Corporate governance mechanisms in family firms: Evidence from director turnovers

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Abstract
We examine the impact that family involvement in management, ownership, and control has on director turnover (direct effect) and on director turnover/performance sensitivity (moderating effect). Using a sample of mostly closely-held Colombian firms from 1996 to 2006, we find a strong negative relationship between turnover and firm performance, a far from obvious result in the context of closely held firms in emerging markets. We also show that while family involvement in management, ownership and boards leads to more stable boards, it does not affect director turnover/performance sensitivity. This finding implies that boards in firms with family presence are benevolently entrenched.
Keywords: Family firms, Corporate governance, Director turnover, Emerging markets.
JEL Classification: G3, G32

1. Introduction

This paper contributes to the discussion of corporate governance in closely held firms with some level of ownership dispersion by evaluating not only the direct effect that family involvement in management, ownership, and control has on director turnover, but also its moderating effect on director turnover/performance sensitivity. This distinction is important because, as we argue, family involvement can affect director turnover without necessarily influencing the expected negative director turnover/performance sensitivity. We hand-collected data for 523 mostly closely held firms in Colombia for the period 1996-2006, the majority of them having business group affiliation. As far as we know, this is the first study that analyzes the influence of family involvement in different dimensions on director turnover and director turnover/performance sensitivity.

Classical agency theory suggests that concentration of ownership and control in family hands reduces agency tensions within these firms (Jensen and Meckling, 1976; Fama and Jensen, 1983). However, family involvement could either mitigate or exacerbate agency problems in family firms. "As the separation of ownership from control in widely held firms drives a wedge between the interests of principal and agent, the dispersion of ownership in family-held firms drives a wedge between the interest of those who lead a firm—and often own a controlling interest—and other family owners" (Schulze, Lubatkin, and Dino, 2003:181). Non-economic preferences in the utility function of family members create another set of agency tensions within the organization, and family involvement could lead to actions that go against the economic interests of other family factions or other minority shareholders. Hence, good corporate governance practices are as important in family firms as in firms with dispersed ownership (Schulze et al., 2001).

We find empirical evidence for the direct effects that family involvement has on director turnover. However, we did not find any moderating effect on director turnover/performance sensitivity in our sample. Specifically, and regarding direct effects, we find a lower probability of director turnover when there is a family CEO, when the family is the largest shareholder, or when the board is dominated by the family. These findings suggest that family involvement is related to

more stable boards, which is consistent with the implicit long-term contracts between families and their collaborators (Sraer and Thesmar, 2007; Hwang and Kim, 2009). In contrast, we find that family involvement as indirect ownership through pyramidal structures increases director turnover, which suggests the existence of internal director markets inside business groups. Internal resources markets have been discussed in previous studies (Khanna and Palepu, 2000a, 2000b), and Volpin (2002) and González et al. (2014b) demonstrate the existence of this market for CEOs.

Regarding moderating effects, we find that family involvement has no impact on director turnover/performance sensitivity. That is, director turnover attributable to poor firm performance is equally likely regardless of family presence in the firm. This result could be associated with the concept of benevolent entrenchment characterized by more stability of the boards in firms with some level of family involvement, but not necessarily less competence. Family businesses will reconfigure boards in the case of poor financial performance just like any other organizational structure, especially considering the particular interests of families such as firm survival and legacy, among other non-monetary aspects (Fama and Jensen, 1985; James, 1999; Burkart et al., 2003; Bertrand and Schoar, 2006). Overall, we not only find a strong negative director turnover/performance sensitivity, a new result in the context of closely held firms in emerging markets, but we also find differentiated direct effects depending on the type of family involvement.

This paper contributes to the corporate governance literature on family firms in several ways. First, we provide a closer look at the direct and moderating effects that family involvement has on director turnover. Most of the empirical literature on corporate governance analyzes CEO turnover/performance sensitivity, but only a few papers study board turnover in the context of listed firms (Hermalin and Weisbach, 1988; Denis and Sarin, 1999). In general, little is known regarding the director turnover/performance relationship (Easterwood et al., 2012). Even more scant is analyses of the effect of family involvement on director turnover, where the main contribution of this paper lies. We consider family involvement in three different dimensions: management, ownership (direct and indirect), and control in the largely unexplored field of closely held family firms. This is important because "one of the great challenges in adapting definitions of corporate governance to the privately held firm is that much of the research and academic debate pertains to large listed firms" (Uhlaner, Wright, and Huse, 2007: 226).

Second, although Colombia is a single country it shares many features with other emerging economies, such as predominance of family firms and business groups, concentrated ownership, and low investor protection (Chong and López-de-Silanes, 2007; González et al., 2012, 2013). Family firms in emerging markets are an important yet highly understudied subject, according to recent surveys of research on corporate governance in these markets (Claessens and Yurtoglu, 2013; Fan, Wei, and Xu, 2011). Finally, the level of detail provided by the database is in itself a contribution to the literature,

given that the majority of the companies in the sample (81%) are closely held firms that represent an enormous universe of understudied firms.

The article is organized as follows. The second section introduces the theoretical review and the development of hypotheses, the third section describes the data and methodology, the fourth section presents our results, the fifth section presents the robustness tests, and the final section concludes.

2. Theoretical Review and Development of Hypotheses

Coffee (1999) argues that a successful system of corporate governance will remove managers who deliver poor financial performance. This sensitivity of turnover to performance has been widely studied regarding CEOs. Among the classical studies for the United States are Coughlan and Schmidt (1985), Denis and Denis (1994), Huson, Parrino, and Starks (2001), Morck, Shleifer, and Vishny (1989), Warner, Watts, and Wruck (1988), and Weisbach (1988). In general, these studies have found a strong negative CEO turnover/performance sensitivity.

In this paper, we argue that the disciplinary connection between performance and turnover also applies to boards. Analyzing board composition, Hermalin and Weisbach (1988) and Denis and Sarin (1999) report that board turnover is related to poor financial performance. In the Japanese context Kaplan and Minton (1994) found that directors with financial backgrounds are hired following poor financial performance, and Gilson (1990), Yermack (2004), Srinisasan (2005) and Easterwood et al. (2012) report higher board turnover in poor performing firms. Harford (2003) demonstrates that board members of firms in hostile takeovers not only lost their board seats but also suffered fewer nominations to other boards following the takeover. All these studies were based in advanced economies, and the samples were listed firms.

Context could impact corporate governance mechanisms. La Porta, López-de-Silanes, Shleifer, and Vishny (1998, 2000) posit that investor protection at the national level is the most important factor for good corporate governance at the firm level. Hence, in an environment with low investor protection, board turnover/performance sensitivity could be weaker and lead to entrenched directors. However, high ownership concentration and controlling shareholders with the incentives and power to discipline managers and directors counterbalance poor investor protection and mitigate agency problems within the firm (Fama and Jensen, 1983; Jensen and Meckling, 1976).

Colombia, like other Latin American countries, has some distinguishing characteristics, such as relatively low legal protection for investors, the importance of business groups, the extended use of pyramidal ownership structures to exert control over firms, high ownership concentration and, more importantly, different levels of family involvement in various dimensions of business activity. In this context we expect that controlling shareholders penalize poor performing directors, as stated in the following hypothesis:

Hypothesis 1: The probability of director turnover will be higher in periods of poor financial performance.

In the context of closely held firms with some level of ownership dispersion, the probability of director turnover could be affected by the different levels of family involvement in management, ownership and control. On the one hand, family presence in the firm may have a direct effect on turnover because of the intrinsic characteristics that families possess as stakeholders; on the other hand, family involvement could have a moderating effect on turnover/performance sensitivity because of alignment or misalignment of interests between the family and other stakeholders.

The empirical literature is silent regarding the direct effect of family involvement on director turnover, although some studies have documented the different ways that ownership structures influence CEO turnover. For example, Denis et al. (1997) find that CEO turnover is negatively related to ownership concentration by insiders. La Porta et al. (1999) show that outside the United States, and especially in countries with low investor protection, there is a high level of ownership concentration, mainly by families.

Sraer and Thesmar (2007) show that family firms often establish long-term relationships with their workforce. Bertrand and Schoar (2006) emphasize that families consider the firm as a legacy for future generations and thus display excessive risk aversion, considering firm survival as the main business objective. In addition, the tacit knowledge of family members regarding the firm's operations has two relevant implications for director turnover. First, family presence in the firm alleviates information asymmetries and makes monitoring more effective (Pollak, 1985; Tsai et al., 2006). Second, families have longer investment horizons, avoiding the typical preference for short-term results and profits associated with managerial myopia (James, 1999; Stein, 1988, 1989). Following this line of reasoning in the context of Colombia, we propose the following hypothesis:

Hypothesis 2a: The probability of director turnover will be lower when family involvement is exerted through management, ownership, or control.

Hypothesis 2a suggests the existence of a certain level of entrenchment in firms with some degree of family involvement. However, whether this generates positive or negative consequences for the firm depends on the moderating effect of family involvement. That is, a weaker negative relationship between firm performance and director turnover attributable to family presence on the firm will imply a harmful board entrenchment, while a stronger or even a similar level of sensitivity of director turnover to firm performance in comparison to firms without family involvement will imply a benevolent board entrenchment.

Studying ownership and regulation effects, respectively, Morck et al. (1988) and Garay et al. (2007) have suggested that it is in the interest of board members to entrench themselves in their positions. Denis et al. (1997) find that

the probability of executive change is less sensitive to performance in firms with a high ownership concentration among top management, an indication of harmful entrenchment.

Many non-monetary family benefits and goals like high ownership concentration, reputation, undiversified wealth, family survival and legacy (Fama and Jensen, 1985; James, 1999; Burkart et al., 2003; Bertrand and Scholar, 2006) characterize family firms and could imply a good level of monitoring over CEOs and directors in this organizational structure. For directors, families' high levels of risk aversion, together with legacy, firm survival preference, and family monetary and non-monetary benefits, will guarantee an adequate level of directors' supervision. Following this reasoning, we expect a benevolent board entrenchment, as stated in the following hypothesis:

Hypothesis 2b: The negative relationship between director turnover probability and firm financial performance will not be affected when the family is involved in management, ownership, and control.

3. Database and Methodology

As shown in Table 1, Panel A, our sample is based on a unique dataset that combines firm-level information for listed (15% of the sample) and closely held firms (85% of the sample), a feature not commonly found in studies of corporate governance and family firms. Regarding business group affiliation status, 89 percent of the sample is composed of affiliated firms, 11 percent of independent firms. We include listed firms in our sample because some firms in family business groups are also listed; excluding them would distort the true nature of business groups in Colombia and Latin America.

Financial, ownership, and board-related information is drawn largely from two Colombian government agencies, the Financial Superintendence (*Superintendencia Financiera*, SFIN) and the Superintendence for Commercial Societies (*Superintendencia de Sociedades*, SSOC). SFIN is the financial regulator for all security issuers of stocks and bonds; SSOC supervises and monitors corporate restructuring and bankruptcy processes. Additionally, SSOC maintains financial records and notes for medium-sized and large privately owned firms. Notes to financial statements are subject to statistical confidentiality and include 16 appendices per company, listing among others major shareholders, and parent-subsidiary commercial relations. We drew additional information about directorships and CEOs from the Chambers of Commerce where the companies are registered. Table 1, Panel A, summarizes the construction of the sample.

[Insert Table 1]

3.1. Indicators of board turnover

In order to analyze the turnover of board members as a corporate governance mechanism, board turnover was defined using three alternative specifications: *board turnover* measured as the number of board members in year *t–1* who were not present in year *t*, *board turnover [%]* measured as the percentage or fraction of board members in year *t–1* who were not present in

year *t*, and *dummy for board turnover*, equal to 1 if at least one director was replaced for each firm *i* and for each year *t*, and 0 in other cases.

3.2. Financial performance

Given that the sample is made up mainly of unlisted companies, the financial performance variables are based on accounting information. The performance variable is the Return on Assets, (ROA), which calculates the relation between net profits to total assets. For robustness we also use an alternative measure for financial performance, the binary variable *profit dummy,* equal to 1 when the company, *i*, reports a profit in year t, and 0 otherwise. To tackle the problem of double causality in the turnover/performance relationship, we use lagged values of the performance variable (ROA). In the robustness section we use an instrumental variable approach to deal further with this problem.Additionally, ROA was adjusted by the average ROA of the industry sector to which each company belonged.

3.3. Indicators for family presence

The presence of family members in the firm might influence decisions concerning management turnover and, therefore, the oversight and control mechanisms employed. This study seeks to evaluate the sensitivity of board turnover to variations in performance when there is a family presence. To carry out this analysis the following binary variables were created. *Family CEO*, takes the value of 1 if the CEO has the same two surnames as the founding family, and 0 if not. This variable was chosen to indicate whether family presence in the firm represents the founder or one of his direct offspring. *Family ownership* equals 1 if a family member is the majority shareholder, and 0 if not. *Pyramidal family control* equals 1 if the family controls the majority shareholder either directly or indirectly (through pyramidal structures) and 0 if not. To capture the participation of the family on the board as a supervisory body, the variable *family board [%]* was created to measure the percentage of board members who share the surname of the founding family. At the same time the binary variable *majority family board* was created, equal to 1 if family participation in the board is above 50 percent, and 0 if not.

3.4. Control variables

Firm characteristics included *firm age*, *firm size*, *leverage* and *growth*, as well as business group affiliation and public/private status dummies. The corporate governance variables include *CEO turnover*, a *contestability index* and external *auditing firm*, as well as characteristics of the boards such as *reputation, size, foreign directors*, CEO *board dummy* (or CEO duality) and *proportion of outside directors*. Specific definitions of variables and their construction methodologies are described in the Appendix.

3.5. Univariate analysis

Panel A of Table 2 shows the average Board turnover classifying firms by business groups. Measurements are reported for Colombia's five largest non-financial business groups and for the remaining sample. The Santo Domingo business group, featuring firms engaged in the brewery, transport, and telecom sectors, shows the highest turnover level – more than 24 percent, above the average in the sample (16.5 percent). In contrast, 23 of the business groups in the sample have turnover levels below the average, and the lowest in the sample. Board turnover in independent firms is higher than in affiliated firms.

An overview of the summary statistics presented in Panel B Table 2 shows that the sample is composed of firms with an average age of 30 years and a median age of 25. Additionally, the corporate governance variables show that the average number of board members in the sample is 7 and the aggregate fraction of outside directors is 29 percent. However, by construction, this value might be overestimated because of the relations outside directors might have with top management. On average, directors sit on between one and two other boards, and the participation of foreign directors is low, at 5 percent on average. Fifty percent of the firms have an external audit firm, 33 percent of CEOs are members of their companies' boards, and CEO turnover occurs in 16 percent of the sample.

[Insert Table 2]

4. Results

We test our hypotheses empirically by first examining the classical relation between board turnover and performance (H1). Second, we study the direct effect of family involvement in management, ownership, and control on board turnover (H2a), and finally we analyze the effect of family involvement on the board turnover/performance sensitivity (H2b). We use a panel data negative binomial model and a panel data random effects model with *board turnover [#]* and *board turnover [%]*, respectively, as endogenous variables explaining board turnover.

A random effect model is chosen after applying the Breusch and Pagan (1980) and Hausman (1978) tests together with the time-invariant nature of our family involvement variables. The regressions coefficients standard errors on *board turnover [%]* were corrected by robust White-Hubert estimators (White, 1980). In addition, we apply overdispersion tests to decide whether a *poisson* or negative binomial model should be used for the variable *board turnover [#]* (not reported but available upon request).

4.1. Relation between board turnover and firm performance

Table 3 presents the results for the relation between board turnover and financial performance after controlling for firm characteristics and corporate governance variables. Following Bhagat and Jefferis (2002), Himmelberg, Hubbard and Palia

(1999), and Hermalin and Weisbach (1991), we use lagged performance variables to minimize the potential double causality between board turnover and financial performance. In these regressions financial performance is measured as the lagged industry-adjusted ROA.

Results support H1 by showing a statistically significant negative relation between board turnover and firm performance. Column 1 of Table 3 shows that the incidence rate ratio (IRR) is 0.6977, which implies that an increase of 10 percent in the firm's lagged industry-adjusted ROA will decrease the board turnover rate ratio by a factor of 0.9646 (0.6977^0.1), or reduce director turnover by 3.54 percent on average. Column 2 shows that an increase of 10 percent in firm financial performance will reduce the percentage of board turnover by 0.93 percent. Overall, control variables behave as expected.

[Insert Table 3]

4.2. Family involvement and board turnover

H2a and H2b test the direct effect of family involvement on board turnover and the moderating effect on the board turnover/performance sensitivity. First, to test turnover in terms of number of seats, we use a negative binomial panel model (Table 4); second, to test turnover as a percentage of seats, we use a random effects panel model (Table 5). In both specifications we use dummy variables to assess family presence together with their interactions with financial performance.

Columns 1, 3 and 5 of Tables 4 and 5 report the results without distinguishing whether the family CEO is the founder of the firm or an heir, while columns 2, 4, and 6 differentiate between these two types. Furthermore, the first two columns in both tables measure the presence of the family on the board by using the variable *family board [%]*. In columns 3 and 4 this variable is replaced with the dummy *majority family board*, and in columns 5 and 6 by the dummy variable *non-majority family board*.

Regarding H2a, the results suggest that family presence lowers the probability of board turnover, whether exerted through management or direct ownership and even when the board is controlled by family members. In Table 4, column 5, the IRR of 0.8673 implies that when there is a family CEO, the board turnover rate ratio will decrease by a factor of 0.8673. Table 5, column 5 also shows that a family manager reduces the percentage of board turnover by 2.1 percent. Regarding direct ownership, when the family is the largest shareholder, turnover will also decrease (IRRs lower than 1 in columns 3-6 in Table 4, and negative coefficients in columns 3-6 in Table 5). And majority family control on boards reduces board turnover (IRRs of 0.59 for the *Majority Family Board* variable in Table 4, columns 3 and 4, and negative coefficients of

0.055 for this variable in Table 5, columns 3 and 4). Note that director turnover is higher (columns 5 and 6, Tables 4 and 5) when families have a minority presence on the board.

These findings appear to indicate that the boards of firms with a family presence are more stable, a result of the implicit long-term contracts established between the family and its collaborators (Sraer and Thesmar, 2007). It might therefore be understood that directors of firms with some level of family involvement enjoy a certain degree of entrenchment. In addition, family involvement through the indirect ownership of pyramidal structures increases board turnover, possibly because of internal transfers of directors within business groups. IRRs are 1.2312, 1.2278, 1.1407 and 1.1377 in Table 4 columns 1 to 4, respectively, when a family controls the firm through pyramidal structures. According to González et al. (2014b), internal labor markets in Colombian business groups are used to transfer knowledge and experience from one firm to another and to make the most of top management teams that serve the interest of the controlling shareholder. These findings regarding top management teams could easily apply to directors in business groups, and our results support this argument.

[Insert Tables 4 and 5]

Director entrenchment is not necessarily harmful to firm performance. The results related to H2b indicate that, faced with poor financial performance, firms with some level of family involvement are as prepared to reconfigure the board as firms without family presence. None of the interaction terms between family involvement and firm performance are statistically significant. As mentioned before, Colombia is characterized by high ownership concentration, which could be a strong governance mechanism. Concentrated ownership could lead to lower agency costs (Jensen and Meckling, 1976; Fama and Jensen, 1983) by creating both the ability and economic incentives to monitor management (Shleifer and Vishny, 1997). Colombia ranks low in terms of corporate governance (Djankov et al., 2008, González et al., 2014a) and, as in many other countries, firms are perceived as an important legacy for future generations (Anderson, Mansi, and Reeb, 2003; Bertrand and Schoar, 2006). These characteristics make the control that blockholders (e.g., families) exert on management and boards more relevant..

5. Robustness

This section presents some additional regressions in an attempt to test the robustness of our results. In particular, we deal with the potential endogeneity problem between board turnover and firm performance. To tackle this issue, we include in our model the instrumented financial performance variable. The industry-adjusted ROA uses dividends and the sector-adjusted lagged ROA as instruments alongside the other exogenous variables included in the original specifications. As argued in González et al (2014b), dividend ratio can be used as an instrument because it is clearly affected by the firm's

performance; yet, managerial turnover is not affected in any direct way, given that dividend policy is decided once performance is revealed, just as CEO and director turnover decisions are. The instrumented variable approach we follow did not change our main results (table not shown for lack of space but available upon request).

We perform additional robustness tests. First, we estimate our regressions using alternative measures for board turnover, such as a dummy variable that takes the value of 1 if there was a turnover in firm *i* at time *t*, 0 otherwise. The results (not reported but available upon request) are similar to the results presented here. Second, we use different financial performance measures. Specifically, we use a *profit dummy* variable, which is equal to 1 when firm *i* reports profits in year *t*, 0 otherwise. The results (not reported but available upon request) are similar to those reported in previous sections of this paper. Finally, we test for the variance inflation factor (VIF) to detect problems of multicollinearity; the factors calculated (not reported but available upon request) indicate that the variables included in the regressions are not affected by problems of multicollinearity.

[Insert Table 6]

6. Conclusions and Discussion

In this analysis, we find a strong negative director turnover/performance sensitivity, which is a far from obvious result in the context of closely held firms in emerging markets. Hence, it is important to demonstrate that in this understudied context we still have a corporate governance system that penalizes poor performing directors. We were able to evaluate not only the direct effect that family involvement in management, ownership, and control has on director turnover, but also the moderating effect on director turnover/performance sensitivity, an important distinction in the literature pertaining to family business and corporate governance. Our results add to the discussion about internal resources markets within business groups in emerging economies, where directors seem to actively rotate when family involvement is exerted through pyramidal structure. In addition, we show that family involvement in management, ownership and boards, although producing more stable boards, does not generate an entrenchment that affects firm performance. This is known in the literature as benevolent entrenchment. Here we provide empirical evidence that boards in family firms are in fact benevolently entrenched.

7. References

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Table 1
Description of the Sample

Sources: National Equity Registry Forms (*Registro Nacional de Valores e Intermediarios*, RNVIs) filed by Colombia's Financial Superintendence (SFIN), Colombian Confederation of Chambers of Commerce (*Confecámaras*), Unique Business Register (RUE), BPR Benchmark and Colombia's Superintendence for Commercial Societies (SSOC).

Table 2
Data description

Table 2 - *continued*

Notes: In Panel A and B, standard deviation coefficients are in parentheses. Panel D reports board turnover (in percentage) for the lowest and the highest performance quintiles, using the industry-adjusted Return on Assets as the measure of performance.

Sources: National Equity Registry Forms (*Registro Nacional de Valores e Intermediarios*, RNVIs) filed by Colombia's Financial Superintendence (SFIN), Colombian Confederation of Chambers of Commerce (*Confecámaras*), Unique Business Register (RUE), BPR Benchmark and Colombia's Superintendence for Commercial Societies (SSOC).

Table 3
Board Turnover and Firm Performance

This table presents the results of the regressions used to analyze the relation between financial performance and board turnover. Column 1 reports the results of the negative binomial panel regression model (incidence rate ratios) using as endogenous variable *board turnover [#]*. Column 2 presents the results of the random effects panel regression model using as endogenous variable *board turnover [%]*.To tackle the potential problem of double causality in the performance/turnover relation, the lagged value of ROA (LROA) is the main performance measure.

Table 4

Impact of Family Involvement on Board Turnover and Board Turnover/Performance Sensitivity

The table presents the results of the negative binomial panel regression model (incidence rate ratios) to analyze the impact of family involvement on director turnover and director turnover/performance sensitivity when using *board turnover [#]* as the dependent variable. The model includes dummy variables to categorize family presence in firms and interaction terms with the financial performance variable for each case. In columns 1, 3 and 5 results are presented without specifying the type of family CEO while columns 2, 4 and 6 differentiate between founders and heirs. Additionally, the first two columns measure family involvement in boards using the *Family board [%]* variable. This variable is replaced in columns 3 and 4 by the *Majority Family Board* variable, and in columns 5 and 6 by the *Non-majority Family Board* variable, respectively. To tackle the potential problem of double causality in the performance/turnover relation, the lagged value of ROA (LROA) is the main performance measure. Financial performance is industry–adjusted.

Table 4 - continuation

Table 5

Impact of Family Involvement on Board Turnover and Board Turnover/Performance Sensitivity

The table presents the results of the random effects panel regression model to analyze the impact of family involvement on director turnover and director turnover/performance sensitivity when using *board turnover [%]* as the dependent variable. The model includes dummy variables to categorize family presence in firms and interaction terms with the financial performance variable for each case. In columns 1, 3 and 5 results are presented without specifying the type of family CEO while columns 2, 4 and 6 differentiate between founders and heirs. Additionally, the first two columns measure family involvement in boards using the *Family board [%]* variable. This variable is replaced in columns 3 and 4 by the *Majority Family Board* variable, and in columns 5 and 6 by the *Non-majority Family Board* variable, respectively. To tackle the potential problem of double causality in the performance/turnover relation, the lagged value of ROA (LROA) is the main performance measure. Financial performance is industry–adjusted.

Table 5 - continuation