All in the family?
CEO succession and firm organization

Renata Lemos
University of Cambridge
CEP, London School of Economics
r.lemos@lse.ac.uk

Daniela Scur*
University of Oxford
CEP, London School of Economics
daniela.scur@economics.ox.ac.uk

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Abstract Family ownership is the most prevalent type of firm ownership around the world and accounts for a large proportion of the economic activity and employment, especially in developing countries. In this paper we investigate the relationship between family control and firm organization and performance in the manufacturing sector of primarily emerging economies. To do this we collect a new detailed dataset of firm ownership and control history for over 800 firms in Latin America, Africa and Europe and merge this data with a unique dataset on firm performance and organizational structures, including on quality of managerial practices. We exploit exogenous variation in the composition of the family CEO's children, and use it as an instrumental variable for family ownership and control. Our results suggest that family-owned-and-controlled firms are worse managed, with coefficients being over twice larger under 2SLS than OLS. In general the negative link seems to stem from the family or non-family relationship between the firm's CEO and the owners, rather than simply family or non-family ownership.[1]

*Corresponding author.

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