the family as the owner is not allowed to interfere in the decision-making of the firm's operational activities, but fully assigns that responsibility to professional executives from outside the firm. In essence, in FOE, the family's role is focused only on the supervisory function. FBE type family companies are common in Indonesia. A firm will need increased competence in carrying out its operational activities when a firm experiences dynamic growth. When the competencies possessed by an FBE type family firm cannot meet the progressive developments that are occurring in a firm, it requires a professional workforce from an external firm. However, when a family firm has a professional workforce, it will cause a conflict, because of differences in interests between the owner and the controlling party or often referred to as a conflict of interest.

Management of companies managed by families usually is more obedient because they want to maintain the firm's reputation so that the name or image of the firm remains clean and right in the community while management managed by professionals will tend to be more disobedient because they want to get the maximum benefit. According to Badertscher (2013), family companies whose management is held by the family will tend to avoid risk. Conversely, public firms provide a large amount of information through their disclosures. Besides, information intermediaries publicly analyze, discuss, and disseminate these disclosures. Thus, greater public firm presence in an industry should reduce uncertainty in that industry. They suggested that public firms generate positive externalities by reducing industry uncertainty and facilitating more efficient private firm investment. With the differences in managerial attitudes between families and professionals, the firm value can be affected. Berle and Means (1932) argued that concentrated ownership must have a positive effect on firm value because it is considered capable of reducing the conflict of interest between family and professionals. Ownership concentration is the final result of the decision to maximize profits by current and potential shareholders. Thus, it should not affect the value of the firm. Kim et al. (2017) showed that family ownership diminishes firm value, and family firms have the possibility of curtailing firm value through excessive wages, the transfer of wealth between affiliates, special dividends, or related-party transactions.

Demsetz and Villalonga (2001) investigated the relationship between the ownership structure and the performance of corporations if ownership is made multi-dimensional. Their findings were consistent with the view that diffused ownership, may exacerbate some agency problems, also yields compensating advantages that generally offset such problems (Demsetz, 1983). Studies by Claessens and Fan (2002), Anderson and Reeb (2003), and Cronqvist and Nilsson (2003) focused more on the effect of ownership in the hands of families and other large shareholders. However, as they do not separate family ownership from family control and family management, the influence of ownership cannot be ascertained from this research. Claessens and Fan (2002) and Cronqvist and Nilsson (2003) distinguished between family ownership of cash flow rights and voting rights, which are not separate from the effects of family management. In contrast, Anderson and Reeb (2003) examined the impact of family ownership and management but not on ownership over control.

Interestingly, from problems in family companies, research that addresses or supports these topics is still very minimal. Meanwhile, there are very few studies that focus on family companies in Asian countries, including Southeast Asia, such as in Indonesia. Therefore, this is one of the motivations of this research to examine the effect of family share ownership on the value of family companies and differences in the value of the firm – a family firm managed by family members and a family firm managed by non-family members.

2. Literature Review

2.1. Agency Theory

Agency theory is a branch of economics related to the relationship between principals and agents. According to Jensen and Meckling (1976), Agency theory addresses the relationship where in a contract 'one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent'. This happens because of the separation of ownership and control when the owner of the company or the board of directors (the 'principals') have to employ managers ('agents') to run the business and need to monitor their performance to ensure they act in the owner's interest.

The purpose of separation between ownership and management of the firm is that the owner of the firm (principal) can get the maximum benefit at an efficient cost with the management of the firm by professionals (agents), especially

family companies. Agency theory is based on the principal-agent relationship, which is the owner-manager relationship in the family business context. It suggests that individuals are driven by economic motive; they behave in opportunistic ways and work to maximize their own returns even at the cost of causing damage/loss to the organization – termed as agency cost. The agency theory perspective advises family firms to structure governance mechanisms that monitor and incentivize checking of opportunistic behavior, shirking responsibility, or free-riding. This minimizes agency costs, thereby improving firm performance (Habtoor, 2020).

As is known, one of the objectives of a firm, including a family firm, is to maximize the welfare of shareholders, in this case, the principal is intended. However, the freedom to maximize the benefits of family companies can lead to the process of optimizing the personal interests or welfare of the firm's management which acts as an agent. The separation between ownership and management or control of the family firm as well as differences in interests between the agent and the principal can create opportunities for agency conflict. Agency conflict not only arises between shareholders (principals) with managers (agents), but it can also occur between majority shareholders and minority shareholders, as well as among shareholders and creditors (bondholders).

2.2. Firm Value

Firm value is the existing benefits and the potential benefits that a firm can generate, expressed in the form of value that can be determined through suitable methods and pricing models (Dang et al., 2020). Maximizing firm value is one of the firm's main goals. The theory of the firm is a microeconomic concept that states that a firm exists and make decisions to maximize profits. The shareholder wealth maximization goal states that management should seek to maximize the present value of the expected future returns to the owners (that is, shareholders) of the firm. The stock price is a relative and proportional value of a company's worth. The stock's price only tells you a company's current value or its market value. This is based on the perception that the higher the stock price, the more profitable it will be for shareholders. The high corporate value also not only affects the smooth running of the current business but also benefits the firm's prospects in the future. This is because the market, the community, and potential investors believe in the firm's performance, which is reflected in its stock price. The stock price is considered as a reflection of the actual value of the firm's assets.

To achieve high corporate value, companies often appoint professionals who are positioned as managers or commissioners in managing the firm. Enterprise value (EV) or also known as firm value is an important concept for investors because it is an indicator for the market to assess the firm as a whole. Firm value is often proxied by price to book value. Enterprise value is an economic measure reflecting the market value of a business. The price-to-book ratio compares a company's market value to its book value. Investors use the price-to-book value to gauge whether a stock is valued properly. Price-to-book value is the ratio of the market value of a company's shares (share price) over its book value of equity. The book value of equity, in turn, is the value of a company's assets expressed on the balance sheet (Martin-Reyna & Duran-Encalada, 2012).

The existence of price to book value is very important for investors to determine investment strategies in the capital market because through price to book value, investors can predict stocks that are overvalued or undervalued (Sudiyatno et al., 2020). Companies that run well, generally have a price to book value ratio above one, which reflects that the stock market value is greater than the book value. High price to book value reflects the level of prosperity of shareholders, where success for shareholders is the primary goal of the firm.

2.3. Family Firm

The family firm is a firm dominated by some family members in its management. Family companies control the majority of companies in Indonesia. Companies that are controlled by a significant family allow the owner as the majority shareholder to use his role in exercising high control over the firm and can influence management in decision making aimed at firm value and to provide benefits to all shareholders. However, the owner can also influence the management with different objectives, namely for their interests (private benefits) (Nugrahani, 2013).

There are several advantages if the family dominates the firm. Family-owned and run businesses can achieve, maintain, and elevate a sense of business stability in their leadership and overall organizational structure and culture. Family positions and seniority can determine and define the organization's leadership, making way for leadership longevity. Well-founded policies are delivered better if there is overall stability to the organization. Family-owned businesses place importance on hitting business goals and the overall company vision in a long-term period rather than a short-term period. This long-term perspective, when properly moulded and intelligently utilized, allows for creative decision-making and strategy development. Essential to all business organizations, trust is unique and very evident in most successful family-owned and -run firms. Because trust is given, with inherent trust among family members, the business's leadership can talk, discuss, and disagree more openly and freely. As the business's leadership employs a greater sense of trust, staff members/employees are allowed to enjoy a freer space for authenticity that can result in brilliant business ideas. When effectively

harnessed, authenticity and the culture of trust can make way for professional growth and the firm's overall development. A family business can include the next generation of members in the business' leadership and work- and knowledge-force, increasing competitive edge over other non-family firms and gaining access to their youth.

However, because a family firm has a strong type of ownership where the owner dominates the sustainability of the firm, and as the majority shareholder, this can harm minority shareholders (Dang et al., 2020). Companies with owners who dominate stocks tend to prioritize personal gain. Family companies are also considered to have lower productivity than the non-family companies. Family companies have lower innovation and do not adopt Total Quality Management (TQM). Family companies can use substantial resources freely for personal gain. This can result in excessive costs, and can further reduce the firm's return.

Anderson and Reeb (2003) investigated the relation between founding-family ownership and firm performance. They found that family ownership is both prevalent and substantial; families are present in one-third of the S&P 500 and account for 18 percent of outstanding equity. Contrary to their conjecture, they found family firms perform better than non-family firms. Additional analysis revealed that the relation between family holdings and firm performance is nonlinear and that when family members serve as CEO, performance is better than with outside CEOs. Overall, their results are inconsistent with the hypothesis that minority shareholders are adversely affected by family ownership, suggesting that family ownership is an effective organizational structure. A 'single shareholder company' may be defined as a company that is incorporated with one shareholder, or whose shareholders are reduced to one at a later date. Companies with single shareholders are commonly found in the Asian region (especially Indonesia, Japan, Singapore) (almost two-thirds of companies). Single shareholder companies are also found in developing countries, in contrast to developed countries whose shareholdings tend to be spread (Nugrahani, 2013).

2.4. Family Firm Management

Founders and CEOs of firms with greater family involvement display a greater stakeholder focus and feel more accountable to employees and banks than to shareholders. They also have a more hierarchical management approach, and see their role as maintaining the status quo rather than bringing about change. In contrast, CEOs of non-family firms emphasize shareholder-value-maximization. There are three possibilities for managers in family companies (Mullins & Schoar, 2016):

1) Internal Family
   a. Family firm management led by the founder.
   b. Management of family firm led by descendants (heirs) or other family members.
2) Non-Family
   The management of the family firm by parties from professional circles.

The mechanism of appointing a CEO in a family firm is usually based on the next generation of firm founders who come from the family. The owner can be the founder of the firm if he belongs to the first generation, or successor if he belongs to the second generation.

2.5. Ownership

The organizational structure in which there is a separation of ownership and management is called a company. In a company, management and ownership lie in the hands of different individuals. There is a separation of ownership and management and it involves placing the management of the firm under the responsibility of professionals who are not its owners. Owners of a company may include shareholders, directors, government entities, and initial founders. For example in a firm that has many shareholders, then a large group of individuals is not allowed to participate in firm management actively. Therefore, they choose the board of commissioners, which selects and oversees the management of the firm. This structure means that the owner is different from the firm manager. Owners of an organization may include directors, shareholders, government entities, and others, such as the founders (Alqirem et al., 2020).

Meanwhile, when viewed from a family firm, ownership in a family firm is also called family ownership, or a firm whose ownership is mostly owned by the family. Companies are said to have family ownership if the leader or family has more than 20% of voting rights (Hsueh, 2016). To find out family ownership, the first step taken is to trace the ownership structure of companies listed on the IDX (Indonesian Stock Exchanges), and also the corporate structure data can be obtained from information in the firm's annual report and firm profile. Then the ownership structure verification process is carried out to determine which firm is a family firm. One way that can be done is by looking at the name of the board of commissioners and the board of directors of the firm. This is because, in a family firm, family members are placed in the firm's board of commissioners and board of directors, as well as in structural positions in the subsidiaries.

Shanker and Astrachan (1996). developed the definition of family ownership by considering three important dimensions, namely power, experience, and culture. This dimension is considered to provide complete information about family involvement and influence. Power is a proxy right/voting right measured by a percentage of ownership, percentage (proportion) of family members in the top management, and the field of supervision. While experience is related to the involvement of family members in the

firm's business activities. Whereas culture in the family business indicates the similarity of family values and family commitment which includes personal belief and support for vision and purpose. Family ownership is measured by the ratio of the number of shares owned by family members compared to the total number of outstanding shares.

2.6. Hypothesis

A family firm is a firm in which two or more family members are involved and the majority of ownership or control lies within a family. Family-owned businesses may be the oldest form of business organization. Family companies control the majority of companies in Indonesia. Companies that are controlled by a significant family allow the owner as the majority shareholder to use his role in exercising high control over the firm and can influence management in decision making aimed at firm value and to provide benefits to all shareholders. However, the owner can also influence the management with different objectives, namely for their interests (private benefits) (Nugrahani, 2013). There are several advantages if the family dominates the firm, that is, among others because the firm grows in its family environment, then loyalty to the firm will be higher because it is based on a sense of belonging and a sense of responsibility to bring the good name of the family (Nugrahani, 2013).

Family firms have important advantages such as strong values, high levels of trust, consistency, and a long-term perspective. Relying on trusted insiders need not pose a limitation on growth as long as owners continuously broaden their organization beyond what they can do. Family-owned businesses are ideal in theory because working with family members are meant to form a grounded and loyal foundation for the company. Based on the explanation, the hypothesis that can be formulated are:

H1: *The amount of family share ownership in a family firm affects the value of the firm*

H2: *There are differences in firm value between family firms that managed by family members and non-family members*

3. Research Method

This research uses a quantitative approach. The quantitative approach is based on positivism thinking. Positivism is a philosophical theory that states that genuine" knowledge (knowledge of anything that is not true by definition) is exclusively derived from the experience of natural phenomena and their properties and relations. Thus, information derived from sensory experience, as interpreted through reason and logic, forms the exclusive source of all certain knowledge. Positivism, therefore, holds that all genuine knowledge is a posteriori knowledge.

The research variable used is firm value as the dependent variable, family ownership as the independent variable, and firm size as the control variable. Firm value is measured using Tobin's Q because it is considered an accurate measure and considers all company assets in its calculations (Villalonga & Amit, 2006). Tobin's Q is formulated with:

$$\frac{\text{BV of total assets} - \text{BV of total equity} + \text{MV of total equity}}{\text{BV of total assets}} \tag{1}$$

Family ownership is measured by the percentage of shares owned by at least two family members. Size is measured by the natural logarithm of total assets.

The sample used in this research was all family firms listed on the Indonesia Stock Exchange in 2017. The purposive sampling method used to determine the sample for this research was as follows:

1) Including companies with non-financial family firm structures listed on the Indonesia Stock Exchange in 2017, which identify the family firm by looking at names of the top managers. Or belonging to a family firm that refers to the three steps of classifying family and non-family businesses with the following criteria:
   a. Do top managers also become owners of the business? (if the answer is "Yes" then it is included in the family business that is self-managed; if the answer is "No" then proceed to question number 2).
   b. Do other managers have family relationships with owners? (if the answer is "Yes" then the company includes a family firm that is professionally managed; if the answer is no, then proceed to question 3).
   c. Are there no managers in the company? (if the answer is "Yes" then this type of family firm is a company that is run and controlled directly by the owner)
2) Family firm that publishes an audited annual report in 2017.
3) The family firm that has complete data needed to be related to research variables.
4) The family firm that has data on the ownership structure of the company, especially having complete information about the names of shareholders, commissioners, directors, and managers.

From the purposive sampling above obtained, 78 family companies in Indonesia were chosen for the sample.

4. Results

There are several requirements analysis tests conducted to prove that the dependent variable and the independent variable in the research are feasible for testing. Before testing the hypothesis by using multiple linear regression analysis, research must meet the analysis requirements test or classic assumption test (Ghozali, 2016). Among them are the normality test, multicollinearity test, and heteroscedasticity test. The research will get the best linear unbiased estimator (BLUE) if it meets the test requirements analysis (classic assumption test) above. The following are the results of the test for each analysis requirement.

4.1. Normality Test

The following test aims to test the normality of the distribution of data used in research (both the dependent variable and the independent variable) (Ghozali, 2016: 154). A model for good regression is the one that passed the normality test done before. In this research the normality test uses the Kolmogorov-Smirnov test method; the results are shown in Table 1.

Based on Table 1 the results of normality testing using Kolmogorov-Smirnov obtained the Asymp Sig (2-tailed) value of 0.198 where the value is greater than the significance value of 0.05 (Î ± = 5%). Therefore it is known that the residual data is normally distributed. This shows the regression model has completed the normality aspect.

4.2. Multicollinearity Test

Multicollinearity occurs when two or more independent variables are highly correlated with one another in a regression model. Multicollinearity can be a problem in a regression model because we would not be able to distinguish between the individual effects of the independent variables on the dependent variable (Ghozali, 2016). To find out whether there is a relationship between independent variables or not, it can be known by observing the VIF value and tolerance value. There is no multicollinearity if the VIF value is less than 10 and the tolerance value is more than 0.10. The results of the multicollinearity test are presented in Table 2

From the results of Table 2, it can be seen that the VIF value of all independent variables is less than 10, besides the tolerance value for all independent variables is more than 0.10. Hence there is no multicollinearity or there is no relationship between independent variables (free). Therefore, it can be concluded that in the regression model there is no multicollinearity.

4.3. Heteroscedasticity Test

The following test whether the variance of the errors from a regression is dependent on the values of the independent variables. Homoscedasticity describes a situation in which the error term (that is, the "noise" or random disturbance in the relationship between the independent variables and the dependent variable) is the same across all values of the independent variables. Heteroscedasticity (the violation of homoscedasticity) is present when the size of the error term differs across values of an independent variable (Ghozali, 2016). A regression model is said to be good if it is free from heteroscedasticity. The heteroscedasticity test is done using the Glejser test method. It is declared free of heteroscedasticity if the value of sig > 0.05 ($\alpha = 5\%$).

Table 1: Normality Test Results with Kolmogorov-Smirnov One-Sample Test Data on Family Firm in Indonesia

		Unstandardized Residual
N		78
Normal Parameters[b]	Mean	–0.0646299
	Std. Deviation	0.36527064
Most Extreme Differences	Absolute	0.089
	Positive	0.089
	Negative	–0.055
Test Statistic		0.089
Asymp. Sig. (2-tailed)		0.198[c]

[a]Test distribution is Normal.
[b]Calculated from data.
[c]Lilliefors Significance Correction.

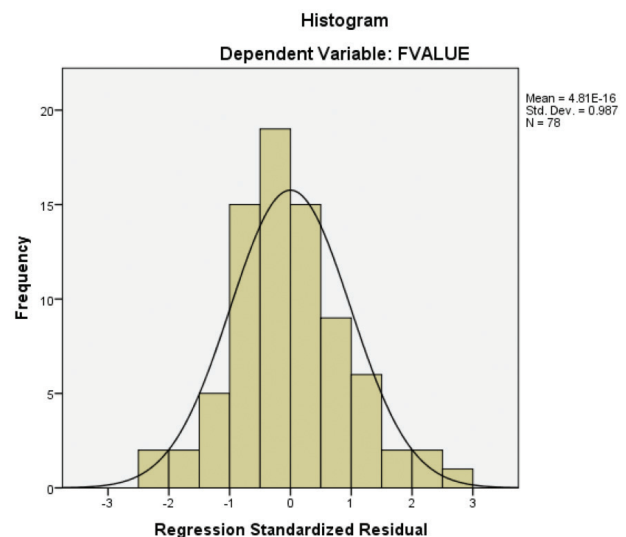

Figure 1: Normality Histogram

Table 2: Multicoleniarity Data Results of Family firm Data in Indonesia

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	*t*	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.991	0.805		2.474	0.016		
	SHARE	0.163	0.177	0.104	0.920	0.361	1.000	1.000
	ASSET	–0.039	0.028	–0.160	–1.412	0.162	1.000	1.000

[a]Dependent Variable: *F* VALUE.

Table 3: Results of Heteroscedasticity Test of Family Firm Data in Indonesia

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	*t*	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	–0.218	0.505		–0.430	0.668		
	SHARE	0.007	0.111	0.008	0.066	0.948	1.000	1.000
	ASSET	0.017	0.017	0.113	0.988	0.326	1.000	1.000

[a]Dependent Variable: RES2.

From Table 3 it can be seen that all the independent variables have a significant value of >0.05 which is equal to 1. Therefore, each variable fulfills good requirements because it is free from heteroscedasticity or includes homoscedasticity.

4.4. Hypothesis 1

Based on the results in Table 4, it can be seen that the value of *R* or Multiple *R* is 0.192 which proves that the relationship between the dependent variable and the independent variable is 0.192. In *R* Square, the determination coefficient is 0.032, which means that variations in firm value can be explained by differences in share ownership, total assets, and leverage levels of 3.2%. Other variables explain adjusted *R* Square of 0.037 or 3.7%, which represents that the variation of the dependent variable (firm value) can be explained by variations in the independent variables (share ownership and total assets) of 3.7% and the difference of 96.3%.

From Table 5, it can be seen that the value of *F* count is 1.437 with a probability value of 0.244. With a probability value that is greater than the significance value of 0.05, the regression model used in the research cannot be used to predict if the size of family share ownership influences the value of the family firm, or it can be said that the size of family share ownership does not affect the firm value.

Testing of the hypothesis in the following research uses multiple linear regression tests. A free variable or independent variable is said to affect the dependent variable if the value of Sig. in the coefficients table for testing multiple linear regression is less than the significance value of 0.05 ($\alpha = 5\%$) (Ghozali, 2016). In Table 6 the results of various linear regression tests will be presented.

Based on the results of multiple linear regression tests in Table 6, it can be seen that the share ownership variable value of Sig. 0.920 is greater than the significance value of 0.05 (Î ± = 5%). So, it can be concluded that the share ownership variable does not influence the firm value in the family firm.

Table 4: Coefficient of Determination

Model Summary				
Model	*R*	*R* Square	Adjusted *R* Square	Std. Error of the Estimate
1	0.192[a]	0.037	0.011	0.36959

[a]Predictors: (Constant), ASSET, SHARE.

Table 5: Statistic *F* Test

Model		Sum of Squares	Df	Mean Square	*F*	Sig.
1	Regression	0.392	2	0.196	1.437	0.244[a]
	Residual	10.245	75	0.137		
	Total	10.637	77			

[a]Dependent Variable: *F* VALUE.

Table 6: Statistic *t* (Individual Parameter Significance Test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	*t*	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.991	0.805		2.474	0.016
	SHARE	0.163	0.177	0.104	0.920	0.361
	ASSET	–0.039	0.028	–0.160	–1.412	0.162

[a]Dependent Variable: *F* VALUE.

Table 7: Independent Samples Test

		Levene's Test for Equality of Variances		*t*-test for Equality of Means		
		F	Sig.	*t*	df	Sig. (2-tailed)
FIRM VALUE	Equal variances assumed	0.952	0.332	–0.662	76	0.510
	Equal variances not assumed			–0.626	47,480	0.534

4.5. Hypothesis 2

The results of the Independent Sample *T*-Test show that the Sig (2-tailed) value is 0.510, which means that it is higher than 0.05. This indicates that Ho is accepted and Ha is rejected, so there is no difference in the value of the firm – a family firm managed by family members and a family firm managed by non-family members.

5. Discussion

The results of statistical tests show that if Ho is accepted, it means that large family share ownership in a family firm does not affect the value of the company. This is because the company in the sample is a company that has gone public where its shares are traded freely on the stock exchange. Open companies compete to increase the value of their company by being managed professionally even though certain family members own majority shares.

This is in line with the results of Berle and Means (1932) who argued that concentrated ownership must have a positive effect on company value because it is considered capable of reducing the conflict of interest between families and professionals. On the other hand, Demsetz (1983) argued that ownership concentration is the final result of the decision to maximize profits by current and potential shareholders. Thus, it should not affect the value of the company. Anderson and Reeb (2003) researched companies in the Standard & Poor's 500 index, giving conclusions that family firms have better performance compared to non-family firms in the perspective of market performance and accounting. Research with similar results was also explained by Barontini and Caprio (2005) in Europe and Shyu (2011) in Taiwan.

The results of statistical tests show that if Ho is accepted, it means there is no difference in the value of the company in a family firm managed by family members and the value of the company controlled by non-family members. This is because the heir is the company manager and has got a good education and can work professionally, besides, family members can minimize the conflicts that occur.

So, the ability of family members to lead a company can be compared with non-family members who are considered more professional.

Susanto (2007) also revealed that in reality, family firms are vulnerable to conflict. Conflicts that can occur in family firms are conflicts of business interests and family interests, conflicts between family members, conflicts between family members and company employees, and others. So, with the presence of family firm managers who are family members, conflicts that occur can be minimized so that the focus can be on increasing the value of the company.

6. Conclusion

The family share ownership does not affect the firm value because publicly owned family firms are managed professionally and there is no difference in the firm value of family firm led by family members and the firm value of family firm managed by non-family members. This is

because the heir is the company manager and has got a good education and can work professionally, besides, family members can minimize the conflicts that occur.

Suggestion for this research is that that this research could be developed again by conducting similar research on the family firm that has not gone public. The hope is that there is an influence of family share ownership on company value for family companies whose management is unregulated or free because the public does not own shares.

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