BINUS INTERNATIONAL
BINUS UNIVERSITY

Accounting Major
Sarjana EkonomiThesis
Semester Even Year 2011

FOUNDING FAMILY OWNERSHIP AND FIRM PERFORMANCE: EMPIRICAL EVIDENCE FROM CONSUMER GODDS INDUSTRY IN INDONESIA

Margareta Bambang 1100025906

Abstract

Objectives: This research investigates the significant influence of family ownership on the firm performance in order to provide information to decision maker and other interested parties. Furthermore, this research tries to analyze the comparison between family and non-family firm performance in Indonesia.

Method: The sample companies used are 31 companies, selected from consumer goods industry in Indonesia Stock Exchange, covering the period between 2005 and 2009. Mean results between family and non-family firms will be compared using descriptive statistic analysis and multiple regression analysis will be performed to determine whether there is any influence between family ownership and firm performance.

Results: This study found that non-family firms perform better than family firms and the results of multiple regression suggest that there is no significant influence of family ownership to firm accounting profitability but family ownership significantly gives negative contribution to firm market valuation.

Conclusion: The author concludes that family firms perform worse than non-family firms in Indonesia and significantly give negative influence to firm performance when there are family members sit in top position and have major control rights. The evidence raises concerns about possible profit manipulation and weak governance law in Indonesia, and as a result there is an expropriation of wealth to the majority and family related shareholders.

Key Words: Ownership Structure, Family Firms, Firm Performance, Indonesia