

# The Enduring Tension Between the Family Owners and the Atomistic Absentee Owners in Canada: How the Capital Market Regulations Allow for the Abusive Expropriation of Minority Shareholders?

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**Abstract:-** Financial theory takes it for given that the ownership structure is diffused (Berles and Means, 1932). Authors such as Gadhoum (1999, 2015) evidenced that this is may be true only in America. In Canada, like many other countries, the ownership is highly concentrated mainly in the hands of the two largest owners, who are most usually wealthy families. They used pyramidal structure, cross-holdings, and multiple voting rights as the most practical ways to attain their goals and to entrench themselves. The minority holders cannot afford financially and logistically to create a sustainable coalition to tackle the pressure exerted by the block-holders on the decision-making like dividend distribution. The aim of this paper is to show that large shareholders polarize indeed the control of the company to their interest. Cash payout was used in this paper as a tool of usurpation of the small owners. Other mechanisms used are not yet well studied, such as the benefits they get from the internal capital market they create in their conglomerates (like the keiretsu in Japan) and the tax shield they use within their puzzling pyramidal structure. The question that arises is how the capital market regulations don't contain this situation to protect the minority shareholders and monitor capital markets' efficiency for a more robust economy. Is it a question of politics resulting from lobbying? Further research should address this issue.

**Keywords:-** Large shareholders, Minority Owners, Expropriation, Polarization of Voting Rights, Entrenchment.

1. This paper was partially written during my tenure at PMU.

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## I. INTRODUCTION

This paper examines different aspects and features of family and Conglomerate allied firms. The primary objective of the paper is to investigate selected financial features of companies that fall under family ownership or Conglomerate-

affiliated. Second, the paper seeks to determine if family control and Conglomerate affiliation affects the decision on dividends in particular companies. In other words, the paper investigates whether degree of ownership concentration has significant influences on a company decision on dividends. There are several literatures that indicate dividend policies dedicate substantial efforts in examining the key motivations of money distribution. However, there are very few studies that discuss dividend payment in relation to family-controlled companies. According to Khan and Rocha (1982), financial policies in organizations are highly influenced by ownership structure and type of organization. Yeh and Shu (2000) illustrate that the incentive for a family to adhere to a conglomerate pyramidal structure of ownership are to contribute to the earnings management and the expropriation of atomistic owners. At the same time, it is wise to explore if companies distribute few or more pay-outs when the management is done by professionals or when run by family.

## II. LITERATURE REVIEW

One of the theories that can provide an explanatory framework in this study is the agency theory. Agency theory is helpful in the investigation of the hypothesized relationships between family and non-family businesses. Also, the theory can be used to construct an archetypal for determining the functional differences between Conglomerate-allied and non-Conglomerate allied businesses similar to family and non-family businesses. Agency theory stipulates that ownership alignment with control presents merits for the family companies over non-family companies. There is minimal diversity of interests between owners and managers in family corporations, less moral hazard, and less deviousness. Thus, family companies rarely face the common risks in firms where control and ownership are separated.

Shleifer and Vishny (1997) noted that principal proprietors have higher influence and control of firms than minority shareholders. Also, according to Shleifer and Vishny (1997), large shareholders prefer generating private merits of control that minority shareholders lack. Essential likelihoods for expropriation occur when a company is allied with a Conglomerate under influence and control of the same shareholder (Faccio et al., 2001). According to Franks and

Mayer (2001), the pattern of ownership in German corporations based on considerable control benefits and weak investor protection contributes to severe capital market inefficiencies. Additionally, dividend policy is also associated with the significance of controlling the decision process. For instance, significant shareholders in owner-controlled firms have more effect on the decision-making mechanism. In big size companies, the diffusion and separation of control and decision administration reduce the influence of one given shareholder to confiscate small owners' expectations (Fama and Jensen, 1983). Similarly, the negative externalities on residual claimants through dividends and other mechanisms is more noticeable in family businesses than in professionally managed companies. This inference is also true for Conglomerate-affiliated companies that have large shareholders. Interaction variables for Conglomerate-affiliated and family companies are used separately to control these effects.

In addition, this study can use a hypothesis to explain and forecast share decisions in family and Conglomerate-affiliated companies. The first is the neutrality of ownership structure hypothesis, the second is the appropriation of debt holders hypothesis, the third is the indirect monitoring hypothesis, and the fourth is the fiscal effect hypothesis. These four abovementioned scenarios are not related to any traditional financial theory as will be explained in the last paragraph of this paper. According to the neutrality of ownership structure hypothesis, the founding blockholders or members of their family must transmit signals to the small owners due to the conflict of interests in a family business among the stockholders. Primarily in family dealings, the uninvolved absentee shareholder should be assured that large shareholders do not privately benefit from their position. On the other hand, the hypothesis that debtholders agency costs might be more severe in family businesses, especially where proprietorship concentration is high deserves more discussion and empirical results. Thus, large stakeholders may desire more shares to evade the significance of liability holders on the company's revenue stream.

According to the indirect monitoring hypothesis, large bondholders may fail to regulate organization decisions themselves; however, they can increase the dividends. Thus, family firms that a family member does not manage may be required to go outside to raise savings capital. Hence, this would subject the family firms to capital market control. This argument is mainly conceivable when bearing in mind the Molson or Bronfman families in Canada who regulate huge properties but are not on all their corporations' boards. Lastly, the fiscal effect hypothesis suggests that large shareholders (who are firms and not individuals) in a family-controlled business would prefer dividends over capital gains since intercompany shares are not considered as a taxable revenue in Canada<sup>1</sup>.

### III. METHODOLOGY AND DATA

Most of the data in his study were manually collected since there is no feasible automated database on ownership of Canadian businesses. Since it is usually challenging to ascertain the stock concentration threshold required to confiscate, this paper takes operative control as a positive relation of ownership concentration rather than untying the metrics in insignificant variables. Proprietorship concentration or COC can be measured through the summation of voting rights possessed by the five major stockholders in the firm. Other concentration measures like Herfindahl, Gini, or the entropy indices are either impossible to use or less practical in regard to the available empirical data (Demsetz and Lehn, 1985).

$$COC = \sum_{i=1}^5 \alpha_i \quad (1)$$

where  $\alpha_i$  = voting rights of shareholder  $i$ .

The quarterly dividends were taken from the Laval data file to measure the stability of individual firms. The next experiential investigation was inspired by a suggestion on whether family-owned companies (conglomerate-allied) can be classified into particular industries that are of interest to them.

Following **Gadhoun (2015)**, the change of the level of dividend is captured by the equation 2. *The reason why we used the same model is to allow for comparisons with other research done in the field of ownership and dividend distribution.*

$$\ll \text{if } \Delta NDV_{i,t} = NDV_{i,t} - NDV_{i,t-1} \neq 0 \text{ then } CHG_{i,t} = 1 \text{ and } STB_{i,t} = 0 \quad (2)$$

Where  $NDV_{i,t}$  represents an annual dividend obtained by summing all the quarterly dividends after considering possible splits of stocks,  $CHG$  is a dummy variable indicating a dividend change. The following is the testing model as per **Gadhoun (2015)**:

$$E(STB_{i,t} = 1 | COC_i, VAC_i) = P(STB_{i,t}) = \beta_{0t} + \beta_{1t} COC_i + \sum_{k=1}^K \beta_{kt} VAC_k \quad (3)$$

Where;  $k$  represents the number of control variables, hereafter represented by  $VAC$ ,  $E(.)$  is the mathematical expectations operator,  $P(STB_{i,t})$  represents a latent variable that indicates the probability of dividend stability for the  $i^{\text{th}}$  firm in period  $t$ . Also,  $P(STB_{i,t})$  is bounded within  $[0,1]$  interval, a case false for independent variables. The superior limit ( $P(.)=1$ ) can be eliminated through the transformation of the response variable to  $[P(STB_{i,t})/1-P(STB_{i,t})]$ . On the other hand, elimination of the inferior limit ( $P(.)=0$ ) can be eliminated by transforming  $(P(.)=1)$  to

<sup>1</sup> Canadian Income Tax Act (article 112 (1))

$\log[P(STB_{it})/1-P(STB_{it})]$ , (Gadhoun,2015)". Keeping these transformations and then repeating the model (N<sub>t</sub>-1) times can transform it to a logit model.

#### IV. RESULTS

In order to capture some elusive behaviors in families, weakly owned companies were separated from the family strongly owned firms. Next, the difference of means was calculated to help final test variances between the weakly family-owned businesses, strongly owned family businesses, and non-family-owned companies. This investigation was also repeated for Conglomerate-affiliated companies. The analysis of Conglomerate-affiliated firms was done on insubstantially affiliated, highly affiliated, and non-allied Conglomerate companies. The summary results are presented in Table 1. The ownership level and the ownership of what we consider as insider ownership are high in the firms with strong affiliation to Conglomerate businesses.

[Table 1 goes about here]

It is noted in table 1 that the ownership level in highly affiliated firms to conglomerates is 67.65%. Also, the table indicates that the voting rights of the directors, managers, and CEOs are 54.19%. Thus, the results indicate a higher level of COC in firms with a strong tie to conglomerates and high level of insider management involvement. Also, the proportion of multiple and non-voting shares is higher in strongly-affiliated conglomerate companies. Table 1, in the second group, shows that the level is the biggest in Conglomerate-allied corporations. Besides, this category seems to be riskier (*beta*) than in non-Conglomerate affiliated companies; however, it is lower than in the insubstantially affiliated Conglomerate companies. From table 1, panel C, a similar inference can be made. A similar investigation was applied in the second step with interaction effects in family and Conglomerate affiliated companies. The results are summarized in Table 2 (as per the findings of Gadhoun, 2015). The results presented in Tables 2 and 3 for the three representations are the same.

[Tables 2 goes about here]

Additionally, there is a weighty positive association between shares payments and the membership to a Conglomerate. The principal investor in a conglomerate may require regular changes on dividends in regard to the fiscal shield of the conglomerate members. The frequent requests are mainly aimed to avoid tax payments or enable funds movement inside the conglomerate, making the latter looks like what is called an "internal capital market" (see figure1).

Nevertheless, more dividends in the conglomerate internal units for conglomerate affiliated companies should be considered as an expropriation tool used against the small owners. Also, unlike capital gains, cash distribution is exempted from tax payment in Canada. Hence, if the significant shareholder in a company, dividend payments would be expected to increase with the concentration of ownership. This inference can be subject to test-hypothesis.

Tax law in Canada has a direct effect on the expectation of Canadian corporations in regard to payments of dividends. It can be stipulated here that in companies where major shareholders are companies and not persons, shares paid are higher than in similar corporations which are not Conglomerate affiliated. This is true even in the absence of action costs and information disproportionateness. Such an inference directly contradicts the financial theory predictions. Thus, it provides a critical test on the argument at hand. In this case, the inducements for dividend payments are explained by the receiver's recovery of paid tax on dividends. Hence, Conglomerate-affiliated firms would be expected to pay more dividends. This research aims to test the following hypotheses ( $H_0$  and  $H_1$ ) which are expressed below (Gadhoun, 2015).

$H_0$ : Family (conglomerate allied) companies distribute slighter (further) dividend per share than non-family (not-conglomerate affiliated) companies.

$H_1$ : Pay out are steady in family (conglomerate affiliated) companies than non-family (not-conglomerate affiliated) organizations.

Nevertheless, the viable hypothesis mentioned earlier in this paper might also be considered. Up to the present day, there has been no agreement on the elements of apt dividend policy indicators. Hence, many studies recommend the use of multiple indicators. As shown in Appendix I, this study used nine indicators to measure the rate at which dividends are paid. Appendix I also indicates the results of correlation analysis between the variables. According to the results presented in the appendix, it is observable that these elements are significantly correlated

In Gadhoun et al (2007) and Gadhoun (2015), the logit model was applied to explore if conglomerate affiliation and families' ownership can impact pay out stability ( $H_2$ ). The model was helpful in the examination of the direction of dividend changes (rises and cuts). This gave additional information that enhanced more understanding of the effect of ownership structure on bonus stability.  $H_2$  forecasts a positive correlation between the ownership structure and the dividend policy stability (STB, hereafter).

Gadhoun et al (2007) had shown that family-owned firms are not uniformly or randomly distributed across industries. This is similar to Conglomerate-affiliated companies. He indicated that there are preferred business fields for Conglomerate-affiliated and family companies. He essentially showed that family-owned companies are mainly in lower risk and higher R&D industries. These properties illustrate complex industries with higher entry barriers. Hence, this indicates that family companies incline to lock out contestants to enhance their corporate control and voting power. Also, it can be noted that they belong to industries where financial analysts are highly involved by companies with developmental expenditures and research being also higher. Therefore, it can be concluded that families and Conglomerate-affiliated companies have a preference for industries that have prospective strategies and are less risky. Figure 1 below confirms the results of Gadhoun et al (2007)

and shows to which degree the ownership structure could be complicated and puzzling. At this regard, future research is needed to tackle this issue solely straightforwardly.

[Table 3 goes about here]

➤ *Stability of dividend policy*

The regression tests (maximum likelihood estimators) were conducted in order to determine the likelihood of keeping the payout stable. The estimation was mainly done on three critical representations for the family and conglomerate groups. The outcomes indicate a significant and negative association between ownership concentration and constancy in dividends payment, managers and major voting provisions (BL1), and CEO and executive's regulator stake in the firms for Conglomerate-affiliated and family companies. However, the results did not indicate any substantial interaction effects for the Conglomerate-allied companies. The interaction between family and volume was found to be significantly negative. While put together, the free cash flows and the ownership by the family was found to be positive and weighty. Similarly, when we put together the family proprietorship and insider proxy for regulation and on the other hand family proprietorship and COC, we find a negative and weighty impact. Besides, the effect of interaction with the voting rights of major shareholders is not significant. Thus, the key investor in family firms inspires more regular dividend changes that might result from their personal or business fiscal needs.

On the contrary, Conglomerate logit regression results indicate that the only presence of major shareholders, despite how large their stake is in the company, and regardless of who they are, large shareholders induce high frequency of pay out change (Wooldrige, 1982 had found similar results). Wooldrige (1982) further states that the market should react to the unanticipated elements in dividend changes. Additionally, the principal shareholder in a Conglomerate may ask for regular changes of payments regarding the monetary needs of the Conglomerate citizens either to avoid tax expenses or to enhance the movement of funds within the company.

➤ *Dividend Ups and Downs in conglomerate affiliated firms and in family-owned*

In this study, each parameter was estimated through a maximum likelihood estimator. Also, it should be noted that the regression was done on the Conglomerates and families separately. According to the results, major shareholders can significantly influence cutting or raising dividend payments. Thus, their financial needs determine the largest shareholder preference on the dividend changes. However, the presented data does not indicate a distinct change of the ups and downs of dividends. A possible explanation to this finding is that the degree to which major investor in family or Conglomerate allied companies use their choice to pay more or fewer dividends regarding their individual or corporate needs despite the favor of marginal owners. This can be considered as an indirect validation of confiscation.

The collaboration conjunction of the family ownership level and insider (managers, directors, and CEO) ownership is substantial. This indicates that principal shareholders predominantly make decisions to change dividend payments in the family firms. This further indicates confiscation of the minority stockholders. Hence, the interaction outcomes for the Conglomerate model are insignificant.

## V. CONCLUSION AND DISCUSSION

From the above data, it is observed that the ultimate owner of family firms is not an individual but a wealthy family. Even though two examples were given in this paper due to space, the above observation is always case rather than otherwise stipulated. The major shareholder, mainly a company, is mainly not concerned about the growth or stability of dividend payments. This is not the case of shareholders who are individuals. Additionally, this result shows the possibility of puzzling and complex flow of money exchanges among corporations with cross-holdings, pyramidal holdings, or reciprocal holdings. Also, having an internal investment market within conglomerates is to be considered as an optional explanation. This can either be positive or negative earnings, which may influence dividend payments' cut or rise. The above results in this study show that the major/largest shareholder has a great impact on dividend payments even despite the expectations or the interest of the minority stakeholders who may not want to receive dividends for tax reasons or for better reinvesting of dividends in the company given the lower interest rate in the Canadian market these days.

Another major theoretical inference from this paper is the existence of a new agency cost between the two largest shareholders and the minority shareholders. Indeed, in traditional financial theory, we know about two types of agency costs. The first one is between shareholders and managers assuming that there is a separation between ownership and control and the second agency cost is between shareholders and bondholders.

Regarding the first agency cost, the hypothesis of agency theory is that the ownership is fully diffused resulting in a control of the decision making in the hands of the management team. The principal (shareholder) delegates his authority over the capital use he gave to the managers (agent). The implicit contract between the principal and the agent is that the role of the latter is to maximize the wealth of shareholders by taking the decisions that are in the best interest of the principal. However, financial theory concludes that there is an asymmetry of information between the principal and the agent and consequently the agent will inevitably take decisions in his own best interest more often than otherwise. These adverse decisions according to the asymmetry of information theory could be to increase the size of the firm even if the NPV (net present value) is negative. The decision to increase the size of the firm will increase the reputation capital of the managers who will have consequently higher potential to be appointed for higher salary positions elsewhere or at least to be appointed in boards of administrators of other companies with the

honorarium that comes with it. The second waste that managers could cause is to benefit from what we call on-the-job-consumption in its different forms. The third adverse decisions from the managers is to disclose the minimum of information possible to avoid being under the control of the shareholders who will then perceive the decision shortcomings of the managers.

Asymmetry of information and agency conflicts of interest between managers and shareholders has an impact on the capital market in the sense that the shareholder, who, by a strong assumption in financial theory, is a rational decision maker will decrease the price of the stock by an amount that represents the perceived waste from the managers to give them less leeway to misspend and misuse the capital of the company. The theory of “free cash flows” in finance details this issue.

As a consequence of agency costs, the shareholders will create a Board of Administrators who represent them to monitor the spending behavior of managers. Until recently, we believed that this mechanism of governance will assure an alignment of the shareholders with the managers. However, the latter are most often the ones who suggest the administrators who will be more loyal to the managers than to the shareholders. Consequently, when the administrators are not independent and are not external, the monitoring process is at best inefficient and not reliable. In addition to the board of administrators, the shareholders and the capital market regulations which try to avoid the collapse of the stock market will require specific information and transparency of the decision making process on a frequent basis usually quarterly and to insure the disclosure of that information to the public meaning shareholders and potential investors of a given company. Unfortunately, after years of observation and research, evidence in the financial and accounting literature shows that the potential informational value is disrupted by what is called “Earnings Management”. Earnings management in its essence advance the receivables and postpone the payables to make the information appealing to the shareholders on one hand and to increase their bonuses which might be a percentage either of sales or of net income.

By all means, the “agency theory”, the “asymmetry of information theory”, the “signaling theory” and the empirical evidence of “earnings management” and other potential manipulation of information disclosure cannot ignore that the separation between ownership and control cannot be eliminated and the managers find always ways for entrenchment.

It is noteworthy to mention that all the types of costs recurring from the implicit, non-observable, and non-exhaustive contract between the shareholders and the managers is based on what was supposed to be a strong assumption in finance which is: “the ownership structure is diffused”. Epistemologically and historically, the genesis of

this assumption is coming from the fathers of financial economics and finance -essentially the scholars of the University of Chicago- who essentially and probably uniquely observed the *American* market where indeed the ownership is to big degree diffused. Other body of knowledge in finance have demonstrated during the last two decades that the ownership is on the contrary of the traditional financial theory is concentrated.

In this paper, we showed that the concentration is even highly concentrated in Canada. Even more interesting, it is concentrated in the hands of the two largest shareholders whose stakes are by far larger than the third or the N<sup>th</sup> shareholder. It is noted that these two largest shareholders also are members of wealthy families. Consequently, the contribution of this paper is not only to shake the ownership diffusion hypothesis in finance but also demonstrated that the two largest shareholders collaborate with the managers for their best interest. The case is shown through the dividend distribution and the creation of a cascading pyramidal ownership that creates a conglomerate for the largest shareholders. These conglomerates are used as an internal capital market as it allows the flow of funds from one entity to the other within the group to avoid tax payments on one hand and to maximize their overall wealth through a blockchain processes. Even better, one can anticipate that the largest shareholders will protect and spoil the managers of a given company even if it is not in the best interest of the small shareholders because large shareholders have resulting benefits in many other parent companies in their conglomerate.

As a consequence of what is aforementioned, there is a new agency problem between the largest shareholders and the smallest shareholders that financial theory didn't consider because those who built the main assumptions of the area of finance are not only Americans where no shareholder dominate the scene but also who are genetically “economist” and the competition law exists for goods but not for “money” as many recent research have been demonstrating. This new agency problem is strengthened because while it is costless to make a coalition between the first and the second largest shareholders, the atomistic shareholders cannot create and sustain the creation of a coalition to protect themselves this time against the largest shareholders. One can think that at this stage, it becomes the role of the capital market regulation authorities to intervene to protect the vulnerability of the absentee owners from the blockholders in order to ensure the efficiency of the stock market and to keep trust high in the stock markets. This is done through the “Insider Regulation”. Much ink has been spilled on the issue of insider trading, for this paper we are inclined to keep the in-the-loop that largest shareholders who are often wealthy families are enough empowered to do lobbying for insider trading laws that keep them in their business comfort zone. Here the politics is merged with finance. Future research in this area should shed more light on this hot topic.

**Table 1: Mean Comparison Tests (Strong and Weak Conglomerate affiliated Firms)**  
**(Source: Gadhoun, 2015)**

Panel A						
Variables	Definition	GRP=1 (n=66)		GRP=0 (n=298)	F	Prob
		SGRP (n=55)	WGRP (n=11)	NGRP		
COC	Concentration	67,65	36,61	52,07	12,9	0,0001
BLI	Manager, directors, and CEO's V.R	54,19	17,94	37,71	10,29	0,0001
HFM	Herfindahl's measure	3943,83	742,71	2500,64	15,04	0,0001
NAC	Shareholders' number	8504,37	19889	17877,5	0,2	0,8215
SUB	Subaltern Shares (1,0)	0,16	0	0,11	1,35	0,2612
MUL	Multiple voting shares (1,0)	0,07	0	0,1	0,88	0,4168
LEV	Voting leverage	1,76	1	1,42	0,33	0,7205
VOL	Transaction volume	8157,35	16069,72	9072,57	0,59	0,5559
Panel B						
		SGRP	WGRP	NGRP	F	Prob
TAL	Size	2569848,42	2118666,02	2193096,91	0,02	0,9758
RDE	R&D on sales	0,74	3,38	2,08	3,71	0,0254
NAF	Financial analysts number	10,58	12,12	9,79	0,33	0,7203
VES	Variation of the EPS	55,04	21,01	34,79	0,63	0,5336
BET	Beta	-0,18	0,16	-0,87	2,62	0,0746
VGP	Gross profit variation	25	14,69	21,14	0,78	0,46
CMM	Modigliani & Miller's F.C measure	-60635,55	-99603,9	-19923,53	2,31	0,1003
CFL	Lehn & Poulsen F.C measure	-4233,87	-15170,75	10690,26	0,64	0,5254
AGC	Agency costs	3,71	4,4	-0,18	0,8	0,4522
NDI	Directors number	12,76	12,1	9,14	13,73	0,0001
NMA	Managers number	6,83	5,6	4,9	3,51	0,031
Panel C						
		SGRP	WGRP	NGRP	F	Prob
D10	Average 10-year dividend	0,08	0,05	0,03	4,25	0,0154
DY5	5-year dividend yield	3,47	5,07	1,91	5,08	0,0067
DL3	3-year dividend/share	0,67	0,68	0,31	4,35	0,0138
DC3	3-year dividend/share	0,65	0,55	0,39	1,77	0,1725
DCD	10- year dividend/share	0,43	0,77	0,38	1,45	0,2377
DP5	Five year dividend payout	31,97	37,64	15,45	3,68	0,0263
DPM	Dividend payout (average)	45,64	41,89	12,3	6	0,0028
DSM	Dividend/share (Stock-Guide)	0,66	1,08	0,266	7,67	0,0006
DYM	Dividend yield (average)	4,47	7,17	2,01	5,37	0,0051
HAU	Dividend increase	130,01	274,9	293,18	3,21	0,0413
BAI	Dividend decrease	127,96	273,36	293,2	3,28	0,0388
SPF	Special dividend frequency	127,36	272,45	291,77	3,25	0,0399
SPM	Special dividend amount	127,23	272,45	291,73	3,25	0,0398
DTR	Debt Stock-Guide	0,32	0,29	0,27	1,08	0,3398

**Table 2: Regressions Results (Dependant Variable, DSM, dividend/share)****(Source: Gadhoum, 2015)**

Variables	Definition	DSM				
		Model 1				
		Family			Conglomerate	
		Global (n=228)	FML (n=205)	NFML (n=22)	GRP (n=153)	NGRP (n=46)
<b>INTERCEPT</b>	Intercept	0.08 (0.0113)	0.1 (0.2617)	0.08 (0.0095)	0.23 (0.2596)	0.08 (0.0135)
<b>BLI</b>	Major shareholder's voting rights	0.002 (0.0001)	0.0007 (0.5698)	0.002 (0.0001)	0.002 (0.3595)	0.002 (0.0003)
<b>VOL</b>	Transaction volume	2.87 (0.0001)	2.19 (0.7182)	2.98 (0.0001)	2.3 (0.4381)	2.78 (0.0001)
<b>QRM</b>	Tobin's Q Ratio	-0.0003 (0.6701)	0.03 (0.4207)	-0.0003 (0.6558)	-0.05 (0.4009)	0.003 (0.2103)
<b>CFL</b>	Lehn & Poulsen F.C measure	0.2 (0.1956)	6.21 (0.0001)	0.04 (0.773)	-0.07 (0.8082)	0.74 (0.0026)
<b>RES</b>	Size effect <sup>a</sup>	0.08 (0.0001)	0.06 (0.0033)	0.08 (0.0001)	0.09 (0.0119)	0.07 (0.0001)
<b>CRC</b>	Past Growth	-0.0007 (0.0249)	0.0003 (0.8694)	-0.0007 (0.0288)	-0.006 (0.1303)	-0.001 (0.004)
<b>R-square</b>		0.2855	0.85	0.2873	0.2417	0.3276
<b>Adj R-sq</b>		0.2738	0.8179	0.2745	0.1525	0.3105
<b>Model 2</b>						
<b>INTERCEPT</b>	Intercept	0.14 (0.0001)	0.02 (0.7866)	0.15 (0.0001)	0.33 (0.0571)	0.17 (0.0001)
<b>BLI</b>	Manager, directors, and CEO's V.R	0.001 (0.0135)	0.001 (0.2144)	0.001 (0.0312)	0.001 (0.6197)	0.0005 (0.346)
<b>VOL</b>	Transaction volume	2.6 (0.0005)	0.69 (0.9086)	2.68 (0.0003)	1.8 (0.536)	2.23 (0.0019)
<b>QRM</b>	Tobin's Q Ratio	-0.0003 (0.6977)	0.03 (0.3461)	-0.0003 (0.6754)	-0.04 (0.4577)	0.002 (0.2767)
<b>CFL</b>	Lehn & Poulsen F.C measure	0.21 (0.1946)	6.12 (0.0001)	0.04 (0.7774)	-0.09 (0.7684)	0.82 (0.0011)
<b>RES</b>	Size effect	0.08 (0.0001)	0.06 (0.0034)	0.08 (0.0001)	0.09 (0.0171)	0.07 (0.0001)
<b>CRC</b>	Past Growth	-0.0007 (0.0217)	0.0003 (0.8475)	-0.0007 (0.0246)	-0.007 (0.0977)	-0.001 (0.0044)
<b>R-square</b>		0.2623	0.8565	0.2636	0.2327	0.2913
<b>Adj R-sq</b>		0.2503	0.8258	0.2503	0.1425	0.2733
<b>Model 3</b>						
<b>INTERCEPT</b>	Intercept	0.07 (0.0671)	0.07 (0.5041)	0.07 (0.065)	0.26 (0.3034)	0.1 (0.012)
<b>COC</b>	Concentration	0.002 (0.0008)	0.0009 (0.5602)	0.002 (0.0015)	0.001 (0.5865)	0.001 (0.0179)
<b>VOL</b>	Transaction volume	3.02 (0.0001)	2.33 (0.6974)	3.12 (0.0001)	2.3 (0.466)	2.66 (0.0003)
<b>QRM</b>	Tobin's Q Ratio	-0.0003 (0.6737)	0.03 (0.4239)	-0.0004 (0.656)	-0.05 (0.4171)	0.002 (0.2376)
<b>CFL</b>	Lehn & Poulsen F.C measure	0.21 (0.1737)	6.24 (0.0001)	0.05 (0.7352)	-0.07 (0.8143)	0.81 (0.0012)
<b>RES</b>	Size effect	0.08 (0.0001)	0.05 (0.0046)	0.08 (0.0001)	0.09 (0.0113)	0.07 (0.0001)

<b>CRC</b>	Past Growth	0.0002 (0.8973)	-0.000 7(0.0342)	-0.006 (0.1348)	-0.001 (0.005)
<b>R-square</b>		0.2732	0.8501	0.2763	0.2335
<b>Adj R-sq</b>		0.2614	0.818	0.2632	0.1433

<sup>1</sup> We regressed the size on the insider stake and the volume and report a new RES is the residuals of the regressions of the size on the other variables. (Source: Gadhoum, 2015)

**Table 3: Regressions Results with Interaction Effect**

(Source: Gadhoum, 2015)

<b>Panel A: Interaction with family</b>				
Variables	DSM (n=374)		D10 (n=228)	
	Parameter	t	Parameter	t
INTERCEPT	0.08	0.0078	0.52	0.0001
BLI	0.002	0.0001	0.01	0.0001
VOL	2.98	0.0001	9.07	0.0001
QRM	-0.0003	0.6474	-0.004	0.2148
CFL	0.04	0.7672	-0.94	0.0469
RES	0.08	0.0001	0.22	0.0001
CRC	-0.0007	0.0249	-0.004	0.0043
FML	0.01	0.9272	0.39	0.5047
FBL1	-0.001	0.4436	-0.01	0.0783
FVOL	-0.78	0.9372	-3.21	0.9184
FQRM	0.03	0.6158	0.17	0.4259
FCFL	6.16	0.0001	3.31	0.3232
FRES	-0.02	0.5197	-0.08	0.5366
FCRC	0.001	0.7468	0.01	0.1059
R-square	0.356		0.325	
Adj R-sq	0.333		0.284	
<b>Panel B: Interaction with Conglomerate affiliation</b>				
Variables	DSM (n=300)		D10 (n=200)	
	Parameter	t	Parameter	t
INTERCEPT	0.08	0.0364	0.4723	0.0061
BLI	0.002	0.002	0.0126	0.0001
VOL	2.78	0.0009	9.4146	0.0002
QRM	0.003	0.2899	0.0906	0.0226
CFL	0.74	0.0106	-1.4887	0.0621
RES	0.07	0.0001	0.2037	0.0001
CRC	-0.001	0.0148	-0.00564	0.0006
GRP	0.15	0.2893	-0.3308	0.4731
GBL1	0.0002	0.9083	-0.00338	0.5885
GVOL	-0.47	0.8204	-4.1707	0.4918
GQRM	-0.05	0.1741	0.1570	0.2309
GCFL	-0.82	0.0219	0.5422	0.5925
GRES	0.02	0.385	0.1768	0.0737
GCRC	-0.005	0.0623	-0.01348	0.2380
R-square	0.335		0.3170	
Adj R-sq	0.305		0.270	

COC=Concentration; FML=family owned; BL1=Major shareholder's voting rights; BLI=Manager, directors, and CEO's V.R; VOL=Transaction volume; QRM=Tobin's Q Ratio; CFL=Lehn & Poulsen F.C measure; RES=size effect; CRC=Past growth; GRP= Conglomerate affiliated; F stems for interaction with family whereas G stems for interaction with Conglomerate.

(Source: Gadhoum, 2015)



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**Figure 1 (continues) : The Bronfman's Conglomerate (Charles)**

