Journal of Business Research 98 (2019) 50–64

Contents lists available at ScienceDirect

Journal of Business Research

journal homepage: www.elsevier.com/locate/jbusres

The roles of family ownership and family management in the governance of agency conflicts☆

Saptarshi Purkayastha[a], Rajaram Veliyath[b,*], Rejie George[c]

[a] Indian Institute of Management Calcutta, India
[b] Kennesaw State University, United States of America
[c] Indian Institute of Management Bangalore, India

ARTICLE INFO

Keywords:
Family management
Family ownership
PA conflicts
PP conflicts
Stewardship theory

ABSTRACT

The study examined the interplay of the two separate governance dimensions of dominant ownership and management control that differentially affected the prevalence of Principal-Agent (PA) and Principal-Principal (PP) conflicts, as well as their respective impacts on shareholder value. The sample comprised of 675 Indian firms examined during the period 2006–2015. Dominant family ownership reduced the negative impacts of PA conflicts, while exacerbating the negative impacts of PP conflicts on shareholder value. However, when family ownership was combined with non-family management, the negative effects of PA conflicts were minimized, while creating a favorable impact of PP conflicts on shareholder value. Thus, the governance configuration that minimizes the undesirable impacts of both types of agency conflicts and is conducive to encouraging stewardship behaviors appears to be one where the influence of dominant (viz., family) owners is balanced by the executive decisions of non-family managers (officiating in their roles as stewards).

Firm ownership and management are the primary governance mechanisms for making decisions about patterns of authority, norms for resource allocation, incentive schemes, and conflict resolution mechanisms (Daily, Dalton, & Canella, 2003; Daspit, Chrisman, Sharma, Pearson, & Mahto, 2018). Accordingly, variations in these governance mechanisms have been proposed as solutions to both principal-agent conflicts (Aguilera, Filatotchev, Gospel, & Jackson, 2008; Dalton, Hitt, Certo, & Dalton, 2007; Eisenhardt, 1989; Sundaramuthy & Lewis, 2003) as well as principal-principal conflicts (Renders & Gaeremynck, 2012; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). A principal-agent [PA] conflict refers to the problems arising from goal differences and information asymmetries between the agents (i.e. managers) and their principals (i.e. shareholders).[1] In contrast, a principal-principal [PP] conflict arises when the interests of dominant shareholders and minority shareholders in a firm diverge (Villalonga & Amit, 2009; Ward & Filatotchev, 2010; Young et al., 2008), and the dominant shareholders seek to appropriate the private benefits of control at the expense of minority shareholders (Barclay & Holderness, 1989; Faccio, Lang, & Young, 2001; Gugler & Yurtoglu, 2003). Since both PA and PP conflicts have been posited to adversely impact shareholder value (Dalton, Daily, Ellstrand, & Johnson, 1998; Ward & Filatotchev, 2010), governance mechanisms that can help to reduce the negative impacts of both these types of conflicts on shareholder value should be of interest to both academics as well as practitioners.

While prior research has discussed governance mechanisms to independently address each of these conflicts (Arthurs, Busenitz, Hoskisson, & Johnson, 2009; Ward & Filatotchev, 2010), there has been scant work on the governance solutions that can tackle both these problems simultaneously (the study conducted by Villalonga & Amit, 2006 being a notable exception).[2] This is a significant oversight since both types of agency conflicts co-exist in organizations. Our study fills this research gap by providing a clearer understanding of the governance mechanisms that minimize the undesirable effects of both types of agency conflicts. Moreover, scholars have argued (Claessens, Djankov, & Lang, 2000; Villalonga & Amit, 2006) that some of the governance mechanisms that minimize PA conflicts (such as increasing ownership concentration, increasing managers' and directors' share ownership and introducing dual class shares) also exacerbate PP conflicts, through

☆ The authors gratefully acknowledge the helpful comments of Igor Filatotchev, Mike Peng, Abdul Rasheed and multiple anonymous reviewers on earlier drafts.
* Corresponding author.
E-mail addresses: saptarshi@iimcal.ac.in (S. Purkayastha), rveliyat@kennesaw.edu (R. Veliyath), rejieg@iimb.ernet.in (R. George).

[1] PA conflict arises from moral hazard, adverse selection and the opportunistic pursuit of self-interest by the agents (Eisenhardt, 1989; Fama & Jensen, 1983; Jensen & Meckling, 1976).

[2] Boyd and Solarino (2016) provide an excellent review of the literature that has examined the effects of PA conflicts on firm performance.

https://doi.org/10.1016/j.jbusres.2019.01.024
Received 25 January 2018; Received in revised form 10 January 2019; Accepted 11 January 2019

creating new classes of principals who possess both greater voting power as well as management control. This enables the newly empowered owners in these firms to better extract the private benefits of control (Barclay & Holderness, 1989).

Villalonga and Amit (2006) found that family firms where the CEO was a family member displayed the highest performance. In contrast, our findings suggest that family owned firms which are managed by professionals demonstrated no negative impacts arising from PA agency conflicts, while evincing stronger firm performance consequent to PP agency conflicts. We argue that this counterintuitive result arises primarily because of the dominant family based owners' willingness to cede management control to professionals from outside the family and adopt principal-steward orientations (Corbetta & Salvato, 2004; Miller, Minichilli, & Corbetta, 2013; Vallejo, 2009), thus enabling these non-family managers to exhibit stewardship behaviors embodying a social, collectivistic, and longer-term perspective (Davis, Schoorman, & Donaldson, 1997; Donaldson & Davis, 1991; Kim & Gao, 2013; Mazzola, Sciascia, & Kellermanns, 2013).

Our study makes three important contributions. First, by explicitly teasing out the differential effects between the family having ownership influence (stemming from their having a dominant blockholding) and possessing management control (i.e. arising from their having formal organizational executive authority vested in multiple family members) as two separate and distinct governance structures (Daspit et al., 2018; Evert, Sears, Martin, & Payne, 2018; Gonzales-Cruz & Cruz-Ros, 2016; Kim & Gao, 2013; Mazzola et al., 2013), our study unearths the possibility of a governance mechanism that simultaneously minimizes the harmful impacts of both PA and PP conflicts on shareholder value. Such a desirable governance context is one where the family's dominant ownership position is balanced by the family ceding management control (i.e. firms where the family is the dominant shareholder, but the firm is managed by non-family managers). This is an important contribution, because concerns about minimizing the negative impacts on shareholder value of both types of agency conflicts are at the crux of agency conflict investigations. Second, by juxtaposing agency theory with stewardship theory, we attempt to define the governance contexts under which these two theoretical perspectives can coexist and under which managers are motivated to behave like stewards (Mazzola et al., 2013; Pittino, Martínez, Chirico, & Galván, 2018). Lastly, this study represents perhaps the first systematic effort to use a longitudinal panel data approach to measuring and examining both PA and PP conflicts simultaneously. Therefore, the study's findings open up avenues for future research, especially in emerging market contexts.

1. Theory development and formulation of hypotheses

1.1. Agency conflicts in widely distributed firms

An agency relationship is one where the owners (i.e. principals) engage managers (i.e. agents) to perform some service (i.e. manage the firm) on their behalf (Jensen & Meckling, 1976). In such firms, decision-making authority is delegated to the agent. If both parties to the relationship are utility maximisers, the agent may not always act in the best interests of the principals. However, the principals can limit the agents' divergences by establishing appropriate incentives for the agent and by incurring monitoring costs designed to limit the self-serving behaviors of the agent (Jensen & Meckling, 1976).

Principal-Agents conflicts are manifested in firms where ownership is fragmented and widely dispersed and where managers have effective day-to-day control of the firm's operations (Eisenhardt, 1989; Fama, 1980; Fama & Jensen, 1983; Hillman & Dalziel, 2003; Jensen & Meckling, 1976). Widely distributed firms are firms in which none of the block ownership categories have > 10% of the shareholding in the firm.[3] In these firms, the agents can opportunistically exploit information asymmetries that exist between them and the dispersed principals to appropriate some of the firms' returns for their personal benefit, resulting in what is commonly known as PA conflicts (Boyd, 1995; Boyd & Solarino, 2016; Dalton et al., 1998; Thomsen, Pedersen, & Kvist, 2006).[4] In the absence of concentrated shareholding blocks among these widely distributed firms, we posit that PP conflicts do not negatively affect their performance. Thus,

H1. PA conflict has a negative impact while PP conflict has an insignificant impact on shareholder value in firms with widely dispersed shareholding.

1.2. PA and PP conflicts in family owned firms

Agency theory proposes that concentrated ownership results in better monitoring of managers thereby reducing PA conflicts (Anderson & Reeb, 2003; Cordeiro, Veliyath, & Romal, 2007; Miller & Le-Breton Miller, 2006; Tuggle, Sirmon, Reutzel, & Bierman, 2010). Ownership concentration in emerging markets can occur through different ownership types such as government ownership, multinational ownership, and family ownership. In our work, we specifically concentrate on firms where the family is/are the dominant owners. Such firms comprise a large segment of the total population of firms in such contexts (Jiang & Peng, 2011), and especially in emerging economies like India (Veliyath & Ramaswamy, 2000). Family ownership provides monitoring benefits where the family owners (principals) are able to closely and effectively monitor management (i.e. agents) in order to ensure that they do not engage in opportunistic self-serving behaviors that detract them from creating shareholder value (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011; Morck, Shleifer, & Vishny, 1988; Shleifer & Vishny, 1989). Stemming from the diligent monitoring activities of these family owners (Cordeiro et al., 2007; Hillman & Dalziel, 2003; Tuggle et al., 2010), previous studies have found that an increase in the family's dominant ownership position leads to a reduction in PA conflicts in the firm (Olaison, Jansson, Veldman, & Beverrungen, 2016).

However, such increased family ownership may also equip the family with the power and influence to control both board composition and governance processes, as well as influence agenda setting and strategic decision-making (Villalonga & Amit, 2006). When these positions of power are combined with the motivation to pursue the family's private welfare and idiosyncratic goals such as enhancing the socio-emotional wealth of the family (see Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007) leading to the misappropriation of minority shareholders' wealth (Bertrand, Mehta, & Mullainathan, 2002), it can result in PP conflicts. Besides misappropriation, conflicting goals may also include protecting the socio-emotional wealth of the family by not taking decisions that increase risks to the family, even if those decisions might enhance value in the longer term for other shareholders (Chrisman, Chua, Kellermanns, & Chang, 2007; Gomez-Mejia et al., 2007; Kim & Gao, 2013; Mazzola et al., 2013; Miller, Le-

[3] This notion of widely distributed firms essentially draws upon the seminal work of La Porta, Lopez-de Silanes, and Shleifer (1999) who consider such firms to be those where no direct and indirect blockholder voting rights exceed either 10 (or 20%) of the total shareholding. Similar definitions and cutoffs have also been used by Claessens et al. (2000) in their work examining ownership structures of East Asian Corporations and by Faccio et al. (2001) in their study on dividends and expropriation among countries in Europe and East Asia. In our paper, we have used a stringent cut-off of there being no > 10% block ownership to categorize firms as being widely distributed firms.

[4] PP agency conflicts are not manifested in widely distributed firms because of the absence of dominant owners who might seek to exploit the private benefits of control at the expense of minority shareholders (Barclay & Holderness, 1989; Villalonga & Amit, 2006, 2009).

Table 1
Comparison of Principal-Agent (PA) and Principal-Principal (PP) conflicts[a].

Dimension	PA conflict	PP conflict
Affected parties	Principals and agents	Dominant block shareholders and minority shareholders
Genesis	Separation of ownership from control and fragmentation of ownership	Power differentials between dominant and minority owners
Sources of conflict	Misaligned goals and risk-preferences of agents versus principals	Incongruent goals and differing motivations of dominant shareholders from those of minority shareholders
Motivation(s)	Agent self-interest and opportunism	Dominant shareholders seeking to exploit the private benefits of control
Contributing factors	Moral hazard; adverse selection; Information asymmetry between agents and principals	Weak institutional protections for minority shareholders; Governance mechanisms that reinforce power differentials among owner types
Role of the board	Cultivate independence from, and monitor management; provide fiduciary oversight	Cultivate neutrality and enhance returns for all shareholders
Role of TMT	Become good stewards; curb self-interest and opportunism	Cultivate independence from dominant shareholder blocks
Role of shareholders	Vote for governance mechanisms that enhance board independence	Ensure that all (including minority) shareholders have equitable representation and voice in governance processes
Consequences	Misappropriation of shareholders' returns by agents	Misappropriation of minority shareholders' returns by dominant shareholders
Organizational Impact	Potential value-destruction	Potential value-destruction and higher costs-of-capital for the firm

[a] Table adapted from Eisenhardt (1989), Villalonga and Amit (2006) and Young et al. (2008).

Table 2
Governance mechanisms and their impacts on the two types of agency conflicts[a].

Type of governance mechanism	Proposed impact on Principal-Agent conflicts	Proposed impact on Principal-Principal conflicts	Reference
Concentrated shareholding	Lessens	Increases	La Porta et al., 1999; Miller & Le Breton-Miller, 2006.
'Dual-class' shares	Lessens	Increases	Gompers, Ishii, & Metrick, 2003; Grossman & Hart, 1988.
Blockholder power	Lessens	Increases	Holderness, 2003; Sutton, Veliyath, Pieper, Hair, & Caylor, 2018.
Board independence	Lessens	?	Kang, Cheng, & Gray, 2007; Lefort & Urzúa, 2008; Liu, Miletkov, Wei, & Yang, 2015.
Greater monitoring	Lessens	?	Gugler & Yurtoglu, 2003; Tuggle et al., 2010.
Avoiding CEO duality	Lessens	?	Ramaswamy, Veliyath, & Gomes, 2000; Tuggle et al., 2010; Veliyath & Ramaswamy, 2000.
Ensuring board neutrality	?	Lessens	Sutton et al., 2018
Balancing shareholder influence and management control	Lessens	Lessens	Chu, 2011; Singla, Veliyath, & George, 2014.

[a] '?' in some cells indicates that the observed relationships based on findings in the extant literature are still equivocal. The 'Reference' column in the table refers to representative literature covering the concerned governance mechanism.

Breton Miller, & Scholnick, 2008). Table 1 summarizes these arguments on the comparative effects of PA and PP conflicts.

Commonly employed governance mechanisms are limited (or conflicted) in their ability to simultaneously reduce both PA and PP conflicts. Table 2 illustrates how the effects of some commonly employed governance mechanisms work at cross-purposes in their effects on both PA and PP conflicts.

It is evident from Table 2 that some of the governance mechanisms such as 'concentrated shareholding' (La Porta et al., 1999; Miller & Le-Breton Miller, 2006), introducing 'dual-class shares' (Gompers et al., 2003; Grossman & Hart, 1988) and increasing 'blockholder power' (Holderness, 2003; Sutton et al., 2018), have contravening effects on the extent of PA conflicts and PP conflicts that are manifested in the firm. In contrast, there are other governance mechanisms such as promoting 'board independence' (Kang et al., 2007; Lefort & Urzúa, 2008; Liu et al., 2015), ensuring 'greater monitoring' of the agents (Gugler & Yurtoglu, 2003; Tuggle et al., 2010) and avoiding 'CEO Duality' (Ramaswamy et al., 2000; Tuggle et al., 2010; Veliyath & Ramaswamy, 2000) that clearly reduce the potential for PA conflicts, but (based on the extant literature) have no arguable influence on PP conflicts. Finally, 'ensuring board neutrality' (Sutton et al., 2018) reduces the extent of PP conflicts, but has no arguable impact on PA conflicts (only board *independence* has been argued to reduce PA conflicts). Only one of the governance mechanisms listed in Table 2 'balancing shareholder influence and management control' (Chu, 2011; Singla et al., 2014) has a consistent negative effect on both PA and PP conflicts. Based on our descriptions of how the family's monitoring capabilities can reduce PA conflicts (through reducing monitoring costs for the owners, reducing bonding costs for managers and reducing claim losses resulting from divergent behavior—see Jensen & Meckling, 1976), while also enhancing PP conflicts because of the family's blockholding power (as shown in Table 2), we propose the following contrasting hypotheses for the effects on shareholder value of PA and PP conflicts respectively, among family owned firms.

H2a. PA conflict has an insignificant impact on shareholder value in family owned firms.

H2b. PP conflict has a negative impact on shareholder value in family owned firms.

1.3. Stewardship theory and family business firms

In order to compensate for the limitations of traditional governance mechanisms to minimize both PA and PP agency conflicts, scholars have suggested that agency theory be used in conjunction with other theories that adopt a more humanistic and behavioral perspective (Booth & Deli, 1996). Because agents are viewed solely as opportunistic, self-serving, economic utility-maximizers, agency theory has been faulted for adopting a narrow, utility-maximizing, economic model of man that is not representative of reality (Corbetta & Salvato, 2004). Agency theory has also tended to view managers as under-socialized and without a sense of social responsibility (Ghoshal, 2005) and therefore 'imports a narrow view of the corporation and its goals' (Olaison, Jansson, Veldman, & Beverrungen, 2013, p. 2; Roberts, 2003). Stewardship theory is an alternative theory which provides a more humanistic and behavioral perspective (Davis et al., 1997; Kim & Gao,

2013; Mazzola et al., 2013; Nicholson & Kiel, 2001). Stewardship theory advocates that managerial behavior is motivated by social and emotional considerations like trust, altruism, relational contracts and the pursuit of collectivistic goals (Corbetta & Salvato, 2004; Vallejo, 2009). It argues that agents are not merely opportunistic self-serving individuals, but instead are motivated to pursue collectivistic organizational goals which are consonant with the interests of the principals (Davis et al., 1997). Since the pursuit of these collectivistic goals also satisfies the agent's higher order needs, these choices are rational even when viewed from a purely utility maximizing perspective. These motivations and the attendant goal-congruence has been posited to curb the potential reductions in shareholder value created by agency conflicts. While stewardship behaviors are individual by nature, they nevertheless require the appropriate organizational and governance contexts set in place by the principals to take root and flourish (Corbetta & Salvato, 2004; Miller et al., 2013; Vallejo, 2009).

Viewed from a stewardship theory perspective, both family members as well as non-family employees may benefit when the family members in charge of businesses are motivated by the success of the organization rather than just seeking to enrich themselves at the expense of the business (Davis, Allen, & Hayes, 2010; Eddleston & Kellermanns, 2007). Organizations with a stewardship orientation do not have costs associated with agency conflicts and can therefore redirect resources that would otherwise have been spent on monitoring the agents towards maximizing shareholder value (Corbetta & Salvato, 2004). However, if the managers (i.e. agents) are focused exclusively on family-centred socio-emotional wealth generation, involving goals and outcomes that are divergent from the goals of other minority shareholders (because of pressure from the dominant family owners), there might be value-dissipating consequences for minority shareholders (Chrisman et al., 2007; Corbetta & Salvato, 2004; Miller et al., 2013). For the family principals, 'risk-averseness to socio-emotional endowment takes precedence over risk-averseness to financial losses' (Berrone, Cruz, & Gomez-Mejia, 2012; p. 260). When the family's involvement is dominant, firms are likely to forgo options involving greater risk and uncertainty that could however, enhance the firm's financial gains in the long term (Berrone et al., 2012). However, the losses resulting from the firm not pursuing such optimal financial outcomes is a cost borne primarily by non-family shareholders. However, for the family owners, these losses are offset by the preservation of the family's socio-emotional wealth. Thus, unlike pure stewardship behaviors, selfish (and self-serving) motives can be ascribed to the exclusive pursuit of the family's socio-emotional wealth. Under the circumstances described above, 'value-enhancing' stewardship behaviors by managers could be restricted, consequently harming the family-owned firm's performance (Davis et al., 2010; Eddleston & Kellermanns, 2007).

Agency conflicts and stewardship behaviors in family owned and family managed firms.

Family owned firms can be of two distinct sub-types, with differing consequences on the extent of PA and PP conflicts and their resultant impacts on shareholder value. In the first sub-type of family owned firms, the family also retains management control by having family members (or family affiliates) occupying important executive positions in the firm. In these family owned and family managed firms, in addition to ownership control, the dominant family owners also have executive decision-making control. In such firms, PA conflicts are likely reduced because the agent(s) are family members (or affiliates) whose goals and interests are aligned with the family's goals and socio-emotional wealth preservation motives (Berrone et al., 2010; Morck et al., 1988). This reduces conflict and information asymmetry between family owners and management, accompanied by reductions in managerial opportunism (Villalonga & Amit, 2006). All these factors have been posited to decrease PA conflicts. Incomplete contracts (Shleifer & Vishny, 1997) that create such conflicts are minimized because of trust in the family and kinship ties between family managers and the family owners (Berrone et al., 2012). Therefore,

H3a. PA conflict has an insignificant impact on shareholder value in family owned and family managed firms.

However, the combination of dominant ownership accompanied by management control by the family could be problematic in other ways. It could potentially create increased PP conflicts. Employing less competent family members in management can create resentment on the part of non-family managers and may demotivate them (Martin, Campbell, & Gomez-Mejia, 2016; Sciascia & Mazzola, 2008). Such nepotistic practices may be viewed by non-family owners as violating the tenets of promoting meritocracy in employment practices, which might negatively impact the creation of shareholder value. Further, employing a family member may not result in an increase in social capital for the firm since the family member's social capital (and network ties) may already overlap with the existing network ties of other family members (Sciascia & Mazzola, 2008). By virtue of their affiliation with the family, a family manager would be more motivated and therefore more likely (than a non-family manager) to pursue family centred noneconomic (FCNE) goals (Chrisman, Chua, Pearson, & Barnett, 2010). Achievement of such FCNE goals would be a benefit that accrues primarily to the family (and not to non-family) shareholders. This represents misappropriation of shareholder value arising from the private benefits of control, which consequently leads to increases in PP conflicts. Consequently, the employment of family managers can be a double-edged sword. It can sometimes constrain the firm's ability to add value for shareholders, a cost that is primarily borne by minority shareholders, thereby leading to the following hypothesis.

H3b. PP conflict has a negative impact on shareholder value in family owned and family managed firms.

Alternatively, when viewed from a contrasting stewardship theory perspective, the personal goals of the family managers (and those of the family) could be congruent with the firm's goals. Since these firm goals are likely to be the family's goals, family managers may seek self-actualization through achieving these family goals and through values such as personal sacrifice, social sensitivity, employee loyalty, and continuity (Davis et al., 2010). Pursuing such goals may also provide these employees with greater utility and satisfaction than achieving idiosyncratic individual goals (Chrisman et al., 2007). Moreover, the pursuance of FCNE goals in family owned firms might motivate family managers to focus on fulfilling higher order needs such as satisfying the needs for belongingness and intimacy, as well as deriving a sense of self and identity from the firm (Martin et al., 2016) and through the perpetuation of family values (Gomez-Mejia et al., 2007). These FCNE goals could positively impact shareholder returns, depending on how congruent the family's FCNE goals are with the larger goal of enhancing value for the shareholder.

We posit that the prevalence of stewardship motivations could also potentially curb the negative impacts of PP conflicts and enhance shareholder returns in these family owned and family managed firms (Corbetta & Salvato, 2004; Miller et al., 2013). Consequently, in contrast to H3b above, we also propose that:

H3c. PP conflict has a positive impact on shareholder value in family owned and family managed firms.

1.4. Agency conflicts and stewardship in family owned and non-family managed firms

There is a contrasting sub-type of family owned firms where the family might have a dominant ownership position but has only limited management control. In these family owned and non-family managed firms, the management of the firm is vested with professional non-family managers. While such moves might reduce the degree of influence and control that the family has over the firm, it could be expedient for a variety of reasons. First, the family may suffer from a shortage of

managerial talent among family members, or there may be no family member available and willing to manage the firm (Miller et al., 2008). Occasionally, the professionalization of the firm's image through recruiting outside talent may be a necessary precursor for attracting additional outside capital. Moreover, managerial expertise from outside the family may be needed in order to enable the firm to compete effectively in its industry sector. In such family-owned and non-family managed firms, the concentrated ownership stake of the family still enhances monitoring efficiencies over the agents. This curbs tendencies on the part of the agents to enrich themselves at the expense of the shareholders. Issues of managerial opportunism (Eisenhardt, 1989) and incomplete contracts (Shleifer & Vishny, 1997) are minimized through enhanced monitoring efficiencies, thus reducing PA conflicts and their effects on shareholder value destruction (Sciascia & Mazzola, 2008; Villalonga & Amit, 2006). Consequently,

H4a. PA conflict has an insignificant impact on shareholder value in family owned and non-family managed firms.

However, since the family does not have its affiliated family agents managing the firm in these family owned and non-family managed firms, it severely constrains their ability to exercise and benefit from the private benefits of control. Professional non-family managers introduce more transparency in the information and communication flows between the firm's management and the board (Patel & Cooper, 2014), thereby constraining the family owners' ability to appropriate the private benefits of control through exploiting the information asymmetries with and among board members (Filatotchev, Zhang, & Piesse, 2011). Instead, managerial decisions will likely be directed towards options that enhance the welfare of all shareholders, including minority ones. Thus, non-family managers recruited from the outside could act as truly unselfish stewards (Davis et al., 1997) and seek to maximize value for all of the firm's shareholders. We propose that the family's decision to cede management control to non-family managers by itself signals the family owners' desire to embrace collective shareholder value-maximizing behaviors.

However, the owning family can go beyond this and commit to an empowering and involvement-oriented relationship that provides both the agents and the principals with benefits (Corbetta & Salvato, 2004; Miller et al., 2013; Vallejo, 2009). When 'the model of man' adopted by the family owners is the self-actualizing man, 'steward-principal' behaviors will prevail in the family firm (Corbetta & Salvato, 2004; Miller et al., 2013). Consequently, employees/stewards (even when they are non-family members) will also gain utility from fulfilling the purposes and objectives of the organization. The family owners must design an organizational structure that is involvement-oriented and empowering. Given this philosophy on the part of the dominant owners, stewardship behaviors like trust, altruism, relational contracts and the pursuit of collectivistic goals by the agents (Corbetta & Salvato, 2004) are likely to be manifested. Prior research has found that the identification level of non-family employees positively influences both the profitability as well as the survival of family-owned businesses (Vallejo, 2009). Additionally, the involvement levels of these employees also influence the survival of the business (op. cit.). Stewardship relationships between the owning family and the non-family employee (managers) result when the non-family managers personally gain utility from fulfilling the purposes of the organization. A past and continuing family tradition of providing superior products/services that are sources of pride and satisfaction among the members of the firm contributes to creating a context where such stewardship behaviors flourish (Vallejo, 2009). In such contexts, PP conflicts are curbed, and stewardship behaviors are motivated, resulting in an overall net positive impact on shareholder value in these firms. Thus, we propose,

H4b. PP conflict has a positive impact on shareholder value in family owned and non-family managed firms.

Table 3 provides a consolidated overview of the proposed effects of both types of agency conflicts on firm performance among these different types of firms, based on the arguments in the literature (associated with the various hypotheses), especially when stewardship orientations are juxtaposed on traditional agency theory effects, which include both PA and PP conflicts.

2. Methods

2.1. Research setting

India was chosen as the setting for this study for a variety of reasons. India provides a sharp contrast to the United States where most of the prior research has been focused (Douma, George, & Kabir, 2006). Public firms in India are owned and/or managed by a diverse range of owners, including family, government and foreign multinationals (Ramaswamy, Li, & Veliyath, 2002). The range of variation in these ownership types and management control categories provided us a better setting to test our hypotheses.

2.2. Sample construction

The data for the study was collected from two publicly available databases, 'Prowess' and the 'Indian Boards Database'. These databases contained financial information, shareholding patterns, income statements, and other relevant information filed with regulatory agencies by a large number of Indian public companies. Additional information was individually collected (by hand) by browsing through the annual reports of the firms in our sample. We chose the time period from 2006 to 2015 for our study because the coverage of ownership data prior to 2006 was not complete (and complete data on all the variables in the study could not be obtained for the years after 2015).

We only selected firms listed on both the Bombay Stock Exchange and the National Stock Exchange. We excluded firms whose annual sales were below 60 million Indian Rupees, which is approximately 1 million USD (Berger & Ofek, 1995). This was done as small firms were more likely to have poor data thus giving misleading results. We were left with 2473 firms. From these 2473 firms, we excluded those that did not have sufficient data to measure the indicators associated with PA and PP conflicts, our primary variables of interest. This resulted in a residual 1251 firms. We then dropped the firms that did not have sufficient data on the control variables and the ownership categories examined in our study. Finally, we dropped firms that were not categorized as Indian firms in the Prowess database. This resulted in a final sample of 675 firms.

2.3. Operationalization of independent variables

Prior research on corporate governance has examined either PA or PP conflicts separately (La Porta et al., 1999; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000; Renders & Gaeremynck, 2012; Sauerwald & Peng, 2013). The few studies that have looked into both these conflicts in unison have primarily used ownership concentration as a measure for both sets of conflicts (Claessens & Fan, 2002; Villalonga & Amit, 2009). Higher ownership concentration while reducing the principal-agent conflict could potentially also increase principal-principal conflicts at the same time (Guthrie, Xiao, & Wang, 2008). By contrast, in our study we used separate measures to capture both these types of conflicts.

We used the following three variables that have been previously argued to influence (i.e. reduce) principal-agent conflicts: a) the *percentage of independent directors* on the board (Cordeiro et al., 2007; Mangel & Singh, 1993; Ramaswamy et al., 2000; Tuggle et al., 2010; Veliyath & Ramaswamy, 2000; Zahra & Pearce, 1989); b) a dummy variable (1, 0) measuring *CEO duality* (Boyd, 1995; Ramaswamy et al., 2000; Tuggle et al., 2010; Veliyath & Ramaswamy, 2000; Zahra & Pearce, 1989); and, c) a measure of ownership concentration – the

Table 3
The effects of PA, PP and Stewardship theoretical lenses on various firm categories based on ownership structure differences[a].

Category of Firm	Proposed effects of PA conflicts on firm performance	Proposed effects of PP conflicts on firm performance as viewed from an Agency Theory perspective	Proposed effects of PP conflicts on performance as viewed from a Stewardship Theory perspective
Widely distributed firms	-ve (H1a) (Boyd, 1995; Boyd & Solarino, 2016; Dalton et al., 1998; Thomsen et al., 2006)	ns (in this study)	na (in this study)
Family owned firms	ns (H2a) (Anderson & Reeb, 2003; Cordeiro et al., 2007; Gomez-Mejia et al., 2011; Tuggle et al., 2010)	-ve (H2b) (Chrisman et al., 2010; Gomez-Mejia et al., 2007; Kim & Gao, 2013; Mazzola et al., 2013; Miller et al., 2008).	na (in this study) (Davis et al., 2010; Eddleston & Kellermanns, 2007)
Family owned and family managed firms	ns (H3a) (Berrone et al., 2010; Morck et al., 1988; Villalonga & Amit, 2006);	-ve (H3b); +ve (H3c) (Martin et al., 2016; Miller & Le Breton-Miller, 2006; Villalonga & Amit, 2006)	+ve (H3c) (Chrisman et al., 2007; Corbetta & Salvato, 2004; Miller et al., 2013
Family owned and non-family managed firms	ns (H4a) (Sciascia & Mazzola, 2008; Villalonga & Amit, 2006)	+ve (H4b) (Filatotchev et al., 2011; Patel & Cooper, 2014)	+ve (H4b) (Corbetta & Salvato, 2004; Miller et al., 2013; Vallejo, 2009)

[a] 'ns' indicates not significant, 'na' indicates not applicable (or examined) in this study. The citations against each category of firms is illustrative of the literature in the area.

number of blockholders whose ownership stakes were > 10% (Barclay & Holderness, 1989; Hoskisson, Hitt, Johnson, & Grossman, 2002; Tuggle et al., 2010; Westphal & Zajac, 1998). Board independence (as measured by the proportion of independent directors) has previously been posited to reduce PA conflicts. Likewise, the presence of CEO duality heightens the possibility of PA conflicts.[5] Finally, the greater the number of blockholders, the more will be the monitoring efficiency practiced by these concentrated ownership blocks, thus reducing the potential for PA conflicts.

We use a modified version of the Renders and Gaeremynck (2012) measure to capture the principal-principal conflicts using the following four separate variables - a) *the percentage of voting shares of the firm's largest shareholder* (Cronqvist & Fahlenbrach, 2009; Villalonga & Amit, 2006); b) *the percentage of voting shares owned by the second largest shareholder* (Renders & Gaeremynck, 2012); c) *a dummy variable (1,0) indicating whether the company had dual class shares*[6] (Gompers et al., 2003; Grossman & Hart, 1998; Harris & Raviv, 1988); and, d) *a dummy variable (1, 0) indicating whether the voting rights of the largest shareholder exceeded their cash flow rights by > 10%* (Gompers et al., 2003; Grossman & Hart, 1998; Harris & Raviv, 1988).[7] If the largest shareholding block owned a dominant proportion of the firm's shares, they were better able to determine the firm's strategy, appoint board members and extract wealth at the expense of other minority shareholders (Faccio et al., 2001; Faccio & Lang, 2002; Gugler & Yurtoglu, 2003; Shleifer & Vishny, 1997). In contrast, the monitoring effect created by the presence of a second large shareholder may lower the risk of expropriation by the largest shareholder (Gugler & Yurtoglu, 2003), that may result in lowering the negative effects of PP conflicts on shareholder value. Alternatively, the second largest shareholder could collude with the largest shareholder to share the private benefits of control, thereby creating an additional negative effect on shareholder value (Faccio et al., 2001; Maury & Pajuste, 2005). Dual class shares represent a power differential between the different classes of shareholders (i.e. voting versus non-voting shareholders), providing the more powerful voting group the opportunity to extract the private benefits of control. Finally, the greater is the discrepancy between the voting and cash flow rights of the largest shareholder, the greater are the chances of PP conflicts arising between them and minority shareholders. Taking these six sets of variables, we conducted two separate principal components analyses using varimax rotations,[8] one for obtaining a measure for the principal-agent agency conflicts and the other for obtaining a measure of principal-principal agency conflicts.[9]

2.4. Categorization of firms

We divided firms into four categories based on the intersections of their ownership and management. First, firms were categorized as widely distributed firms if none of the ownership categories had > 10% of the shareholding in the firm (La Porta et al., 1999; Thomsen et al., 2006). Second, a firm was termed as a family owned (FO) firm if *any two* of the following three conditions were met (based on Singla et al., 2014): 1) the family had a minimum stake of 20%; 2) at least one member of the family was on the board (Anderson & Reeb, 2003; La Porta et al., 2000); 3) a member of the family was also the chairperson of the board. We then further segregated these FO firms based on their control of *management*. A family owned family managed (FOFM) firm was one where *any two* of the following three additional conditions were met (based on Singla et al., 2014): 1) a family member was the CEO of the firm; 2) at least one another member of the family was an executive director; 3) more than one member of the family were executive directors. In these FOFM firms, the family had both ownership as well as management control. If these additional sets of conditions were not met, the firm was labelled as a family owned and non-family managed (FONFM) firm, where the family only had ownership (but not management) control. Of the 675 sampled firms, 76 firms were widely distributed firms. Of the remaining 599 firms, 568 were FO firms.[10]

[5] We have reverse coded CEO duality to obtain high convergent validity.

[6] Dual class shares are not legally available in India (except under very rare circumstances). So as a proxy we took preference shares and ordinary voting shares. Preference shares consist of a company stock with fixed dividends that are paid to shareholders before common stock dividends are paid out. In the event of a company bankruptcy, preferred stock shareholders have a right to be paid first from company assets. However, unlike common shareholders, preference shareholders usually do not have voting rights. Therefore, they are the closest approximation to dual class shares in the Indian context.

[7] Renders and Gaeremynck (2012) also used an additional measure in their calculation of principal-principal conflicts – dividends per share over earning per share. The factor loading of this variable was negative while the factor loading of the other variables were positive, which undermined convergent validity. Further, dividend ratio was also correlated to PA conflict resulting in poor divergent validity. Thus to preserve both convergent and divergent validities, this dividends per share variable was dropped from our analysis.

[8] Details of the factor analyses are not reported due to space limitations. They are available with the authors upon request.

[9] We also tested the same relationships using the measures for PP conflicts proposed by Sutton et al. (2018). Those findings conformed to the pattern of results obtained with the above measures and are presented as robustness checks later in Table 6.

[10] 31 firms had concentrated ownership of > 20% that did not lie with the family.

Among these FO firms, 435 were FOFM firms and 209 were FONFM firms[11,12]

2.5. Operationalization of dependent variables

We used Tobin's q as our dependent variable and interpreted it as a measure of shareholder value (Morck et al., 1988; Villalonga & Amit, 2006). Tobin's q was measured as market value/total assets (e.g., Patel & Chrisman, 2014; Villalonga, 2004).

2.6. Operationalization of control variables

We use two types of control variables. First, we controlled for a number of firm level characteristics such as firm age, firm size, current ratio, leverage, R&D intensity and marketing intensity. Firm age (AGE) was the number of years since the incorporation of the firm and was likely to have a negative impact on firm performance as older firms are likely to have more inertia and are thus hesitant to change (Majumder, 1997; Ramaswamy, Purkayastha, & Petitt, 2017). Firm size (SIZE), measured as the logarithm of total sales of the firm was expected to have a positive effect on firm performance as larger firms will have more resources, which can be utilized to increase their competitive advantage (Mazumder, 1997). Current ratio (CR), measured as the ratio of current assets to current liabilities, and leverage (LEV), measured as debt over current assets, referred to the short-term and long-term financial conditions of the firm respectively (Kakani, 2000). Both these variables affect the availability of slack resources (and consequently firm performance), as well as the propensity for both types of agency conflicts to occur. R&D intensity (R&D), measured as R&D expenditure over sales, and marketing intensity (MARKETING) measured as marketing expenditures over sales, should have a positive impact on firm performance (Chittoor & Ray, 2007; Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2010). Second, we also controlled for ownership characteristics of the firm. Following Douma et al. (2006), we categorized the blockholder ownership categories in the firm as family ownership (FAMO, percentage of shares held by the founding family; Chu, 2011), domestic financial institutional ownership (DOMFI, the percentage of shares owned by domestic financial institutions; Kim, Kim, & Lee, 2008), domestic corporate ownership (DOMC, the percentage of shares owned by domestic corporate institutions), foreign corporate ownership (FORC, the percentage of shares owned by foreign corporate institutions; Aydin, Sayim, & Yalama, 2007), government ownership (GOVT., the percentage of shares owned by government bodies; Sun, Tong, & Tong, 2002), and foreign financial institutional ownership (FORI, the percentage of shares owned by foreign financial institutions; Purkayastha, Manolova, & Edelman, 2015). Since blockholder ownership has an impact on both principal-principal and principal-agent conflicts, controlling for blockholders allowed our models to holistically assess their aggregate impacts on firm performance.

3. Analyses

We used panel regressions to analyze the data spanning the ten years from 2006 to 2015.[13] We used simultaneous equations, as our main explanatory variables (PA and PP conflicts) and our dependent variable (Tobin's q) could affect each other circularly. For example, PA conflict might reduce a firm's shareholder's value; however, firms with lower shareholder's value may also be inclined to reduce PA conflicts in order to improve returns (Renders & Gaeremynck, 2012). In order to address this reverse causality, our regression models were formulated as follows:

3.1. Conflict equation

$$\begin{aligned}\text{Conflict}_{it} = {} & \alpha_1 + \xi_1\,(\text{Performance})_{it} + \delta_1\,(\text{Firm categorization})_{it} \\ & + \Omega_1\,(\text{Control variables})_{it} + \varphi_1\,(\text{Year Effects})_{it} \\ & + \mu_1\,(\text{Industry Effects})_{it} + \varepsilon_{it}, \end{aligned} \quad (1)$$

3.2. Performance equation

$$\begin{aligned}\text{Performance}_{it} = {} & \alpha_2 + \xi_2\,(\text{Conflict})_{it} + \delta_2\,(\text{Firm categorization})_{it} \\ & + \zeta_2\,(\text{Firm ownership})_{it} \\ & + \beta_2\,(\text{Conflict}^{*}\,\text{Firm Categorization})_{it} \\ & + \Omega_2\,(\text{Control variables})_{it} + \varphi_2\,(\text{Year Effects})_{it} \\ & + \mu_2\,(\text{Industry Effects})_{it} + \varepsilon_{it}. \end{aligned} \quad (2)$$

In the above equations, while conflict referred to PA or PP conflicts, firm categorization referred to whether the firm was categorized as widely distributed (WDF), family owned (FO), family owned and family managed (FOFM) or family owned and non-family managed (FONFM) firms. Firm ownership referred to the degree of shareholding of the major shareholder types, viz., family, government, domestic corporate, domestic financial, foreign corporate and foreign financial, which we controlled for in the analyses. The values of PA and PP conflicts were calculated using the principal component analysis discussed above.

4. Results

We use principal component analysis to construct a measure of the severity of the PA and PP conflicts. As some of the items used in the construction of PA and PP conflicts were dummy variables, we used polychoric correlations for the principal component analysis (Uebersax, 2000). The items used for the construction of PA conflict loaded significantly on one factor which measured the severity of the PA conflict. Similarly, the items used for the construction of PP conflict loaded significantly on a second factor which measured the severity of the PP conflict. The PA and PP conflict factors explained 78.19 and 63.13% of the variation respectively.[14]

Table 4 presents the means, standard deviations and correlations for the variables used in the study. As anticipated, PA and PP conflicts were negatively related to one another (though not significantly), thereby providing some support for our argument that the two types of conflict are interlinked and could sometimes be opposing in their effects on shareholder value.

Table 5 presents the results of the second stage (Eq. (2)) of our two-stage regression model discussed earlier. In the first stage we estimated the predicted values of the PA and PP conflicts for the four different categories of firms: widely distributed firms, family owned firms, family owned and family managed firms (FOFM), as well as family owned and non-family managed firms (FONFM).[15]

[11] The total of FOFM and FONFM firms was bigger than the overall FO firms. This was because some firms changed their governance structures over the ten-year time period of the study resulting in a shift from FOFM to FONFM and vice versa.

[12] Data on FOFM and FONFM were manually extracted from the annual reports of the firms, from leading business magazines such as *Business Today* and from corporate history reports in the CMIE database.

[13] For all panel data regressions, we ran the Hausman test to determine whether to use fixed effects or random effects models. As the Hausman statistic was insignificant in all the models, we used the random effects approach.

[14] The inter-item correlations for each of the constructs for PA and PP conflicts respectively are positively correlated to one another indicating high convergent validity. Divergent validity between the two constructs was also evident, since most of the correlations between the items (across the two constructs) were negative. The results are available from the authors.

[15] Due to space constraints, we do not present the first stage results. These can

Table 4
Means, standard deviation, and correlations.

PA is principal-agent conflicts while PP is principal-principal conflicts. WDF are widely distributed firms and FO are family owned firms; FOFM are family owned and family managed firms while FONFM are family owned and non-family managed firms. AGE is the number of years since the incorporation of the firm; SIZE is the logarithm of total sales. CR is current ratio and LEV is leverage. R&D is the Research and Development intensity while MARKETING is the Marketing intensity. FAMO is family ownership, GOVT. is government ownership, DOMC is domestic corporate ownership, DOMFI is domestic financial institutional ownership, FORC is foreign corporate ownership, and FORI is foreign financial institutional ownership.

	Mean	Std. Dev	1	2	3	4	5	6	7	8	9	10	11	12	13
1.TOBIN'S q	1.153	1.048	1												
2. PA	1.048	4.774	0.015	1											
3. PP	2.252	0.783	0.050*	−0.012	1										
4. WDF	0.047	0.211	0.024	0.029*	−0.414*	1									
5. FO	0.576	0.494	0.047*	−0.110*	−0.075*	−0.032*	1								
6. FOFM	0.409	0.491	0.012	−0.062*	−0.047*	−0.026	0.713*	1							
7.FONFM	0.167	0.373	0.042*	−0.063*	−0.036*	−0.008	0.384*	−0.372*	1						
8. AGE	36.613	21.832	−0.028*	−0.053*	0.023	−0.044*	0.101*	−0.046*	0.195*	1					
9. FIRM SIZE	8.365	1.665	0.200*	−0.034*	−0.049*	−0.039*	0.107*	0.054*	0.071*	0.089*	1				
10. CR	2.162	2.148	0.039*	0.027*	−0.012	−0.002	0.017	0.037*	−0.026	−0.083*	−0.291*	1			
11. LEV	0.279	0.189	−0.163*	0.022	−0.067*	0.025	−0.073*	−0.029*	−0.058*	−0.077*	0.106*	−0.174*	1		
12.R&D	0.003	0.010	0.160*	0.026*	−0.028*	0.016*	−0.008	0.026	−0.045*	0.001	0.103*	0.001	−0.107*	1	
13. MARKETING.	0.019	0.029	0.104*	−0.020	−0.005	0.003	−0.037*	−0.026	−0.014	0.025	−0.073*	0.005	−0.040*	0.140*	1
14. FAMO	19.210	19.814	−0.043*	−0.033*	0.165*	−0.106*	0.057*	0.200*	−0.188*	−0.159*	−0.272*	0.134*	−0.029*	−0.032*	−0.033*
15. GOVT.	0.458	4.157	0.008	0.023	0.037*	−0.022	−0.090*	−0.065	−0.032*	0.001	0.066*	−0.043*	−0.034*	−0.030*	0.006
16. DOMC	29.597	21.102	0.025	0.014	0.419*	−0.227*	−0.003	−0.103*	0.131*	0.157*	0.116*	−105*	0.009	−0.014	0.017
17. DOMFI	5.230	9.984	0.138*	−0.016	−0.166*	−0.046*	0.074*	−0.024	0.131*	0.203*	0.458*	−0.070*	−0.020	0.087*	0.027*
18. FORC	2.099	7.788	0.040*	0.019	−0.011	−0.036*	−0.092*	−0.104*	0.014	−0.012	0.089*	−0.036*	−0.024	−0.003	−0.017
19. FORI	5.943	9.067	0.362*	−0.049*	−0.132*	−0.043*	0.061*	0.053*	0.010	−0.057*	0.455*	−0.011	−0.059*	0.151*	0.014

	14	15	16	17	18	19
14. FAMO	1					
15. GOVT.	−0.088*	1				
16. DOMC	−652*	−0.065*	1			
17. DOMFI	−0.274*	0.144*	0.025	1		
18. FORC	−0.147*	−0.013	−0.082*	−0.002	1	
19. FORI	−0.157*	−0.010	−0.078*	0.287*	−0.0034	1

* Significant at 5%.

Table 5
Results for performance equation.

The dependent variable is Tobin's q. PA is principal-agent conflicts while PP is principal-principal conflicts. WDF are widely distributed firms and FO are family owned firms; FOFM are family owned and family managed firms while FONFM are family owned and non-family managed firms. AGE is the number of years since the incorporation of the firm; SIZE is the logarithm of total sales. CR is current ratio and LEV is leverage. R&D is the Research and Development intensity while MARKETING is the Marketing intensity. FAMO is family ownership, GOVT. is government ownership, DOMC is domestic corporate ownership, DOMFI is domestic financial institutional ownership, FORC is foreign corporate ownership, and FORI is foreign financial institutional ownership.

Variables	Model 1 (WDF)	Model 2 (WDF)	Model 3 (FO)	Model 4 (FO)	Model 5 (FOFM)	Model 6 (FOFM)	Model 7 (FONFM)	Model 8 (FONFM)
	(Tobin's q)		(Tobin's q)		(Tobin's q)		(Tobin's q)	
Hypothesis tested	H1a	H1b	H2a	H2b	H3a	H3b/H3c	H4a	H4b
Constant	−0.130	−0.120**	−0.110	−0.123**	−0.097	−0.118**	−0.010	−0.114**
	(0.204,)	(0.005)	(0.205)	(0.005)	(0.175)	(0.005)	(0.208)	(0.005)
PA	−0.073*		−0.088**		−0.052†		−0.073*	
	(0.032)		(0.032)		(0.029)		(0.032)	
PP		0.574**		0.630**		0.577**		0.563**
		(0.020)		(0.020)		(0.022)		(0.020)
WDF	0.284**	0.561*						
	(0.066)	(0.216)						
FO			0.556*	0.347**				
			(0.215)	(0.023)				
FOFM					0.351**	0.296**		
					(0.025)	(0.025)		
FONFM							0.104**	0.128**
							(0.036)	(0.034)
AGE	−0.000	−0.019**	−0.000	−0.021**	−0.000	−0.019**	−0.000	−0.019**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
SIZE	0.069**	0.010	0.097**	0.025†	0.080**	0.013	0.109**	0.009
	(0.015)	(0.015)	(0.015)	(0.015)	(0.013)	(0.015)	(0.015)	(0.015)
CR	0.021**	0.010†	0.024**	0.001	0.065	0.000	0.019**	0.001
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
LEV.	−0.323**	−0.493**	−0.330**	−1.184**	−0.322**	−0.943**	−0.326**	−0.849**
	(0.084)	(0.085)	(0.084)	(0.091)	(0.076)	(0.091)	(0.085)	(0.090)
R&D	1.432	4.329*	0.725	4.726**	0.103	4.562**	0.619	4.235*
	(1.782)	(1.716)	(1.786)	(1.691)	(1.599)	(1.719)	(1.804)	(1.721)
MARKETING	0.270	0.094	0.248	0.120	0.133	0.091	0.384	0.105
	(0.536)	(0.512)	(0.538)	(0.504)	(0.484)	(0.512)	(0.542)	(0.513)
FAMO	0.010**	0.007**	0.007**	0.004**	0.006**	0.005**	0.007**	0.005**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
GOVT.	−0.000	0.002	−0.003	0.002	−0.002	0.000	−0.002	0.001
	(0.007)	(0.008)	(0.007)	(0.008)	(0.006)	(0.008)	(0.007)	(0.008)
DOMC	0.009**	0.007**	0.006**	0.004**	0.006**	0.004**	0.006**	0.004**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
DOMFI	0.017**	0.026**	0.015**	0.025**	0.012**	0.025**	0.015**	0.025**
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
FORC	0.014**	0.012**	0.012**	0.010**	0.012**	0.010**	0.012**	0.010**
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
FORI	0.027**	0.024**	0.025**	0.023**	0.020**	0.023**	0.025**	0.023**
	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)	(0.002)	(0.002)	(0.002)
PA × WDF	−0.497**							
	(0.044)							
PP × WDF		0.217						
		(0.294)						
PA × FO			0.056					
			(0.361)					
PP × FO				−0.010*				
				(0.005)				
PA × FOFM					0.033			
					(0.264)			
PP × FOFM						−0.019		
						(0.019)		
PA × FONFM							0.016	
							(0.170)	
PP × FONFM								0.064**
								(0.023)
Year Effects	Included	Included	Included	Included	Included	Included	Included	Included
Industry Effects	Included	Included	Included	Included	Included	Included	Included	Included
R-square	0.326	0.328	0.317	0.318	0.505	0.315	0.298	0.317
Wald chi-square	1389.73**	2199.98**	1372.03**	2440.19**	2837.97**	2191.03**	1256.39**	2172.79**
Hausman statistic	11.34	4.12	17.09	17.30	12.01	6.89	23.81	20.98
No. of obs	5373	5373	5373	5373	5373	5373	5373	5373

Numbers in parentheses represent (std. errors).
† $p < 0.10$.
* $p < 0.05$.
** $p < 0.01$.

In each of the regressions in Table 5, we first entered the independent variables (i.e. the predicted values of PA and PP conflicts), the ownership categories of the firms (i.e. each of the four described categories), control variables and the interaction terms of conflict and the ownership categories. The significance of these interaction terms would reveal the effects proposed in our hypotheses. In terms of direct effects, we found that PA conflicts negatively affected Tobin's q, while PP conflicts positively impacted Tobin's q, across all models. Although our PA conflict results were in accordance with past studies (Miller & Le-Breton Miller, 2006), our PP results were somewhat counterintuitive based on the previous literature (Renders & Gaeremynck, 2012; Sauerwald & Peng, 2013).[16] We interpret this uncharacteristic pattern of results in terms of stewardship theory. As per stewardship theory arguments, we had proposed that concentrated ownership (primarily the family in the case of Indian companies) along with principal-steward philosophies enabled stewardship behaviors among managers as long as the family's FCNE goals were congruent with maximizing the shareholders' value (Miller et al., 2008).

Models 1 and 2 of Table 5 pertain to tests of Hypothesis 1 for widely distributed firms. The co-efficient of the interaction term in Model 1 was negative ($\beta = -0.497$, $p < 0.01$) which indicated that the severity of the PA conflict was greater in widely distributed firms. However, the co-efficient of the interaction term in Model 2 was not significant implying that PP conflicts had no effect on shareholder value in widely distributed firms. Together Models 1 & 2 provided support for Hypothesis 1. From Model 3 we found that the coefficient of the interaction term between PA conflict and family owned firms was not significant. Additionally, Model 4 showed that the coefficient of the interaction term between PP conflicts and family owned firms was negative ($\beta = -0.01$, $p < 0.05$). This result supported hypotheses 2 (i.e. H2a and H2b). In these family owned firms, the negative effect of PA conflict on shareholder value (observed earlier among widely distributed firms) was nullified because of increased monitoring efficiencies accruing from dominant family ownership. Therefore, family owned firms offer a solution to the PA conflicts identified earlier among widely distributed firms. However as expected, they appeared to exhibit downside effects on shareholder value due to PP conflicts arising from the family's power arising from concentrated ownership. This result confirmed suggestions in the literature that concentrated (family) ownership might generate PP conflicts that result in lowering of shareholder value (Villalonga & Amit, 2006). In additional confirmatory analyses (not reported in detail here), we also established that that the relationship of PP conflicts with firm performance among FO firms was curvilinear in nature (i.e. first negative with direct effects and then turning positive when the effects of the squared term were introduced). Therefore, as the extent of PP conflicts increased, the observed negative impact of PP conflicts on performance increasingly turned positive (in accordance with stewardship theory prognostications).

In order to unravel these confounding findings, we further segregated family owned firms into the two sub-categories described earlier, namely those family owned firms that were family managed and others who were non-family managed. Models 5 and 6 provided the results for family owned and family managed (FOFM) firms. Model 5 showed that the coefficient of the interaction term between PA conflicts and FOFM firms was not significant. Once again, this result provided support for Hypothesis 3a. Additionally, Model 6 also showed that the co-efficient for the interaction term between PP conflicts and FOFM firms was not significant. This reflected a lack of support for both hypotheses 3b and 3c. As anticipated, FOFM firms contained PA conflicts (and concomitant costs) because of greater monitoring efficiencies provided by the dominant family shareholders combined with family agents who pursued family-centred goals. All these factors combined to eliminate the potential downside effects of opportunistic agent behaviors. However, this governance configuration did not result in a decrease (or increase) in the effects of PP conflicts on shareholder value, as conjectured. The dominant family owners do not appear to have exercised their dominant ownership position along with concomitant management control to expropriate returns. Once again, additional confirmatory analyses (not reported in detail here), established that that the relationship of PP conflicts with firm performance among these FOFM firms was also curvilinear in nature (i.e. first negative for the direct term and then turning positive with the addition of the squared term). It appears that an overwhelming focus on family-centred, non-economic goals (FCNE) on the part of the family agents in these firms might have initially detracted from the pursuit of overall shareholders' welfare. However, these negative effects appeared to disappear as more of managerial stewardship behaviors began to be manifested. However, the full positive impacts of stewardship behaviors were not yet discernible in these FOFM firms, probably because of an exclusive focus (by the family agents) on family-centred non-economic goals, rather than on the firm's financial goals.

Lastly, in Models 7 and 8 we tested for these same effects in our fourth category of family owned and non-family managed (FONFM) firms. Among these firms, we found the benefits of stewardship behaviors becoming more apparent. As previously observed, we found that the co-efficient of the interaction term between PA conflicts and FONFM firms was not significant (Model 7), thus substantiating the effects of superior monitoring exercised by the family owners. However, most notably, the interaction between PP conflicts and FONFM firms was positive (Model 8, $\beta = 0.064$, $p < 0.01$), indicating that given the right philosophy (i.e. self-actualizing models of man) and principal-steward approaches on the part of the owners, truly unselfish stewardship behaviors would be motivated on the part of the agents (even if they were not family members) resulting in positive effects on shareholder value. These results fully supported our hypotheses H4a and H4b. We conducted additional tests (with quadratic terms) and confirmed that this was a linear (and not curvilinear) relationship (as was the case in the previous instances). It is in these FONFM firms that the family owners forsook the private benefits of control and spread the benefits accruing from their superior oversight and governance (resulting from their concentrated ownership) equitably among all shareholders. Through a combination of good governance and managerial stewardship, positive wealth generation occurred. This wealth-creation was beneficial for and equitably distributed among all the firm's shareholders. In summary, our overall pattern of results indicated that the governance structure that minimized the negative effects, simultaneously maximized the potential financial benefits for all shareholder groups, while controlling for the presence of PA and PP conflicts, was the family owned and non-family managed governance form.

4.1. Robustness Checks and results with modified measures of PP Conflict (i.e. Shareholder Inequity) using Sutton et al. (2018)

We performed a robustness test to check the validity of our results, using alternative PP conflict (i.e. Shareholder Inequity) measures employed by Sutton et al. (2018). They had used multiple domains of potential PP agency conflicts identified from the literature, which they categorized as blockholder power, differential control, and absence of board neutrality. They argued that although past literature may have treated each of these domains separately, their shareholder inequity measure considered all the three domains together, which enabled the capture of the 'magnitude of potential for PP conflicts across all the three domains of the governance spectrum wherein PP conflicts might occur' (Sutton et al., 2018; p 3).

(*footnote continued*)
be obtained from the authors.

[16] We conducted some additional analyses (described later) where the effects of PP conflicts on shareholder returns were shown to be curvilinear and more in line with expectations.

The *blockholder power* domain was measured with the help of two variables, viz., *the percentage owned by the largest shareholder* and *whether the percentage of shares held by the second largest shareholder was > 10%*. The domain of *differential control* was measured with the existence of dual class shares and the percentage of shares held by top managers and directors. Finally, the *absence of board neutrality* was measured with the percentage of affiliated directors and CEO duality[17] (refer to Table 2 of Sutton et al., 2018) for more details of measurement of the PP conflicts).[18] Data for the measurement of this measure of PP conflict was collected from the Prowess database and the Indian Boards databases. Data from these databases was supplemented with data drawn from firms' annual reports. We were able to collect data on the *absence of board neutrality* only for 499 firms, which resulted in the decrease in the total number of observations to 2666.[19]

Using these newly formulated measures, we re-ran the principal component analyses and the regression analyses (reported earlier). We present these results in Table 6.

Our results and conclusions did not change substantially with the use of these new measures for conflicts. Similar to our earlier results for the main effects, we found that PA conflicts were negatively related, while PP conflicts were positively related to Tobin's q. With respect to the interaction terms, Table 6 shows that the co-efficient of the interaction term between PA conflicts and widely distributed firms was negative (Model 1, $\beta = -0.561$, $p < 0.05$) while that between PP conflicts and widely distributed firms was not significant (Model 2). These results supported our hypotheses 1a and 1b (and are in line with our earlier findings). Model 3 shows that the co-efficient of interaction between PA conflict and family owned firms was insignificant while model 4 indicates that the co-efficient of the interaction term between PP conflict and FO firms was negative ($\beta = -0.217$, $p < 0.1$). Once again, this result provides support for Hypotheses 2a and 2b.

For family owned and family managed (FOFM) firms, the co-efficient of the interaction term with PA conflict was not significant (model 5) while that with PP conflict was negative and significant (model 6, $\beta = -0.220$, $p < 0.01$). These results supported H3a and H3b. The evinced support for H3b was an improvement on our earlier results and in line with our theoretical predictions. By extension, H3c did not received support (as was the case before). Finally, among family owned and non-family managed (FONFM) firms, the co-efficient of the interaction terms with PA conflict was not significant (model 7) while the interaction with PP conflict was positive and significant (model 8, $\beta = 0.371$, $p < 0.01$). Once again, these results provide support for both of our hypotheses H4a and H4b, and are consistent with our earlier findings reported in Table 5. Overall, our robustness tests using the alternate measures employed by Sutton et al. (2018) once again provided confirmation and validation of our study's main findings.

5. Discussion

The purpose of our study was to investigate the governance structure in terms of ownership and management control that would mitigate the dissipative effects of both PA and PP conflicts. Our study examining the mitigation of the negative effects of both PA and PP conflicts is particularly pertinent to emerging market contexts like India. This is because in such contexts institutional voids caused by the absence of transparency and lax or erratic enforcement of statutory protections can hinder the functioning of efficient markets (Doh, Rodrigues, Saka-Helmhout, & Makhija, 2017; Khanna & Palepu, 2000; Kim & Song, 2017; Mair, Martí, & Ventresca, 2012). These institutional contexts create information asymmetries. Such conditions when compounded by weaker corporate governance mechanisms can aggravate the exploitation of the private benefits of control and impede the creation of shareholder value (Villalonga & Amit, 2006). Unless there are robust internal governance mechanisms, the appropriation of minority shareholder's wealth will continue unabated since the external institutional environment and regulatory regimes are unable to strictly enforce laws to curb such practices. This is particularly salient because the ownership of emerging market country firms is characterized by the existence of dominant ownership blocks like the family and the state (Su, Xu, & Phan, 2008; Yoshikawa & Rasheed, 2010; Young et al., 2008). Consequently, the ability of these two governance mechanisms of ownership and management control to protect minority shareholders' rights is as important (or is an even greater imperative) than shielding principals from predatory actions of self-dealing agents, which has been the focus of investigations in developed country markets.

Our paper proposed that the combination of these two internal governance mechanisms (of ownership and management control) can help serve as substitutes to offset the effects of these external institutional gaps. Moreover, the appointment of non-family managers in family owned firms might also send a signal that the firm is professionally managed (Stewart & Hitt, 2012). Such signalling is especially important in weak institutional contexts where information asymmetries are rampant, thus calming the anxieties of potential investors when family firms need to raise additional capital or when they are seeking potential tie-ups with alliance partners. Our findings further reinforce the need to consider that in less developed institutional contexts, family firms have a greater ability to substitute non-economic, value-enhancing, internal governance mechanisms, both of a formal as well as of an informal nature (Peng & Jiang, 2010; Peng, Sun, Vlas, Alessandro, & Corbetta, 2017).

Second, our paper contributes to the stewardship literature by juxtaposing stewardship theory with the more traditional agency theory prognostications. The premises of the former theory might be more relevant to India's country context than the 'under-socialized' agency theory interpretations that have traditionally been adopted (Granovetter, 1985). Through extending Villalonga and Amit's (2006) study by categorizing family owned firms into sub-categories based on ownership and management control, we found that family owned firms which are managed by non-family managers did not exhibit the negative impacts of either PA or PP conflicts. This structure where the positive influence of family ownerships was reinforced by the activities and decisions of non-family managers represented the governance configuration that permitted unselfish, stewardship type, collectivistic, self-actualizing behaviors by the agents to create wealth for all of the firm's shareholders (Corbetta & Salvato, 2004; Davis et al., 2010; Miller et al., 2013). However, this would also require the family owners to exhibit principal-steward behaviors (Vallejo, 2009) such as trust-building, developing social ties and interactions with management on the basis of norms of inclusiveness and reciprocity. This would help the non-family managers to pursue collectivistic, organizationally-beneficial (instead of self-serving) outcomes. By contrast, in the other category of family owned firms where the management of the firm was also in the hands of family members, the governance context could create PP conflicts, since in all likelihood the goals of the firm's shareholders may have been subordinated to the goals of the family. Under this scenario where both the ownership and management of the firm was in the hands of the family, truly unselfish, stewardship behaviors by family managers did not appear to be fully manifested.

[17] Sutton et al. (2018) used a modified version of CEO duality. Rather than measuring CEO duality as a dummy variable to indicate whether the CEO was also the Chairman of the board, they modified CEO duality by including an ownership component. In our study, we also measured modified CEO duality as an ordinal variable coded as '1' if the CEO was on the board of directors and also a blockholder; coded as '2' if the CEO was also the Chair of the board and a blockholder, and coded '0' otherwise.

[18] Data for affiliated directors was unavailable in these two databases and was hand-coded using multiple sources such as annual reports, articles from business magazines and personal interactions with the companies concerned.

[19] Since the data for calculating the absence of board neutrality was not available for all the 499 firms in every year of our sample, we were left with an unbalanced panel.

Table 6
Results of robustness tests with Sutton et al.'s (2018) modified PP conflict (i.e., Shareholder Inequity) measures: performance equations.

The dependent variable is Tobin's q. PA is principal-agent conflicts while PP is principal-principal conflicts. WDF are widely distributed firms and FO are family owned firms; FOFM are family owned and family managed firms while FONFM are family owned and non-family managed firms. AGE is the number of years since the incorporation of the firm; SIZE is the logarithm of total sales. CR is current ratio and LEV is leverage. R&D is the Research and Development intensity while MARKETING is the Marketing intensity. FAMO is family ownership, GOVT. is government ownership, DOMC is domestic corporate ownership, DOMFI is domestic financial institutional ownership, FORC is foreign corporate ownership, and FORI is foreign financial institutional ownership. The alternate construction of the key explanatory variables (PA and PP) is defined using the cutoff specified in the *Robustness Results* section of the paper.

Variables	Model 1 (WDF)	Model 2 (WDF)	Model 3 (FO)	Model 4 (FO)	Model 5 (FOFM)	Model 6 (FOFM)	Model 7 (FONFM)	Model 8 (FONFM)
	(Tobin's q)		(Tobin's q)		(Tobin's q)		(Tobin's q)	
Hypothesis tested	H1a	H1b	H2a	H2b	H3a	H3b/H3c	H4a	H4b
Constant	−0.443	−0.103	−0.227**	0.730	−0.620**	−0.498	−0.723	−0.183
	(0.204)	(0.160)	(0.032)	(1.590)	(0.214)	(1.488)	(1.520)	(1.391)
PA	−0.310**		−0.160**		−0.444**		−0.253*	
	(0.089)		(0.021)		(0.107)		(0.122)	
PP		0.167**		0.406**		0.220**		0.209†
		(0.042)		(0.070)		(0.015)		(0.121)
WDF	0.274*	0.479†						
	(0.130)	(0.281)						
FO			0.438**	0.152**				
			(0.046)	(0.031)				
FOFM					0.115**	0.107		
					(0.037)	(0.214)		
FONFM							0.207**	0.220**
							(0.019)	(0.025)
AGE	−1.619	−0.885	−3.132**	−1.028	−1.598	−0.506	−0.282	−0.230
	(1.095)	(1.101)	(1.124)	(1.093)	(1.089)	(1.020)	(1.032)	(0.946)
SIZE	0.196†	0.315**	0.852	0.335**	0.180	0.237*	0.267*	0.219*
	(0.111)	(0.111)	(1.103)	(0.110)	(0.111)	(0.106)	(0.108)	(0.100)
CR	0.225	1.269	3.067**	0.956	3.785	0.418**	0.203**	0.321
	(0.528)	(5.374)	(0.638)	(5.351)	(5.730)	(0.060)	(0.056)	(0.498)
LEV.	−0.490**	−0.485**	−0.566**	−0.465**	−0.508**	−0.402**	−0.367**	−0.434**
	(0.066)	(0.066)	(0.065)	(0.066)	(0.066)	(0.064)	(0.066)	(0.060)
R&D	0.151	0.707	0.146	0.914	0.150	0.947	1.044	1.260
	(0.107)	(1.077)	(0.106)	(1.073)	(0.107)	(1.032)	(1.050)	(0.977)
MARKETING	1.380**	1.421**	1.447**	1.362**	1.389**	1.538**	1.548**	1.488**
	(0.361)	(0.360)	(0.353)	(0.359)	(0.360)	(0.034)	(0.354)	(0.330)
FAMO	0.356	−0.326	0.887	−0.474	0.531	−0.294	0.215	−0.499
	(1.153)	(1.153)	(1.088)	(1.094)	(1.098)	(1.067)	(1.065)	(1.010)
GOVT.	1.087	1.602	0.701	3.293	1.019	2.025	1.082	0.913
	(5.092)	(5.113)	(5.199)	(5.086)	(5.059)	(4.754)	(4.818)	(4.420)
DOMC	0.706	0.405	0.775	0.345	0.854	1.182	0.974	0.347
	(0.989)	(0.989)	(0.913)	(0.922)	(0.926)	(0.890)	(0.903)	(0.841)
DOMFI	0.508	1.423	1.754	1.647	0.721	0.542	1.317	0.291
	(1.668)	(1.666)	(1.621)	(1.648)	(1.627)	(1.605)	(1.630)	(1.530)
FORC	4.007*	4.318*	3.292†	4.782**	3.719*	3.771*	4.463*	4.181*
	(1.784)	(1.784)	(1.763)	(1.775)	(1.779)	(1.709)	(1.732)	(1.615)
FORI	2.804*	3.053*	2.516*	3.165*	2.840*	2.324†	2.778*	1.964†
	(1.262)	(1.259)	(1.227)	(1.245)	(1.250)	(1.207)	(1.227)	(1.148)
PA × WDF	−0.561*							
	(0.246)							
PP × WDF		0.158						
		(0.380)						
PA × FO			−0.282					
			(0.223)					
PP × FO				−0.217†				
				(0.130)				
PA × FOFM					−0.254			
					(0.216)			
PP × FOFM						−0.220**		
						(0.015)		
PA × FONFM							0.443	
							(0.293)	
PP × FONFM								0.371**
								(0.016)
Year Effects	Included	Included	Included	Included	Included	Included	Included	Included
Industry Effects	Included	Included	Included	Included	Included	Included	Included	Included
R-square	0.122	0.121	0.178	0.127	0.131	0.176	0.158	0.276
Wald chi-square	151.81**	155.92**	267.68**	181.40**	162.09**	370.64**	264.88**	685.37**
Hausman statistic	11.41	7.99	8.25	17.97	7.89	17.07	4.10	6.29
No. of obs	2666	2666	2666	2666	2666	2666	2666	2666

Numbers in parentheses represent (std. errors).
† $p < 0.10$.
* $p < 0.05$.
** $p < 0.01$.

Rather, the results (and evinced behaviors) could be explained based on the pursuit of family centred non-economic goals that were not consonant with shareholder wealth maximization objectives. Our paper thus also contributes by reconciling the different assumptions regarding human motivation between stewardship and agency theory prognostications and laying out the governance structures where effects of each of these two theories could become more dominant.

Thirdly, this study represents possibly the first systematic effort to use a longitudinal panel data approach to examining both PA and PP conflicts simultaneously in a novel emerging market context. Coupled with an approach that quantified both types of agency conflicts, and the use of a more fine-grained method to assess their impact on shareholders' value, this study makes important empirical contributions that go a long way towards addressing the lack of rigor. Carney, Gedajlovic, Heugens, Essen, and Oosterhout (2011) had earlier identified this as a key factor that had constrained the emergence of fine-grained insights regarding such phenomena in emerging market contexts.

5.1. Limitations and directions for future research

This article explored the complex governance mechanisms that firms can use to minimize the negative impacts of PA and PP conflicts in emerging market contexts. It has a few limitations which also provide a number of promising future research directions. First, our understanding of the family as a homogeneous block of individuals with concentrated ownership and control is very simplistic (Peng et al., 2017). We have ignored heterogeneity within families, where family firms may have multiple owners resulting in different types of agency conflicts (Zellweger & Kammerlander, 2015). Future researchers could disaggregate family ownership into finer grained components and study the agency conflicts among these factions. Second, we have not considered the fact that PP conflicts can also manifest with other types of blockholders with divergent interests' (vis-a-vis those of the firm's other minority shareholders). For instance, there are anecdotal accounts of how the government/sovereign could use their shareholding in majority government-controlled firms in order to serve the interests of the general public by subsidizing the firm's services, which may not necessarily be aligned with the economic interests of other minority shareholders. This is definitely an interesting area for further work.[20,21] Third, in our discussion of stewardship behaviors among firm managers, we ignored the personality differences that are likely to exist among managers. Based on these individual personality differences, some firm managers may be more inclined to exhibit more stewardship behaviors than others. These differences across individual managers will also have differential impacts on the firm's ability to navigate both types of agency conflicts examined in this paper. This too could be an interesting area for further research. We also did not control for family generation, as this was not a focus of our study. Future research could examine the impacts of this explanatory variable on agency conflicts in greater detail. Finally, the stewardship literature has concentrated exclusively on the actions of managers (agents) acting as stewards (Davis et al., 1997). Little work has examined the potential for stewardship behaviors among the owners (i.e. principals), (see Corbetta & Salvato, 2004; Miller et al., 2013; Vallejo, 2009). This focus is particularly relevant in the case of family firms (or state-owned firms) which are the two dominant modes of ownership significant in emerging markets. Without the dominant ownership block acting as principal-stewards and engendering stewardship behaviors, it would be unreasonable to expect managers (i.e. agents) to take on risk by acting as stewards. However, such changes would require fundamental reassessments in conceptualising the dominant owners, including recalibrating the assumptions regarding the 'models of man' that prevail in the organization (Corbetta & Salvato, 2004). It would therefore be interesting for future research to examine the range of stewardship behaviors of dominant ownership blocks like the family, and how the assumptions and actions adopted by these owner types affects stewardship behaviors among employees, thereby leading to the minimization of agency conflicts.

[20] See for instance, the allegations of the Children's Investment Fund against Coal India Limited, a government of India undertaking: https://www.business-standard.com/article/economy-policy/tci-starts-legal-action-against-indian-govt-under-uk-cyprus-treaties-112032900095_1.html and https://www.firstpost.com/fwire/tci-alleges-coal-india-directors-of-compromising-minority-shareholders-interest-242421.html(accessed on 22nd July 2018).

[21] We thank the handling editor and an anonymous reviewer for alerting us to this.

6. Conclusion

Our paper found that widely dispersed firms manifested higher PA conflicts but no PP conflicts. Conversely, family owned firms (i.e. where the dominant ownership rested with the family) were characterized by no PA conflicts but increased PP conflicts. Further categorizing such family owned firms into family managed and non-family managed firms, we found that the former category of family owned and managed firms did not manifest the negative effects of PA conflicts on shareholder value. The findings regarding the potential negative effects of PP conflicts on shareholder value among such firms was however equivocal. Therefore, the favorable effects of stewardship type behaviors were not completely apparent in these firms. This was probably because of the concentration of ownership and managerial power in the hands of a single group (i.e. family) in these family owned family managed firms. An exclusive pursuit of family centred non-economic (FCNE) goals that primarily benefited the family and not the other minority shareholders might have detracted from the pursuit of shareholder value in these firms. Finally, the last category of family owned and non-family managed firms exhibited no downside effects (on shareholder value) from either PA or PP conflicts. On the contrary, there was a positive effect on shareholder value resulting from managerial stewardship behaviors that nullified the potential negative effects of PP conflicts. This governance structure where the family's ownership influence was balanced with the unselfish, self-actualizing decisions of non-family managers represented the governance configuration that permitted stewardship type, collectivistic, behaviors by the agents to flourish.

References

Aguilera, R. V., Filatotchev, I., Gospel, H., & Jackson, G. (2008). An organizational approach to comparative corporate governance: Costs, contingencies, and complementarities. *Organization Science, 19*(3), 475–492.

Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: Evidence from the S&P 500. *Journal of Finance, 58*(3), 1301–1328.

Arthurs, J. D., Busenitz, L. W., Hoskisson, R. E., & Johnson, R. A. (2009). Firm-specific human capital and governance in IPO firms: Addressing agency and resource dependence concerns. *Entrepreneurship Theory and Practice, 33*(4), 845–865.

Aydin, N., Sayim, M., & Yalama, A. (2007). Foreign ownership and firm performance: Evidence from Turkey. *International Research Journal of Finance and Economics, 11*(September), 103–111.

Barclay, M. J., & Holderness, C. G. (1989). Private benefits from control of public corporations. *Journal of Financial Economics, 25*(2), 371–395.

Berger, P. G., & Ofek, E. (1995). Diversification's effect on firm value. *Journal of Financial Economics, 37*(1), 39–65.

Berrone, P., Cruz, C., & Gomez-Mejia, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Review, 25*(3), 258–279.

Berrone, P., Cruz, C., Gomez-Mejia, L. R., & Larraza-Kintana, M. (2010). Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less? *Administrative Science Quarterly, 50*, 82–113.

Bertrand, M., Mehta, P., & Mullainathan, S. (2002). Ferreting out tunneling: An application to Indian business groups. *Quarterly Journal of Economics, 117*(1), 121–148.

Booth, J. R., & Deli, D. N. (1996). Factors affecting the number of outside directorships held by CEOs. *Journal of Financial Economics, 40*(1), 81–104.

Boyd, B. K. (1995). CEO duality and firm performance: A contingency model. *Strategic Management Journal, 16*(4), 301–312.

Boyd, B. K., & Solarino, A. M. (2016). Ownership of corporations: A review, synthesis and

research agenda. *Journal of Management, 42*(5), 1283–1314.
Carney, M., Gedajlovic, E. R., Heugens, P. P. M. A. R., Essen, M. V., & Oosterhout, J. V. (2011). Business group affiliation, performance, context and strategy: A meta-analysis. *Academy of Management Journal, 54*(3), 437–460.
Chittoor, R., & Ray, S. (2007). Internationalization paths of Indian pharmaceutical firms—A strategic group analysis. *Journal of International Management, 13*(3), 338–355.
Chrisman, J. J., Chua, J. H., Kellermanns, F. W., & Chang, E. P. C. (2007). Are family managers agents or stewards? An exploratory study in privately held family firms. *Journal of Business Research, 60*, 1030–1038.
Chrisman, J. J., Chua, J. H., Pearson, A. W., & Barnett, T. (2010). Family involvement, family influence, and family-centered non-economic goals in small firms. *Entrepreneurship: Theory and Practice, 36*(2), 267–293.
Chu, W. (2011). Family ownership and firm performance: Influence of family management, family control, and firm size. *Asia Pacific Journal of Management, 28*(4), 833–851.
Claessens, S., Djankov, S., & Lang, L. H. P. (2000). The separation of ownership and control in East Asian Corporations. *Journal of Financial Economics, 58*(1–2), 81–112.
Claessens, S., & Fan, J. P. H. (2002). Corporate governance in Asia: A survey. *International Review of Financial Analysis, 3*(2), 71–103.
Corbetta, G., & Salvato, C. (2004). Self-serving or self-actualizing? Models of man and agency costs in different types of family firms: A commentary on comparing the agency costs of family and non-family firms: Conceptual issues and exploratory evidence. *Entrepreneurship Theory and Practice, 28*(4), 355–362.
Cordeiro, J. J., Veliyath, R., & Romal, J. B. (2007). Moderators of the relationship between director stock-based compensation and firm performance. *Corporate Governance: An International Review, 15*(6), 1384–1393.
Cronqvist, H., & Fahlenbrach, R. (2009). Large shareholders and corporate policies. *Review of Financial Studies, 22*(10), 3941–3976.
Daily, C. M., Dalton, D. R., & Canella, A. A. (2003). Corporate governance: Decades of dialogue and data. *Academy of Management Review, 28*(3), 371–382.
Dalton, D. R., Daily, C. M., Ellstrand, A. E., & Johnson, J. L. (1998). Meta-analytic reviews of board composition, leadership structure, and financial performance. *Strategic Management Journal, 19*(3), 269–290.
Dalton, D. R., Hitt, M. A., Certo, S. T., & Dalton, C. M. (2007). The fundamental agency problem and its mitigation: Independence, equity, and the market for corporate control. *The Academy of Management Annals, 1*(1), 1–64.
Daspit, J. J., Chrisman, J. J., Sharma, P., Pearson, A. W., & Mahto, R. V. (2018). Governance as a source of family firm heterogeneity. *Journal of Business Research, 84*(March), 293–300.
Davis, J. H., Allen, M. R., & Hayes, H. D. (2010). Is blood thicker than water? A study of stewardship perceptions in family business. *Entrepreneurship Theory and Practice, 34*(6), 1093–1196.
Davis, J. H., Schoorman, D. L., & Donaldson, L. (1997). Towards a stewardship theory of management. *Academy of Management Review, 22*(1), 20–47.
Doh, J., Rodrigues, S., Saka-Helmhout, A., & Makhija, M. (2017). International business responses to institutional voids. *Journal of International Business Studies, 48*(3), 293–307.
Donaldson, L., & Davis, J. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management, 16*(1), 49–64.
Douma, S., George, R., & Kabir, R. (2006). Foreign and domestic ownership, business groups, and firm performance: Evidence from a large emerging market. *Strategic Management Journal, 27*(7), 637–657.
Eddleston, K. A., & Kellermanns, F. W. (2007). Destructive and productive family relationships: A stewardship theory perspective. *Journal of Business Venturing, 22*(4), 547–565.
Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review, 14*(1), 57–74.
Evert, R. E., Sears, J. B., Martin, J. A., & Payne, G. T. (2018). Family ownership and family involvement as antecedents of strategic action: A longitudinal study of initial international entry. *Journal of Business Research, 18*(March), 301–311.
Faccio, M., & Lang, L. H. (2002). The ultimate ownership of Western European corporations. *Journal of Financial Economics, 65*(3), 365–395.
Faccio, M., Lang, L. H., & Young, L. (2001). Dividends and expropriation. *American Economic Review, 91*(1), 54–78.
Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of Political Economy, 88*(2), 288–307.
Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics, 26*, 301–325.
Filatotchev, I., Zhang, X., & Piesse, J. (2011). Multiple agency perspective, family control, and private information abuses in an emerging economy. *Asia Pacific Journal of Management, 28*, 69–93.
Ghoshal, S. (2005). Bad management theories are destroying good management practices. *The Academy of Management Learning and Education, 4*(1), 75–91.
Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms. *Academy of Management Annals, 5*(1), 653–707.
Gomez-Mejia, L. R., Haynes, K. T., Nunez-Nickel, M., Jacobson, K. J. L., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly, 52*(1), 106–137.
Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate governance and equity prices. *Quarterly Journal of Economics, 118*(1), 107–155.
Gonzales-Cruz, R. F., & Cruz-Ros, S. (2016). When does family involvement produce superior performance in SME family business? *Journal of Business Research, 69*(4), 1452–1457.
Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology, 91*(3), 481–510.
Grossman, S., & Hart, O. (1988). One share one-vote and the market for corporate control. *Journal of Financial Economics, 20*(1–2), 175–202.
Gubbi, S. R., Aulakh, P. S., Ray, S., Sarkar, M. B., & Chittoor, R. (2010). Do international acquisitions by emerging-economy firms create shareholder value: The case of Indian firms. *Journal of International Business Studies, 41*(3), 397–418.
Gugler, K., & Yurtoglu, B. B. (2003). Corporate governance and dividend pay-out policy in Germany. *European Economic Review, 47*(4), 731–758.
Guthrie, D., Xiao, Z., & Wang, J. (2008). Aligning the interests of multiple principals: Ownership concentration and profitability in China's publicly-traded firms. *NYU working paper, No. EC-07-32*. Available at SSRN: https://ssrn.com/abstract=1867087.
Harris, M., & Raviv, A. (1988). Corporate governance: Voting rights and majority rules. *Journal of Financial Economics, 20*(1–2), 203–235.
Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *Academy of Management Review, 28*(3), 383–396.
Holderness, C. G. (2003). A survey of blockholders and corporate control. *Economic Policy Review, 9*(1), 1–14.
Hoskisson, R. E., Hitt, M. A., Johnson, R. A., & Grossman, W. (2002). The effects of institutional ownership heterogeneity and internal governance on corporate innovation strategies. *Academy of Management Journal, 45*(4), 697–716.
Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 4*(4), 305–360.
Jiang, Y., & Peng, M. W. (2011). Principal-principal conflicts during crisis. *Asia Pacific Journal of Management, 28*(4), 683–695.
Kakani, R. K. (2000). *Financial performance and diversification strategy of Indian business groups* (Doctoral Dissertation)Indian Institute of Management Calcutta.
Kang, H., Cheng, M. M., & Gray, S. J. (2007). Corporate governance and board composition: Diversity and independence of Australian boards. *Corporate Governance: An International Review, 15*(2), 194–207.
Khanna, T., & Palepu, K. (2000). Is group membership profitable in emerging markets? An analysis of diversified Indian business groups. *Journal of Finance, 55*(2), 867–891.
Kim, Y., & Gao, F. Y. (2013). Does family involvement increase business performance? Family-longevity goals' moderating role in Chinese family firms. *Journal of Business Research, 66*, 265–274.
Kim, H., Kim, H., & Lee, P. (2008). Ownership structure and the relationship between financial slack and R&D investments. *Organization Science, 19*(3), 404–414.
Kim, H., & Song, J. (2017). Filling institutional voids in emerging economies: The impact of capital market development and business groups on M&A deal abandonment. *Journal of International Business Studies, 48*(7), 308–323.
La Porta, R., Lopez-de Silanes, R., & Shleifer, A. (1999). Corporate ownership around the world. *Journal of Finance, 54*(2), 471–517.
La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2000). Investor protection and corporate governance. *Journal of Financial Economics, 58*(1–2), 3–27.
Lefort, F., & Urzúa, F. (2008). Board independence, firm performance and ownership concentration: Evidence from Chile. *Journal of Business Research, 61*(6), 615–622.
Liu, Y., Miletkov, M. K., Wei, Z., & Yang, T. (2015). Board independence and firm performance in China. *Journal of Corporate Finance, 30*, 223–244.
Mair, J., Martí, I., & Ventresca, M. J. (2012). Building inclusive markets in rural Bangladesh: How intermediaries work institutional voids. *Academy of Management Journal, 55*(4), 819–850.
Majumder, S. K. (1997). The impact of size and age on firm-level performance: Some evidence from India. *Review of Industrial Organization, 12*, 231–241.
Mangel, R., & Singh, H. (1993). Ownership structure, board relationships and CEO compensation in large U.S. corporations. *Accounting and Business Research, 23*(1), 339–350.
Martin, G., Campbell, J. T., & Gomez-Mejia, L. (2016). Family control, socioemotional wealth and earnings management in publicly traded firms. *Journal of Business Ethics, 133*(3), 453–469.
Maury, B., & Pajuste, A. (2005). Multiple large shareholders and firm value. *Journal of Banking & Finance, 29*(7), 1813–1834.
Mazzola, P., Sciascia, S., & Kellermanns, F. W. (2013). Non-linear effects of family sources of power on performance. *Journal of Business Research, 66*, 568–574.
Miller, D., & Le-Breton Miller, I. (2006). Family governance and firm performance: Agency, stewardship, and capabilities. *Family Business Review, 19*(1), 73–87.
Miller, D., Le-Breton Miller, I., & Scholnick, B. (2008). Stewardship vs. stagnation: An empirical comparison of small family and non-family businesses. *Journal of Management Studies, 45*(1), 51–78.
Miller, D., Minichilli, A., & Corbetta, G. (2013). Is family leadership always beneficial? *Strategic Management Journal, 34*, 553–571.
Morck, R., Shleifer, A., & Vishny, R. W. (1988). Management ownership and market valuation: An empirical analysis. *Journal of Financial Economics, 20*(1–2), 293–315.
Nicholson, G., & Kiel, G. C. (2001). A case based test of agency, stewardship and resource dependence theories of corporate governance. *Proceedings of the 2001 International ANZAM Conference*.
Olaison, U. F., Jansson, A.,. J., Veldman, J., & Beverrungen, A. (2013). The political economy of corporate governance. *Call for papers ephemeral: Theory & politics in organization*. Accessed from https://scholar.google.com/citations?user=kEhAxFUAAAAJ&hl=en.
Olaison, U. F., Jansson, A.,. J., Veldman, J., & Beverrungen, A. (2016). The political economy of corporate governance. *Ephemeral: Theory & Politics in Organization, 16*(1), 1–17.
Patel, P. C., & Chrisman, J. J. (2014). Risk abatement as a strategy for R&D investments in family firms. *Strategic Management Journal, 35*(4), 617–627.

Patel, P., & Cooper, E. (2014). Structural power equality between family and non-family TMT members and the performance of family firms. *Academy of Management Journal, 57*(6), 1624–1649.
Peng, M. W., & Jiang, Y. (2010). Institutions behind family ownership and control in large firms. *Journal of Management Studies, 47*(2), 253–273.
Peng, M. W., Sun, W., Vlas, C., Alessandro, M., & Corbetta, G. (2017). An institution-based view on large family firms: A recap and overview. *Entrepreneurship theory and practice, special issue on "theories of family enterprise" (March)*.
Pittino, D., Martínez, A. B., Chirico, F., & Galván, R. S. (2018). Psychological ownership, knowledge sharing and entrepreneurial orientation in family firms: The moderating role of governance heterogeneity. *Journal of Business Research, 84*(March), 312–326.
Purkayastha, S., Manolova, T., & Edelman, L. (2015). Business Group Effects on the innovation-internationalization relationship: Evidence from the Indian Pharmaceutical Sector. In L. Tihanyi, E. R. Banalieva, T. M. Devinney, & T. Pedersen (Vol. Eds.), *Emerging economies and multinational enterprises (advances in international management). 28. Emerging economies and multinational enterprises (advances in international management)* (pp. 379–402). Emerald Group Publishing Limited.
Ramaswamy, K., Li, M., & Veliyath, R. (2002). Variations in ownership behavior and propensity to diversify: A study of the Indian corporate context. *Strategic Management Journal, 23*(4), 345–358.
Ramaswamy, K., Purkayastha, S., & Petitt, B. S. (2017). How do institutional transitions impact the efficacy of related and unrelated diversification strategies used by business groups? *Journal of Business Research, 72*, 1–13.
Ramaswamy, K., Veliyath, R., & Gomes, L. (2000). A study of the determinants of CEO compensation in India. *Management International Review, 40*(2), 167–191.
Renders, A., & Gaeremynck, A. (2012). Corporate governance, principal-principal agency conflicts and firm value in European listed companies. *Corporate Governance: An International Review, 20*(2), 125–143.
Roberts, J. (2003). The manufacture of corporate social responsibility: Constructing corporate sensibility. *Organization, 10*(2), 249–265.
Sauerwald, S., & Peng, M. W. (2013). Informal institutions, shareholder coalitions, and principal-principal conflicts. *Asia Pacific Journal of Management, 30*(3), 853–870.
Sciascia, S., & Mazzola, P. (2008). Family involvement in ownership and management: Exploring nonlinear effects on performance. *Family Business Review, 21*(4), 331–345.
Shleifer, A., & Vishny, R. W. (1989). Management entrenchment - the case of manager-specific investments. *Journal of Financial Economics, 25*(1), 123–139.
Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *Journal of Finance, 52*(2), 737–783.
Singla, C., Veliyath, R., & George, R. (2014). Family firms and internationalization-governance relationships: Evidence of secondary agency issues. *Strategic Management Journal, 35*(4), 606–616.
Stewart, A., & Hitt, M. A. (2012). Why can't a family business be more like a non-family business? Modes of professionalization in family firms. *Family Business Review, 25*(1), 58–86.
Su, Y., Xu, D., & Phan, P. H. (2008). Principal-principal conflict in the governance of the Chinese public corporation. *Management and Organization Review, 4*(1), 17–38.
Sun, Q., Tong, W. H. S., & Tong, J. (2002). How does government ownership affect firm performance? Evidence from China's privatization experience. *Journal of Business Finance and Accounting, 29*, 1–28.
Sutton, C., Veliyath, R., Pieper, T. M., Hair, J. F., & Caylor, M. (2018). Secondary agency conflicts: A synthesis and proposed measurement model. *Long Range Planning, 51*, 720–735.
Thomsen, S., Pedersen, T., & Kvist, H. K. (2006). Blockholder ownership: Effects on firm value in market and control based governance systems. *Journal of Corporate Finance, 12*(2), 246–269.
Tuggle, C. S., Sirmon, D. G., Reutzel, C. R., & Bierman, L. (2010). Commanding board of director attention: Investigating how organizational performance and CEO duality affect board members' attention to monitoring. *Strategic Management Journal, 31*, 946–968.
Uebersax, J. S. (2000). Introduction to the tetrachoric and polychoric correlation coefficients. Accessed from web at http://john-uebersax.com/stat/tetra.htm.
Vallejo, M. C. (2009). The effects of commitment of non-family employees of family firms from the perspective of stewardship theory. *Journal of Business Ethics, 87*, 379–390.
Veliyath, R., & Ramaswamy, K. (2000). Social embeddedness, overt and covert power, and their effects on CEO pay: An empirical examination among family businesses in India. *Family Business Review, 14*(4), 293–312.
Villalonga, B. (2004). Intangible resources, Tobin's q, and sustainability of performance differences. *Journal of Economic Behavior & Organization, 54*(2), 205–230.
Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics, 80*(2), 385–417.
Villalonga, B., & Amit, R. (2009). How are U.S. family firms controlled? *The Review of Financial Studies, 22*(8), 3047–3091.
Ward, D., & Filatotchev, I. (2010). Principal–principal agency relationships and the role of external governance. *Managerial and Decision Economics, 31*(4), 249–261.
Westphal, J. D., & Zajac, E. J. (1998). The symbolic management of stockholders: Corporate governance reforms and shareholder reactions. *Administrative Science Quarterly, 43*(1), 127–153.
Yoshikawa, T., & Rasheed, A. (2010). Family control and ownership monitoring in family-controlled firms in Japan. *Journal of Management Studies, 47*(2), 274–295.
Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). Corporate governance in emerging economies: A review of the principal–principal perspective. *Journal of Management Studies, 45*(1), 196–220.
Zahra, S. A., & Pearce, J. A. (1989). Boards of directors and corporate financial performance: A review and integrative model. *Journal of Management, 15*(2), 291–334.
Zellweger, T., & Kammerlander, N. (2015). Family, wealth, and governance: An agency account. *Entrepreneurship Theory and Practice, 39*(6), 1281–1303.

Saptarshi Purkayastha (PhD, ICFAI University) is an Assistant Professor of Strategy at the Indian Institute of Management, Calcutta. His primary research interest is in investigating the effectiveness of emerging market firms with a focus on internationalization and the role of governance in the management of these firms. His research has been published in the International Journal of Management Reviews, Journal of World Business, Journal of Business Research and Asia Pacific Journal of Management.

Rajaram Veliyath (PhD, University of Pittsburgh) is a Professor in the Michael A. Leven School of Management, Entrepreneurship and Hospitality at the Coles College of Business. His research interests include agency theory, stewardship theory, corporate governance, board committee processes, CEO and director compensation and internationalization strategies of emerging market firms. His work has been published in the Asia Pacific Journal of Management, British Journal of Management, Corporate Governance: An International Review, International Business Review, Journal of Business Research, Journal of Business Venturing, Journal of Management Studies, Journal of Small Business Management, Long Range Planning, Management International Review, Strategic Management Journal, and several other outlets.

Rejie George (PhD, Tilburg University) is a Professor in the Strategy Area at the Indian Institute of Management Bangalore (IIMB). He holds the IIMB Chair of Excellence and is the Chairperson of the Fellowship Program (FPM) as well as Chair of the Center for Corporate Governance and Citizenship (CCGC) at IIMB. Rejie has published in journals such as the Strategic Management Journal, Journal of International Business Studies, Long Range Planning, Journal of Business Research, Asia Pacific Journal of Management and the Rutgers Business Review. His research interests are in the areas of Corporate Governance, Strategic Management and International Business.