TESIS DOCTORAL

EARNINGS MANAGEMENT. ANÁLISIS DEL DESEMPEÑO FINANCIERO Y NO FINANCIERO EN EMPRESAS FAMILIARES

JOÃO MIGUEL CAPELA BORRALHO

PROGRAMA DE DOCTORADO EN ECONOMÍA Y EMPRESA

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RESUMEN / ABSTRACT

RESUMEN

Earnings management (EM) son prácticas intencionales de los gestores para alterar la información financiera en el sentido deseado e influir las decisiones de sus usuarios, lo cual constituye un problema para el funcionamiento del mercado financiero y de capitales. En las empresas familiares, la intervención de la familia en el negocio puede atenuar o agravar las prácticas de EM.

La presente Tesis Doctoral analiza la influencia del estatus familiar (o no) de la empresa en las prácticas de EM, y cómo esta influencia está moderada por la generación de la empresa. Además, analiza cómo determinados factores relacionados con el gobierno corporativo y la responsabilidad social (RSC) pueden mitigar dichas prácticas, poniendo el foco en el singular contexto de la empresa familiar.

Concluimos que las empresas familiares son menos propensas a recurrir a prácticas de EM, aunque esta relación está moderada por la generación en la que se encuentra la empresa. La preocupación de las empresas familiares por su imagen y reputación las lleva a adoptar determinadas prácticas de gobierno corporativo que son eficaces para reducir las prácticas de EM. Igualmente, los aspectos ambiental y social de la RSC contribuyen significativamente a la reducción de las prácticas de EM en las empresas familiares, lo que se considera consistente con su mayor orientación a largo plazo.

Las conclusiones son relevantes a efectos académicos, pero también para las empresas y organismos normalizadores al definir y aplicar mecanismos de conducta que salvaguarden la fiabilidad de la información financiera.

PALABRAS CLAVE: Empresa familiar versus no familiar, manipulación contable, teoría de la agencia, gobierno corporativo, responsabilidad social corporativa.

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ABSTRACT

Earnings management (EM) are intentional practices of managers to alter financial information in the desired direction and influence the decisions of their users, which constitutes a problem for the operation of the financial and capital markets. In family firms, family intervention in the business can mitigate or aggravate EM practices.

This Doctoral Thesis analyses the influence of the family status (or not) of the company in EM practices, and how this influence is moderated by the generation of the company. In addition, it analyses how certain factors related to corporate governance and corporate social responsibility (CSR) can mitigate these practices, focusing on the unique context of the family firms.

We conclude that family firms are less likely to resort to EM practices, although this relationship is moderated by the generation in which the company is located. The concern of family firms for their image and reputation leads them to adopt certain corporate governance practices that are effective in reducing EM practices. Similarly, the environmental and social aspects of CSR contribute significantly to the reduction of EM practices in family firms, which is considered consistent with their greater long-term orientation.

The conclusions are relevant for academic purposes, but also for companies and standardizing bodies when defining and applying behavioral mechanisms that safeguard the reliability of financial information.

KEYWORDS: Family versus non-family firms, earnings management, agency theory, corporate governance, corporate social responsibility.

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Capítulo 1: INTRODUCCIÓN

La gestión del resultado contable, prácticas de manipulación contable *o earnings management* (término inglés que adoptaremos en la presente Tesis Doctoral), definida como "cualquier práctica llevada a cabo intencionadamente por la gerencia, con fines oportunistas y/o informativos para reportar la cifra de resultados deseada, distinta de la real" (García, Gill de Albornoz y Gisbert, 2005, p. 1002), impide conocer la imagen veraz y apropiada de la situación económico-financiera de la empresa. Por tanto, influye en las decisiones de inversores y financiadores, afectando tanto a la confianza de los agentes económicos, como a la capacidad de captación de recursos, lo cual puede repercutir en un amplio conjunto de grupos de interés o *stakeholders* (Gómez-Mejía, Cruz e Imperatore, 2014; Rusanescu, 2014). Por esta razón, los *earnings management* han suscitado un notable interés como objeto de estudio (e.g. Cascino, Pugliese, Mussolino y Sansone, 2010; Lennox, Wang y Wu, 2018; Prencipe, Bar-Yosef y Dekker 2014; Saavedra y Cabrera, 2016; Songini, Gnan y Malmi, 2013).

La literatura ha demostrado que las prácticas de *earnings management* que permiten a los gerentes cambiar los valores de los estados financieros pueden ser el resultado de aprovechar la flexibilidad de las normas contables, tales como la selección de políticas y criterios contables, así como el uso de estimaciones o de "valores razonables" inapropiados (Dechow y Skinner, 2000; Sousa, Góis y Viseu, 2019). Estas prácticas pueden conducir a violaciones en la aplicación de las normas contables que pueden ser detectadas por los auditores o investigadas por las autoridades (Bartov, Gul y Tsui, 2001; Dechow y Skinner, 2000; Jara y López-Iturriaga, 2007; Sue, Chin y Chan, 2013). Sin embargo, los gerentes también pueden ejercer acciones discrecionales en la configuración de ciertas transacciones económicas y financieras con el fin de aumentar o disminuir los resultados contables, sin violar los principios contables, pero que alteran el funcionamiento normal de los negocios, como encontrar el buen momento para realizar operaciones de ventas, producir o ejecutar proyectos de inversión (Liu, Shi, Wilson y Wu, 2017). Debido a la naturaleza intencional de las prácticas de *earnings management*, éstas pueden conducir a distorsiones muy significativas en la información financiera, con el objetivo de ocultar la realidad económica y financiera de la empresa y, por lo tanto, pueden constituir situaciones de fraude (Dunn, 2004; Ramírez-Orellana, Martínez-Romero y Mariño-Garrido, 2017), cuya frontera con los *earnings management* puede no ser clara (Jones, 2011). Sin embargo, el fraude como resultado de información financiera muy distorsionada y engañosa, que puede llevar a un tomador de decisiones a cambiar su posición (Dechow y Skinner, 2000), queda fuera del alcance de la presente Tesis Doctoral.

A través de medidas de desempeño financiero, basadas en valores contables (Hassabelnaby, Mohammad y Said, 2010; Sim, Song y Killough, 2010), la investigación

ha tratado de encontrar evidencias de cuáles son las motivaciones que están en el origen de los *earnings management*, encontrando motivaciones asociadas con los contratos de financiación (Bharath, Sunder y Sunder, 2008; Dichev y Skinner, 2002; Sweeney, 1994), o los contratos de compensación de los ejecutivos (Carter, Lynch y Zechman, 2006; Gaver, Gaver y Austin, 1995; Richarson y Waegelein, 2002), así como con motivaciones asociadas con el mercado de capital (Abarbanell y Lehavy, 2003; Beatty, Ke y Petroni, 2002; Richarson y Waegelein, 2002) y con los costes políticos (Hall y Stammerjohan, 1997; Jones, 1991). Por otro lado, y a raíz de los escándalos financieros ocurridos al inicio del presente siglo (Mboga, 2017; Osma y Noguer, 2007), una corriente de investigación intentó identificar y explicar, a través de medidas de desempeño no financiero, procedimientos para la restricción de las prácticas de *earnings management*, identificando mecanismos tales como las buenas prácticas de gobierno corporativo (García y Gill de Albornoz, 2004; Liu, Valenti y Chen, 2016; Torchia y Calabrò, 2016) o la intervención de los auditores (Aguilera y Crespi-Cladera, 2012; Desender, Aguilera, LópezPuertas-Lamy y Crespi-Cladera, 2014; Van Tendeloo y Vanstraelen, 2008). Las preocupaciones actuales en relación con el respeto al medio ambiente y la responsabilidad social motivaron a las empresas a adoptar principios éticos coherentes con las normas sociales vigentes, entre los cuales se incluyen procesos transparentes de presentación de cuentas. Por ello la investigación también ha intentado analizar si la aplicación de la responsabilidad social en las empresas es eficaz en la restricción de los *earnings management* (Bozzolan, Fabrizi, Mallin y Michelon, 2015; Chih, Shen y Kang, 2007; Hong y Andersen, 2011; Kim, Park y Wier, 2012).

La investigación empírica existente se ha centrado fundamentalmente en las empresas cotizadas (e.g. Claessens y Tzioumis, 2006; Landry, Deslandes y Fortin, 2013; Vieira, 2016), cuyas prácticas de *earnings management* están generalmente ligadas a la presión del mercado de capitales (Crabtree, Maher y Wan, 2014; Mafrolla y D'Amico, 2017). Sin embargo, las empresas no cotizadas no están sujetas al escrutinio de dicho mercado, ni a la preocupación por lograr un umbral mínimo de ganancias (Mafrolla y D'Amico, 2017), ni están legalmente obligadas a aplicar normas de transparencia, y además tienen menores exigencias de auditoría (Arnedo, Lizarraga y Sánchez, 2007; Campa y Camacho-Miñano, 2014; Cano, 2007). Ajenas al mercado de capitales, las empresas no cotizadas pueden, por tanto, adoptar prácticas de *earnings management* para influenciar las decisiones de sus principales inversores (accionistas mayoritarios y bancos), para obtener mayores cantidades de préstamos (Mafrolla y D'Amico, 2017), o para reducir el pago de impuestos (Burgstahler, Hail y Leuz, 2006), especialmente en aquellos países con mayor conformidad entre las normas contables y las reglas fiscales, como España (Van Tendeloo y Vanstraelen, 2008). La investigación, además

de encontrar distintas motivaciones en términos de *earnings management* entre empresas cotizadas y no cotizadas (Arnedo et al., 2007; Burgstahler et al., 2006; Campa y Camacho-Miñano, 2014; Claessens y Tzioumis, 2006), sugiere que la mayor dependencia de los recursos internos y la menor capacidad de asumir riesgos de las empresas familiares (Gómez-Mejía et al., 2014) conduce a diferencias entre las decisiones de índole financiera de las empresas familiares y no familiares. Sin embargo, la investigación sobre prácticas de manipulación contable en las empresas familiares también se ha centrado en las empresas cotizadas (e.g. Carrera, 2017; Martín, Campbell y Gómez-Mejía, 2016; Paiva, Lourenço y Branco, 2016; Prencipe et al., 2014; Salvato y Moores, 2010), siendo escasa la investigación sobre prácticas de *earnings management* en empresas familiares no cotizadas. Éste constituye, por tanto, el primer *gap* de investigación identificado en nuestra revisión de la literatura (e.g. Stockmans, Lybaert y Voordeckers, 2010, 2013), que trataremos de ayudar a cubrir con esta investigación.

El sistema de gobierno de las empresas familiares también parece presentar características singulares. Por un lado, la posición concentrada de las familias y su dominio sobre los órganos de gobierno puede llevar a estructuras de gestión más informales y a menor independencia de la administración con respecto a la familia, lo cual, a su vez, puede generar incertidumbres en cuanto a la supervisión efectiva de los gerentes en relación con la contabilidad discrecional (Aguilera y Crespi-Cladera, 2012; Jaggi, Leung y Gul, 2009). Por otro lado, sin embargo, y como consecuencia de su orientación a largo plazo (Deephouse y Jaskiewicz, 2013; Lumpkin, Brigham y Moss, 2010), las empresas familiares parecen ser más sensibles tanto a los problemas de imagen como a la necesidad de transmitir un entorno de confianza. Esta preocupación por la reputación puede influir en las empresas familiares para que adopten prácticas de gobierno singular y presenten información financiera de mayor calidad (Liu et al., 2016). Estas inconsistencias en la escasa literatura sobre la relación entre las prácticas de gobierno corporativo de las empresas familiares y sus prácticas de *earnings management* constituyen la segunda brecha de investigación identificada en nuestra revisión de la literatura (Jaggi et al., 2009; Prencipe y Bar-Yosef, 2011).

Para finalizar los diferentes abordajes que el desempeño financiero y no financiero presenta a nivel de la información financiera, analizamos el impacto de la Responsabilidad Social Corporativa (RSC) en los *earnings management*. En las últimas décadas, la maximización del valor económico para los accionistas ha dejado de considerarse el único objetivo de las organizaciones empresariales (Archel-Domench, 2003; Cupertino, Consolandi y Vercelli, 2019). La responsabilidad de las empresas se ha ampliado para cumplir con el compromiso del desarrollo sostenible,

entendiéndose éste como aquellas acciones que satisfacen las necesidades del desarrollo actual sin comprometer la satisfacción de las necesidades de las generaciones futuras (Gallardo-Vázquez, Sanchéz-Hernandez y Castilla-Polo, 2014).

En el área de la calidad de la información financiera, se considera que las empresas más responsables socialmente se comportarán de forma más ética y, por lo tanto, serán menos susceptibles de manipular la información contable (Martínez-Ferrero, García-Sánchez y Cuadrado-Ballesteros, 2015; Patten y Trompeter, 2003; Yip, Van Staden y Cahan, 2011). Sin embargo, bajo este argumento, algunas empresas podrán divulgar más información de RSC como una forma de ocultar la manipulación contable (Anderson y Reeb, 2003; Cespa y Cestone, 2007; Gavana, Gottardo y Moisello, 2017; Kyaw, Olugbode y Petracci, 2017; Martínez-Ferrero, Villaron-Peramato y García-Sánchez, 2017; Prior, Surroca y Tribó, 2008), aunque la investigación aún no ha alcanzado resultados concluyentes. Esta controversia también se verifica en el caso de las empresas familiares (Liu et al., 2017; Martínez-Ferrero, Rodríguez-Ariza y García-Sanchez, 2016), a pesar del reducido número de estudios sobre el tema y, por tanto, constituye la tercera brecha de investigación que aborda esta Tesis Doctoral.

Contribuir a cubrir las tres brechas de investigación identificadas en la literatura es el objetivo general de la presente Tesis Doctoral. Para alcanzar este objetivo, adoptaremos argumentos de teorías normalmente asociadas tanto con las empresas familiares como con las prácticas de *earnings management*, así como de la literatura sobre la riqueza socioemocional (en adelante SEW) de las empresas familiares (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson y Moyano-Fuentes, 2007), tal y como se recoge en la Tabla 1.1. En concreto, y en línea con investigaciones previas (Cascino et al. 2010; Prencipe, Bar-Yosef, Mazzola y Pozza, 2011), analizamos medidas de desempeño financiero, a partir de datos contables, como mecanismos de identificación de las causas que conducen a las prácticas de *earnings management*. Ejemplos de estas medidas son la dimensión de la empresa (Sáenz y García-Meca, 2014; Rodríguez-Pérez y Hemmen, 2010), la rentabilidad (Jara y López-Iturriaga, 2014; Leuz, Nanda y Wysocki, 2003), el crecimiento (Bravo y Reguera-Alvarado, 2018; Sue, Chin y Chan, 2013) y el endeudamiento (Pazzaglia, Mengoli y Sapienza, 2013). Por otro lado, a través del desempeño no financiero analizamos los mecanismos de restricción de esas prácticas que justifiquen diferencias entre empresas familiares y no familiares (Cascino et al., 2010), principalmente la supervisión de la familia (Prencipe et al., 2014), las prácticas de gobierno corporativo (Jaggi et al., 2009; Liu et al., 2016) y el desempeño a nivel de las dimensiones de la RSC (Kyaw et al., 2017; Martínez-Ferrero et al., 2017; Prior et al., 2008).

Tabla 1.1 *Gaps* que cubre esta investigación

Gap	Descripción del *gap*	Título del trabajo que cubre este *gap* (número del capítulo en la Tesis Doctoral).	Objetivo de investigación	Marcos teóricos utilizados
1º	Relación entre el estatus familiar (o no) de la empresa y las prácticas de *earnings management*.	*Earnings management in private family versus non-family firms. The moderating effect of family business generation.* (Capítulo 2)	Analizar la relación entre el estatus familiar o no de la empresa con las prácticas de *earnings management*, así como el efecto moderador de la generación en que se encuentra la empresa.	Teoría de agencia, teoría *stewardship* y literatura de SEW.
2º	La influencia del gobierno corporativo en la calidad de la información financiera. Una comparación entre empresas familiares y no familiares.	*The effect of corporate governance factors on the quality of financial reporting in family and non-family firms.* (Capítulo 3)	Analizar la influencia del estatus de la empresa familiar en las prácticas de *earnings management* e investigar el efecto de diversos factores de gobierno corporativo en esa relación.	Teoría de agencia y literatura sobre SEW.
3º	El impacto de la Responsabilidad Social Corporativa en las prácticas de *earnings management:* comparación entre empresas familiares y no familiares	*The impact of corporate social responsibility performance on earnings management: family versus non-family firms.* (Capítulo 4)	Estudiar la relación entre el desempeño de la RSC y las prácticas de *earnings management* en las dimensiones ambiental, social y de gobierno corporativo, comparando empresas familiares *y* no familiares.	

RSC: Responsabilidad Social Corporativa; SEW: Riqueza socioemocional

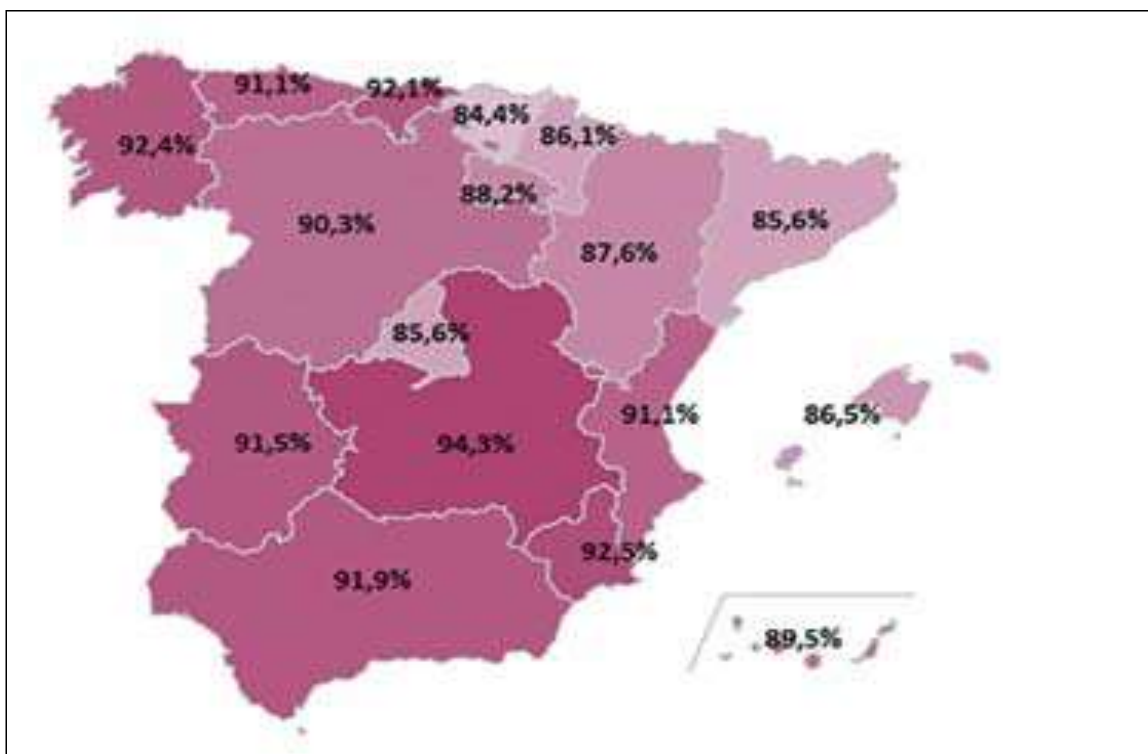
Para contribuir a cubrir cada uno de los tres *gaps* de investigación identificados en nuestra revisión de la literatura, la presente investigación se estructura en torno a tres estudios empíricos (Capítulos 2 a 4), cuyos títulos, objetivos, y marcos teóricos aparecen también recogidos en la Tabla 1.1, y se explican brevemente a continuación. Cada uno de estos estudios se desarrolló de forma independiente, aunque interconectada para alcanzar los objetivos de la Tesis, y posteriormente se presentó para su publicación en revistas científicas. Dada la autonomía referida, cada uno de estos tres estudios se presenta de forma íntegra en los Capítulos 2 a 4.

Gap 1 - Relación entre el estatus familiar de la empresa y las prácticas de *earnings management*

El primer *gap* de investigación identificado en nuestra revisión de la literatura se refiere a la relación entre el estatus familiar (o no) de la empresa y las prácticas de *earnings management*, y es importante cubrirlo debido a varias razones. Primero, porque las prácticas de *earnings management* han sido menos investigadas en las empresas privadas, a pesar de su importancia internacional, y principalmente en la Unión Europea (Van Tendeloo y Vanstraelen, 2008), y de sus diferencias respecto a las empresas cotizadas (Mafrolla y D'Amico, 2017). Segundo, porque las empresas familiares, definidas como aquellas en las que confluyen los sistemas empresa, familia y propiedad (Basco y Pérez, 2009; Gersick, Davis, Hampton y Lansberg, 1997), ocupan un papel relevante en la economía mundial (Anderson y Reeb, 2003; Gómez-Mejía et al., 2014; Schulze, Lubatkin, Dino y Buchholtz, 2001; Villalonga y Amit, 2006). De hecho, en Europa Occidental, las empresas familiares representan entre el 75% y el 95% del total de empresas (Campopiano y De Massis, 2015; Lank, 1995; Prencipe et al., 2014), y en España, representan el 90% de las sociedades mercantiles capitalistas y son responsables de cerca del 60% del valor añadido bruto (Instituto de la Empresa Familiar, 2015 – IEF a partir de ahora-), como se muestra en las figuras 1.1 y 1.2, respectivamente. Tercero, porque en las empresas familiares, la familia suele ser el accionista mayoritario y, por tanto, puede controlar los órganos de gobierno, lo cual, unido a la menor dimensión de los accionistas minoritarios, puede atenuar los conflictos de agencia tanto entre accionistas y gestores (problema de agencia tipo I) como entre accionistas mayoritarios y minoritarios (problema de agencia tipo II) (Kvaal, Langli y Abdolmohammadi, 2012; Stockmans et al., 2010). Además, las empresas familiares tienden a establecer relaciones de mayor confianza con sus *stakeholders* como forma de mantener su capital reputacional (García-Sánchez y Martínez-Ferrero, 2016), razón por la que son susceptibles de presentar menores niveles de manipulación contable (Prencipe et al., 2008; 2011). Y finalmente, porque los *stakeholders* de las empresas familiares no cotizadas también necesitan información financiera fiable, porque resultarían perjudicados en situaciones de información financiera no fiable (Mafrolla y D'Amico, 2017).

La figura 1.1 muestra la proporción de empresas familiares en todas las comunidades autónomas de España. Esta proporción oscila entre el 84,4% en el País Vasco y el 94,3% en Castilla-La Mancha, una diferencia que "*probablemente pueda ser debida a la diferente estructura sectorial y de tamaño de la población empresarial en las diferentes zonas*" (IEF, 2015, p. 38).

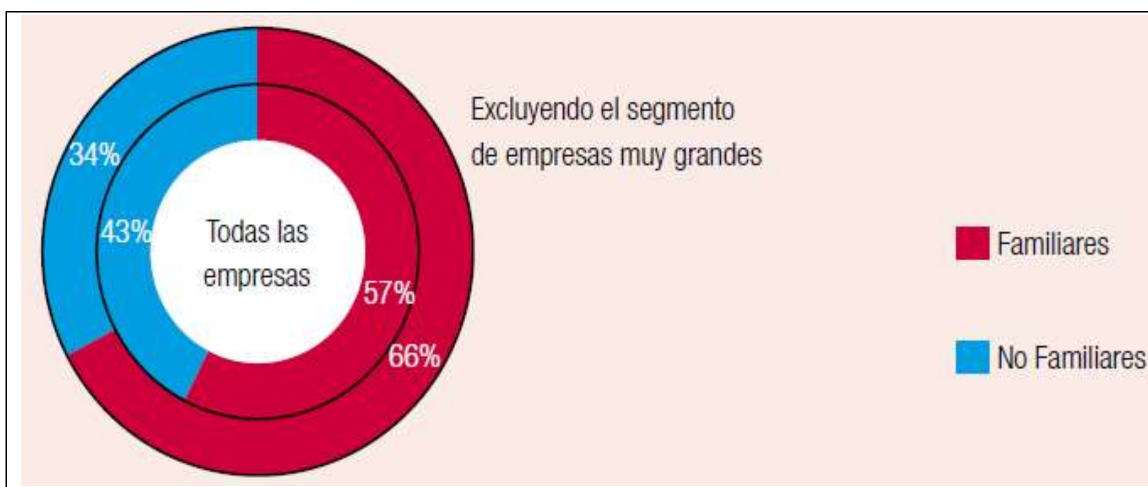
Figura 1.1 Porcentaje de Empresas Familiares por Comunidades Autónomas



Fuente: Instituto de la Empresa Familiar (2015)

Por otro lado, la Figura 1.2 recoge el valor agregado bruto (VAB) que aportan las empresas familiares a la economía española (57%). Como se aprecia en la figura, este valor es mayor cuando se excluye el segmento de las grandes empresas (familiar 66%; no familiar 34%), a causa de la menor proporción de empresas familiares entre las empresas de mayor tamaño (Claessens y Tzioumis, 2006).

Figura 1.2 Valor Agregado Bruto (VAB) aportado por la empresa familiar



Fuente: Instituto de la Empresa Familiar (2015)

Todos los argumentos referidos nos impulsan a intentar contribuir a paliar este primer *gap* de investigación, adoptando argumentos de los tres marcos teóricos más comúnmente usados en la literatura sobre *earnings management* en la empresa familiar (Salvato y Moores, 2010; Paiva et al., 2016): la teoría de la agencia (Jensen y Meckling, 1976), la teoría del *stewardship* (Donaldson y Davis, 1991) y la literatura de la SEW (Gómez-Mejía et al., 2007). Así, consideramos que el estatus de empresa familiar parece mitigar tanto los problemas de agencia tipo I (e.g. Landry et al., 2013), como los problemas de agencia tipo II (Cascino et al., 2010; Prencipe et al., 2008, 2011). La implicación de la familia en la empresa fortalece la supervisión de los gestores, reduciendo los conflictos de intereses y, por tanto, el problema de agencia tipo I (Landry et al., 2013; Paiva et al., 2016). Por otro lado, también el problema de agencia tipo II puede ser mitigado en las empresas familiares ya que a menudo el administrador, "steward", es un miembro de la familia que pretende favorecer los objetivos a largo plazo de la empresa (Lumpkin y Brigham, 2011; Miller y Le Breton-Miller, 2006), con menor presión sobre el desempeño financiero, todo lo cual puede contribuir a reducir las prácticas de *earnings management.* Sin embargo, dado que las empresas familiares más antiguas están más preocupadas por mantener su SEW y por evitar dañar la reputación de la empresa como consecuencia de procedimientos de mala conducta (Michelon y Parbonetti, 2012; Songini et al., 2013; Stockmans et al., 2010) también consideramos que la asociación entre el estatus familiar de la empresa y sus prácticas de manipulación contable estará moderada por la generación en la que se encuentra dicha empresa.

Según la visión de la SEW, el control y la identidad familiar son aspectos singulares de las empresas familiares, que llevan a tales empresas a preocuparse no sólo por aspectos financieros, sino también por aspectos no financieros relacionados con el bienestar de la familia (Gómez-Mejía et al., 2007; Songini et al., 2013). Estos aspectos no financieros incluyen la preservación del negocio para las generaciones futuras, los intereses familiares desde una perspectiva a largo plazo, el deseo de mantener la capacidad de la familia para ejercer el control del negocio, la identificación de la familia con la empresa, el establecimiento de relaciones duraderas con las partes interesadas *(stakeholders)*, o el desarrollo de vínculos emocionales que promuevan la confianza y la lealtad entre los miembros de la organización (Gómez-Mejía et al., 2007, 2011, 2014; Miller, Breton-Miller y Lester, 2011; Stockmans et al., 2010, 2013). Las empresas familiares persiguen, como consecuencia, la maximización de su función de utilidad, que depende tanto de la riqueza financiera como de la SEW, razón por la que están dispuestas a ceder parte de la primera en favor del mantenimiento de la segunda (Gómez-Mejía et al., 2007; Hernández y Gálvez, 2016). Consecuentemente las prácticas de *earnings management* podrán ser más intensas en las empresas

familiares si el desempeño financiero condiciona el control de la familia, o inferiores en relación a las empresas no familiares considerando su preocupación por la reputación y la consecuente necesidad de mantener una imagen positiva de la organización (Berrone, Cruz, Gómez-Mejía y Lazarra-Kintana, 2010; Guillamón-Saorín, Guiral y Blanco, 2018). La singularidad de las empresas familiares puede conducir, por tanto, a situaciones heterogéneas en relación con las prácticas de *earnings management*, tal y como ha sido corroborado empíricamente por la literatura (Paiva, Lourenço y Curto, 2019; Stockmans et al., 2010).

Adoptando argumentos de estos tres marcos teóricos llevamos a cabo un estudio empírico con 263 empresas españolas no cotizadas, de dimensión significativa y auditadas, el cual ha sido ya publicado en versión "early view" en la revista *Spanish Journal of Finance and Accounting / Revista Española de Financiación y Contabilidad* [Journal of Citation Reports 2018 (JCR) – 0,59; Scopus (SJR) 2018 – 0,21], bajo el título *Earnings management in private family versus non-family firms. The moderating effect of family business generation*, tal y como se recoge en el Capítulo 2 de la presente Tesis Doctoral (confrontar Anexo 2).

***Gap* 2 - Influencia del gobierno corporativo en la calidad de la información financiera: empresas familiares *versus* no familiares.**

El segundo *gap* de investigación identificado durante la revisión de la literatura se refiere a la influencia del gobierno corporativo en la calidad de la información financiera y, en particular, a la comparación de esta influencia en las empresas familiares y no familiares. Cubrir este *gap* es importante debido a que, en el contexto de la empresa familiar, a menudo la familia controla los órganos de gobierno y, por tanto, resulta necesario conocer si la adopción de determinadas prácticas de gobierno corporativo ayuda a alinear los intereses de los diferentes *stakeholders*, y si estas prácticas impactan en la calidad de la información financiera. La intervención de la familia en los órganos de gobierno es susceptible de reforzar la supervisión de los gestores, mitigando los problemas de agencia tipo I. Sin embargo, la posición dominante de la familia puede agravar los problemas de agencia tipo II, favoreciendo sus intereses en detrimento de los accionistas minoritarios. Por otro lado, desde la crisis financiera internacional de 2008, el gobierno corporativo ha sido objeto de nuevas preocupaciones, como demuestran los códigos de conducta, considerados una forma de transmitir a los mercados un clima de confianza y transparencia en la información financiera (OCDE, 2016; Sá, Neves y Góis, 2017). El papel preponderante que las empresas familiares desempeñan en las economías de los países también justifica esta investigación (Campopiano y De Massis, 2015; Prencipe y Bar-Yosef, 2011). Para

cubrir este *gap*, analizamos el efecto de diversos factores de gobierno corporativo (no dualidad entre el presidente y el director ejecutivo de la empresa, tamaño del consejo de administración, proporción de mujeres en el mismo y tamaño de la empresa de auditoría) sobre las prácticas de *earnings management,* comparando empresas familiares y no familiares. Esta información es relevante para los usuarios y reguladores de los estados financieros, así como para los auditores y las empresas, considerando el riesgo de auditoría y la efectividad de implementar sistemas de control interno apropiados. Además, reforzamos la evidencia de la calidad de la información financiera en las empresas familiares cotizadas y no cotizadas (Miller y Le Breton-Miller, 2006), y respaldamos la idea de que las mujeres en puestos de alto nivel ayudan a mejorar la calidad de la información contable (Arun, Almahrog y Aribi, 2015; Damak, 2018; Gull, Nekhili, Nagati y Chtioui, 2018).

Nuestros argumentos se asientan en la teoría de la agencia y en la literatura de la SEW de la familia. Por un lado, el dominio de la familia sobre los órganos de gobierno puede llevar a los accionistas mayoritarios a aumentar sus beneficios en detrimento de los intereses de las minorías o de otros *stakeholders*, lo que a su vez puede conducir a presentar información contable de menor calidad (Chi, Hung, Cheng y Lieu, 2015; Razzaque, Ali y Mather, 2016; Torchia y Calabrò, 2016). Por otro lado, la participación de la familia en la empresa mitiga los conflictos de interés entre accionistas y gerentes y, en consecuencia, las asimetrías que pueden socavar el proceso de información financiera (e.g. Prencipe et al., 2011). Además, las empresas familiares están dispuestas a sacrificar parte de su riqueza financiera en favor de mantener su SEW, de garantizar su continuidad a largo plazo y de mantener su capital de reputación (Gómez-Mejía et al., 2011, 2014; Miller et al., 2011; Stockmans et al., 2010, 2013). Como tal, es probable que adopten buenas prácticas de gobierno para alinear aún más los intereses de los *stakeholders* internos y externos y, por lo tanto, evitar las prácticas de *earnings management*, ya que pueden ser perjudiciales para el futuro de la empresa (Martín et al., 2016).

Este objetivo se abordó en un estudio empírico realizado con 650 empresas españolas cotizadas y no cotizadas. Dicho estudio ha sido aceptado para publicación en la revista *Spanish Accounting Review / Revista de Contabilidad* (JCR 2018 – 1,250; SJR 2018 – 0,38), con el título: The effect of corporate governance factors on the quality of financial reporting in family and non-family firms” (confrontar Capítulo 3 y Anexo 3).

***Gap* 3 - Impacto de la Responsabilidad Social Corporativa en las prácticas de *earnings management*: empresas familiares *versus* no familiares**

El tercer *gap* de investigación identificado en la literatura está relacionado con el impacto de la RSC en las prácticas de *earnings management,* y la necesidad de conocer si dicho impacto es igual o no *para* empresas familiares que para empresas no familiares. Cubrir este *gap* es relevante dado que la orientación a largo plazo de las empresas familiares con ciclos de inversión más largos, parece ser más consistente con los plazos extendidos de recuperación de las inversiones en RSC (Berrone et al., 2010). Esto puede conducir a un mayor desempeño de las empresas familiares en RSC, considerando que su mayor preocupación por la buena imagen y la reputación empresarial llevará a estas empresas a evitar situaciones que puedan ser consideradas antiéticas (Bingham, Dyer Jr., Smith y Adams, 2011; Cruz, Larraza-Kintana, Garcés-Galdeano y Berrone, 2014). Sin embargo, las empresas familiares no son homogéneas (Chua, Chrisman, Steier y Rau, 2012; Deephouse y Jaskiewicz, 2013) y esta heterogeneidad también se refleja en el desempeño de la RSC, ya que la familia tiene la posibilidad de aumentar sus intereses en detrimento de los demás y no ver las acciones de la RSC como una ventaja competitiva, al disponer de información privilegiada y, por lo tanto, puede reducir la divulgación en esta área (Gavana et al., 2017; Ghoul, Guedhami, Kwok y Wang, 2015). Por otro lado, las empresas pueden utilizar las acciones de RSC como forma de ser consideradas más éticas para finalidades comerciales, sin respetar la aplicación de principios éticos en los negocios, incluyendo entre ellos la transparencia y la calidad de los informes financieros (Gavana et al., 2017; Prior et al., 2008). Esta evidencia es relevante para inversores, auditores y organismos de normalización. Para los inversores, por el efecto que la RSC presenta en la credibilidad del proceso de rendición de cuentas de las empresas. E igualmente, para los auditores al considerar el riesgo de representaciones erróneas importantes en la información financiera, ya que un mayor desempeño de la RSC puede reducir los resultados contables y esto puede impulsar las prácticas de *earnings management*. Además, esta evidencia puede ser relevante para los organismos de normalización a la hora de definir los mecanismos y procedimientos éticos que deben considerarse al aplicar los manuales de RSC.

La naturaleza multidimensional del concepto de RSC (Block y Wagner, 2014; Cruz et al., 2014) incluye acciones muy distintas, que van desde los aspectos ambientales hasta aspectos sociales, e igualmente cubre un abanico muy variado de *stakeholders*. Estos aspectos pueden llevar a que las empresas familiares sean más responsables en algunos casos y más irresponsables en otros, lo cual, a su vez, puede llevar a

diferencias en la calidad de la información financiera (Bingham et al., 2011; Cruz et al., 2014).

El análisis del desempeño de la RSC considerando individualmente las dimensiones ambiental, social y de gobierno corporativo añade valor a la investigación y es soportado principalmente por la teoría de la agencia y por la literatura de la SEW. La participación de la familia en los negocios puede reforzar la supervisión de los gestores de aquellas acciones consideradas de mayor visibilidad pública entre las cuales se incluyen las relacionadas con la RSC, que pueden ser utilizadas para ocultar prácticas de *earnings management* (Gavana et al., 2017). La riqueza de la familia, principalmente invertida en la empresa, también será susceptible de mejorar el alineamiento de intereses entre accionistas mayoritarios y minoritarios, ya sea por sus mayores exigencias a nivel de gobierno corporativo, ya sea porque las prácticas antiéticas de RSC podrán ser perjudiciales para el futuro de la empresa y, consecuentemente, generar pérdida de valor en el mercado de capitales. Por otro lado, la mayor orientación al largo plazo de las empresas familiares ha llevado a la literatura sobre SEW a enfatizar las mayores preocupaciones de estas empresas por el control y la imagen empresarial (Berrone et al., 2010; Martín et al., 2016). El apego emocional de la familia al negocio lleva a que sus decisiones se adopten fundamentalmente considerando una perspectiva futura (Gómez-Mejía et al., 2014), restando presión al cumplimiento de los objetivos a corto plazo (Prencipe et al., 2011). Esto es susceptible de mejorar el desempeño de la fuerza de trabajo, privilegiando relaciones duraderas que se revelan esenciales para mantener el control familiar (Branco y Rodrigues, 2006), lo cual a su vez se puede reflejar positivamente en la imagen externa de la empresa, a nivel de proveedores, clientes y consumidores, como forma de mantener la SEW de la familia (Block y Wagner, 2014; Cruz et al., 2014; Zientara, 2017).

Para contribuir a cubrir este gap de investigación llevamos a cabo un estudio empírico con 243 empresas francesas y españolas que cotizan en bolsa, en el período de 2009-2018. Ponemos el foco en las empresas de España y Francia por ser países próximos, ambos con una legislación con origen en el derecho romano *(Code-law)* conocida por su visión legalista (Gallen y Grado, 2016), con orientación hacia los *stakeholders,* de propiedad concentrada y de densidad familiar (Arnedo et al., 2007). Estos países han incorporado a sus respectivas legislaciones nuevas normas relacionadas con la divulgación de la información de la RSC: la nueva regulación económica en Francia (Ley nº 2010-788, de 12 de julio -artículo L225-102-1) y la modificación de la ley de sociedades de capital en España (Real Decreto Legislativo n.º 1/2010, de 2 de julio – artículo 529º). Estas obligaciones hicieron posible la integración del concepto de RSC

en el proceso de prestación de cuentas de las empresas y justifica la investigación en el contexto de las empresas familiares (Iyer y Lulseged, 2013; Laguir y Elbaz, 2014).

Estructura de la Tesis Doctoral

La presente Tesis Doctoral está estructurada en cinco capítulos. Tras este primer capítulo introductorio, en el que se recogen las motivaciones y al marco teórico de la tesis, se presentan tres estudios científico-académicos, que si bien son trabajos independientes, tienen dos importantes nexos de unión. Por un lado, todos ellos ponen el foco en los antecedentes de las prácticas de *earnings management* y, por otro, todos prestan especial atención al singular contexto de la empresa familiar. Así, el capítulo 2 se centra en el análisis de la relación entre el estatus familiar (o no) de la empresa y las prácticas de *earnings management* de las empresas no cotizadas. El capítulo 3 se centra en el análisis del gobierno corporativo y su relación con la calidad de la información financiera. Específicamente este capítulo analiza qué prácticas de gobierno corporativo pueden influir en los *earnings management*, comparando empresas familiares y no familiares, tanto cotizadas como no cotizadas. El Capítulo 4 se centra en la relación entre la responsabilidad social corporativa (en sus diferentes dimensiones: ambiental, social y de gobierno corporativo) y las prácticas de *earnings management* de las empresas cotizadas, comparando empresas familiares y no familiares. Finalmente, el capítulo 5 recoge las principales conclusiones de la presente investigación, presenta las principales limitaciones de la misma y las diferentes sugerencias para futuros trabajos de investigación.

Capítulo 2: EARNINGS MANAGEMENT IN PRIVATE FAMILY VERSUS NON-FAMILY FIRMS. THE MODERATING EFFECT OF FAMILY BUSINESS GENERATION

ABSTRACT

The study addresses the signs of earnings management in unlisted companies, comparing the situation in family firms and non-family firms. We adopt arguments from agency theory and stewardship theory, which are supplemented with the assumptions of socioemotional wealth literature, to justify our research model. The sample is composed of 263 audited Spanish companies with a turnover of more than 200 million euros, which were analysed in the period from 2011 to 2015. Results indicate that family firms are less prone to the practices of earnings management than non-family firms, and that the association between family firm status and earnings management is moderated by the firm generation. This work contributes to the literature on the quality of financial information in both family firms and unlisted companies, exploring new areas of research.

1. INTRODUCTION

Earnings management, defined as "any practice intentionally carried out by management, with opportunistic and/or informative purposes to report the desired number of results, different from the real one" (García, Gill de Albornoz, & Gisbert, 2005: p .1002), prevents knowing the truthful and appropriate image of the economic-financial situation of the company. Therefore, it influences the decisions of investors and funders, affecting both the confidence of economic agents, as well as the ability to attract resources, which can affect a wide range of stakeholders (Gómez-Mejía, Cruz, & Imperatore, 2014; Rusanescu, 2014). For this reason, the earnings management has aroused considerable interest as an object of study (e.g. Cascino, Pugliese, Mussolino, & Sansone, 2010; Lennox, Wang, & Wu, 2018; Prencipe, Bar-Yosef, Mazzola, & Pozza, 2011; Saavedra & Cabrera, 2016; Songini, Gnan, & Malmi, 2013), although empirical research has focused mainly on listed companies (e.g. Claessens & Tzioumis, 2006; Landry, Deslandes, & Fortin, 2013; Vieira, 2016), whose earnings management practices are generally linked to the pressure of the capital market (Callao & Jarne, 2018; Crabtree, Maher, & Wan, 2014; Mafrolla & D'Amico, 2017). However, unlisted companies are not subject to the scrutiny of said market, nor to the concern to achieve a minimum profit threshold (Mafrolla & D'Amico, 2017), nor they are legally obliged to apply transparency norms, and they also have lower auditing requirements (Arnedo, Lizarraga, & Sánchez, 2007; Campa & Camacho-Miñano, 2014; Cano, 2007). Outside the capital market, unlisted companies may adopt earnings management practices to influence the decisions of their main investors (majority shareholders and banks), to obtain larger amounts of loans (Mafrolla & D'Amico, 2017), or to reduce the payment of taxes (Burgstahler, Hail, & Leuz, 2006), especially in those countries with greater compliance between accounting standards and fiscal rules, such as Spain (Van Tendeloo & Vanstraelen, 2008). The research, in addition to finding different motivations in terms of earnings management between listed and unlisted companies (Arnedo et al., 2007; Burgstahler et al., 2006; Campa & Camacho-Miñano, 2014; Claessens & Tzioumis, 2006), suggests that the greater dependence on internal resources and the lower risk-taking capacity of family businesses (Gómez-Mejía et al., 2014) lead to differences between the financial decisions of family and non-family businesses. However, research on earnings management practices in family businesses has also focused on listed companies (e.g. Carrera, 2017; Martín, Campbell, & Gómez-Mejía, 2016; Paiva, Lourenço, & Branco, 2016; Prencipe, Bar-Yosef, & Dekker 2014; Salvato & Moores, 2010).

Research on earnings management practices in unlisted family businesses is scarce (e.g. Stockmans, Lybaert, & Voordeckers, 2010, 2013), which constitutes a research gap that is important to cover due to several reasons. First, because private companies have been little investigated in terms of earnings management, despite their international importance, mainly in the European Union (Van Tendeloo & Vanstraelen, 2008), and their differences with respect to listed companies (Mafrolla & D'Amico, 2017). Second, because family businesses, defined as those in which the majority of voting rights, directly or indirectly, are owned by a family, and at least one representative or member of the family participates in the management or governance of the company (e.g. López-Delgado & Diéguez-Soto, 2015), play an important role in the global economy (Gómez-Mejía et al., 2014; Schulze, Lubatkin, Dino, & Buchholtz, 2001). In fact, in Western Europe, family businesses represent between 75% and 95% of all companies (Lank, 1995; Prencipe et al., 2014), and in Spain, they account for 90% of capitalist and commercial companies and they are responsible for 60% of the gross value added (IEF, 2015). Third, because in family businesses, the family is usually the majority shareholder, and therefore can control the governing bodies, which, together with the smaller size of minority shareholders, can mitigate agency conflicts between both shareholders and managers (type I agency problem) as between majority and minority shareholders (type II agency problem) (Kvaal, Langli, & Abdolmohammadi, 2012; Stockmans et al., 2010). In addition, family businesses tend to establish relationships of greater trust with their stakeholders as a way to maintain their reputational capital (García-Sánchez & Martínez-Ferrero, 2016), which is why they are likely to present lower levels of earnings management (Prencipe, Markarian, & Pozza, 2008; Prencipe et al., 2011). And finally, because the stakeholders of unlisted family businesses also need reliable financial information, because they would be harmed in situations of earnings management (Mafrolla & D'Amico, 2017).

With the aim of helping to cover this research gap, we adopt arguments from the three theoretical frameworks most commonly used in the literature on earnings management in family businesses (Paiva et al., 2016; Salvato & Moores, 2010): agency theory (Jensen & Meckling, 1976), stewardship theory (Donaldson & Davis, 1991), and SEW literature (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Thus, considering that the family business status seems to mitigate both the type I agency problems (e.g. Landry et al., 2013) and the type II agency problems (Cascino et al., 2010; Prencipe et al., 2008, 2011), and that in family businesses often the administrator, "steward", is a member of the family that aims to favour the long-term objectives of the company, we propose that the status of family business reduces the practices of earnings management. However, given that older family businesses are more concerned with maintaining their SEW and for avoiding damaging the company's

reputation as a result of misconduct procedures (Michelon & Parbonetti, 2012; Songini et al., 2013; Stockmans et al., 2010) we also propose that the negative association between the family status of the company and its earnings management practices will be moderated by the generation in which the company is located. To test these hypotheses, we carried out an empirical study with a sample of 263 audited Spanish companies. The results indicate that family businesses are less likely to resort to earnings management practices than non-family businesses and that the relationship between the company's family status and handling practices varies as the company moves from one generation to another

Our work makes at least three contributions to literature. First, it contributes to the scant research on earnings management in unlisted family businesses (e.g. Kvaal et al., 2012; Stockmans et al., 2010, 2013), confirming empirically that the family context affects the quality of financial information by reducing earnings management practices. This knowledge is relevant not only because of the ubiquity of family businesses and their important role in the world economy as generators of employment and wealth (Gómez-Mejía et al., 2014; Schulze et al., 2001), but also because there is generally less information available about unlisted companies than about listed companies and such information is practically restricted to the annual accountability process. In addition, it is possible to think that family businesses are less likely to contribute to the capital market, since this implies a greater risk of loss of family control; and, therefore, this knowledge may have practical implications for the main investors of unlisted family businesses: majority shareholders (usually family members) and banks. Second, our work contributes to the investigation of the heterogeneity of family businesses (e.g. Hernández-Linares, Kellermanns, & López-Fernández, 2018a; Hernández-Linares, Sarkar, & López-Fernández, 2017; Miller, Le Breton-Miller, & Lester, 2011), confirming that these do not show a uniform behaviour in regard to earnings management. The pressures of the capital market may lead family firms to lower levels of earning managements when the risk of reputation loss is higher (Paiva, Lourenço, & Curto, 2019). We find that the firm's generation moderates the positive relationship between the family business status and the quality of its financial information, in such way that this relationship is stronger in second and following generations due to their concern for maintaining the business image and the family reputation. Finally, while the quality of financial information has been fundamentally investigated in listed companies of Anglo-Saxon origin (Cascino et al., 2010; Khan, Chand, & Patel, 2013; Landry et al., 2013; Prencipe et al., 2008, 2011), our work studies Spanish companies, responding to the call to investigate earnings management practices in other contexts (Ramírez-Orellana, Martínez-Romero, & Mariño-Garrido, 2017).

The present study is structured as follows. After the present introduction, the theoretical foundations that lead us to propose research hypotheses are addressed. In the third section, the research methodology is addressed, and in the fourth, the results of the empirical study are presented. Then the results are discussed and conclusions are presented. Finally, the limitations of our work are collected and future lines of research are proposed.

2. FRAMEWORK AND HYPOTHESES RATIONALE

Family firms are often defined by family involvement, both in ownership and management of the company (Hernández-Linares, Sarkar, & Cobo, 2018b). The fact that in family businesses owners usually intervene in the management of the business (Demsetz & Lehn, 1985) increases the probability that managers act for the benefit of majority shareholders because the family has economic incentives to increase the value of the business, which constitutes their personal wealth. Therefore, it is possible to think that the control of the managers can contribute to reducing the type I agency problem (Prencipe et al., 2014), which arises as a consequence of the dissonance of behavior between majority shareholders and managers. In this sense, different studies carried out in more developed capital markets, such as the United States, Canada or England, reveal that the type I agency problem is lower in family listed companies than in non-family companies (Ali, Chen, & Radhakrishnan, 2007; Landry et al., 2013; Paiva et al., 2016).

Although agency theory is the fundamental support of the main studies on the quality of accounting information in the family business (Ali et al., 2007; Cascino et al., 2010; Prencipe et al., 2014), the long-term perspective of this type of companies, with longer investment cycles (Cheng, 2014) led some authors to consider that family businesses have less motivation to distort accounting information, considering the stewardship theory (Donaldson & Davis, 1991). This theory, which considers human nature in agency relations, argues that managers act for the benefit of the organisation, not recognising any conflict of interest between them and the owners. Thus, the “steward” will lead the collective organisational goals because s/he feels that, in this way, s/he will reach her/his individual needs through job stability, reputation, and personal prestige. According to the stewardship theory, the manager will try to favour the long-term objectives of the company, which can help protect the different interests of minority shareholders, funders and other stakeholders (Donaldson & Davis, 1991). In similar view, Miller and Le Breton-Miller (2006), associating the stewardship theory with the government of the organisation, maintain that in family businesses, the leaders

belonging to the family can act as "stewards" because the fact that the family CEOs remain in management for a prolonged period generates an incremental growth in their abilities and competencies, which is unattainable for executives with a shorter tenure in office (Le Breton-Miller & Miller, 2006). This perspective would explain the lesser discretion on the part of the managers and, consequently, the lesser earnings management of the family business. In this sense, Ferramosca and Allegrini (2018) found that the higher the level of family ownership, the higher the quality of financial information, because greater family involvement will lead to greater concern about reputation loss, which can be reinforced when top management has the experience and knowledge required for alignment of managers interests with the organisation interests (Bravo & Reguera-Alvarado, 2018). Based on stewardship theory and on agency theory, research with Italian listed companies, with a high concentration of ownership, has found higher quality of accruals and greater predictability of accounting results in family businesses (Cascino et al., 2010), as well as lesser manipulation of their accounting results, a difference that they attribute to the fact that, due to their long-term perspective, family businesses are less sensitive to short-term performance (Prencipe et al., 2008).

In the case of unlisted companies, Kvaal et al. (2012) investigate a sample of Norwegian companies and find conflicting results, given that in situations of financial agony, family businesses tend to adopt more practices of earnings management than non-family companies, while the opposite occurs when no agency costs are identified in front of the funders. Given the scarcity of empirical studies with unlisted family businesses, and considering that the involvement of the family in the management of the company can help to minimise the type I agency problem (Ali et al., 2007; Landry et al., 2013), and that stability in management positions, mostly assigned to the family or to their trusted representatives (Prencipe et al., 2008; 2011), seems to benefit the long-term interests of the family business (and its different stakeholders), mitigating the type II problem, we propose that the indications of earnings management practices will be lower among family businesses. Hence, we formally propose the following research hypothesis:

> ***Hypothesis 1:*** *The status of a family business is associated with less earnings management.*

The previous hypothesis implies the homogeneity of the population of family businesses. However, family businesses are not homogeneous (Hernández-Linares et al., 2017), and such heterogeneity is also manifested in the process of presentation of accounts (Paiva et al., 2019; Pazzaglia, Mengoli, & Sapienza, 2013). Agency and

stewardship theories show limitations to explain agency relationships in case of convergence of interests between owners and managers, the reason why these theories do not help to explain the heterogeneity with respect to earnings management practices of family businesses (Arthurs & Busenitz, 2003; Pepper & Gore, 2012). Therefore, we propose to explain the behavioural differences in terms of earnings management between family businesses and others attending to the SEW view (Gómez-Mejía et al., 2007). According to this perspective, family businesses are not only concerned about financial aspects but also about non-financial aspects related to the well-being of the family (Gómez-Mejía et al., 2007; Songini et al., 2013). These non-financial aspects include the preservation of the business for future generations, family interests from a long-term perspective, the desire to maintain the family's capacity to exercise control of the business, the identification of the family with the company, the establishment of lasting relationships with stakeholders, or the development of emotional bonds that promote trust and loyalty among the members of the organisation (Gómez-Mejía, Cruz, Berrone, & De Castro, 2011; Gómez-Mejía et al., 2007, 2014; Miller et al., 2011; Stockmans et al., 2010, 2013). Family businesses pursue, therefore, maximise their utility function, which depends on both financial wealth, and the SEW, and are willing to give up part of the first in favour of maintaining the SEW (Gómez-Mejía et al., 2007; Hernández & Gálvez, 2016). In this sense, and given the families' concern for the long-term value of their companies, short-term pressures are diluted, and earnings management is considered detrimental to the future of the company since investors might consider it anti-ethics (Martin et al., 2016).

A variable often linked to the concern for SEW preservation is the reputation, because although maintaining a positive image of the organisation may be desirable for the stakeholders of any company (Guillamón-Saorín, Guiral, & Blanco, 2018), it is even more so for the owners and family managers of a family business (Martin et al., 2016) given that "the face of the family mirrors that of the firm" (Berrone, Cruz, Gómez-Mejía, & Larraza-Kintana, 2010, p. 84). In addition, the practices of earnings management may take a while to be detected, if they are detected, and therefore those companies that are concerned about maintaining long-term links between family and company will be more worried about avoiding such practices, due to their impact on corporate reputation. Thus, under the SEW view, and in the context of Italian listed companies, Pazzaglia et al. (2013) find a higher quality of financial information in family businesses created or inherited by a founder than in those companies purchased by the family, a difference that they attribute to the greater association of the former with the family name. On the other hand, the oldest companies have already been accepted and have prestige in the market. Therefore, these companies have the most to lose if the reputation is damaged by misconduct procedures, including the presentation of

accounts (Deephouse & Jaskiewicz, 2013; Michelon & Parbonetti, 2012). In fact, empirical evidence confirms that the age of the company significantly mitigates the earnings management both in listed companies (Bona, Pérez, & Santana, 2008; Cascino et al., 2010; Miller et al., 2011) and in the unlisted companies (Huguet & Gandía, 2014; Stockmans et al., 2013).

In line with the above arguments, the scarce empirical research with unlisted companies provides evidence that the age of the company (used as a proxy variable of the generation) dilutes the instinct of the family business both to hide its wealth under normal circumstances and to inflate profits when family control is threatened (Kvaal et al., 2012). There is also evidence that first-generation family businesses have a lower quality of accounting information than family businesses of a second or later generations (Stockmans et al., 2010). Considering all these arguments, we formally propose the following research hypothesis:

> ***Hypothesis 2:*** *The negative relationship between family business status and earnings management will be even more negative among family businesses of second or later generations.*

3. METHODOLOGY AND SAMPLE

3.1 Population and study sample

Our target firms came from the *Sistema de Análisis de Balances Ibéricos* (System of Iberian Balance Sheets, SABI) database, limited to firms with a business volume of more than 200,000,000 euros in 2015. Of the firms selected, we eliminated those related to the financial and insurance sector, as is common in this type of studies (Cascino et al., 2010; Pazzaglia et al., 2013; Sáenz & García-Meca, 2014), as well as listed companies and firms that do not have values for all indicators in the model. A total of 1,315 observations corresponding to the 2011-2015 period were finally obtained. Therefore, the study sample is finally constituted by 263 companies, 91 family (35% of the sample) and 172 non-family (65% of the sample). The proportion of family businesses in the sample is lower than that recently reported by the IEF (2015), but this difference may be associated with the larger size of the firms included in our sample. Indeed the proportion of family firms identified in our sample is consistent with previous studies performed with samples of large non-listed companies from South Europe (39.15% reported by Claessens & Tzioumis, 2006). In Table 2.1, we classify

the companies in the sample by activity sectors following NACE coding (statistical classification of economic activities in the European Community) standards.

Table 2.1 Sample composition by industry

Industry	All firms		Family firms		Non-family firms	
	nº	%	nº	%	nº	%
Agriculture and food (SIC 1)	20	7.60	10	10.99	10	5.81
Manufacturing (SIC 2 and 3)	60	22.81	16	17.58	44	25.58
Utilities, trade, wholesale, retail (SIC 4 and 5)	90	34.22	31	34.07	59	34.30
Services (SIC 7 and 8)	93	35.36	34	37.36	59	34.30
Total	263	100.00	91	100.00	172	100.00

For the purposes of applying the methodology of earnings management, and in line with previous research (Gill de Albornoz, 2012; Reguera-Alvarado, Laffarga-Briones, & Fuentes-Ruiz, 2015), we eliminated 32 very extreme observations that distorted the analysis of accrual adjustments. We also eliminated 20 observations that represented *outliers* in the application of the analysis model, following procedures applied in other works (Arnedo, Lazagarra, & Sánchez, 2008; López-Delgado & Diéguez-Soto, 2015; Miller et al., 2011; Stockmans et al., 2013). Thus, the final sample consists of 1,263 observations. Table 2.2 presents the concluding observations by sector of activity.

Table 2.2 Observations by industry

Industry	All firms		Family firms		Non-family firms	
	nº	%	nº	%	nº	%
Agriculture and food (SIC 1)	115	9.11	46	12.11	69	7.81
Manufacturing (SIC 2 and 3)	295	23.36	50	13.16	245	27.75
Utilities, trade, wholesale, retail (SIC 4 and 5)	405	32.07	122	32.11	283	32.05
Services (SIC 7 and 8)	448	35.47	162	42.63	286	32.39
Total	1,263	100.00	380	100.00	883	100.00

3.2 Variables

***Dependent variable**: earnings management.* The earnings management includes practices based on both real and financial decisions. The first is related to activity, investments, and financing (Cohen & Zarowin, 2010), while financial decisions are readily available, low cost and more useful tools to not reveal the true situation of investments, reason why which are more used by management (García et al., 2005).

Therefore, in this research, we analyse the earnings management based on decisions of a financial nature (Cascino et al., 2010; Guillamón-Saorín et al., 2018; Paiva et al., 2019; Prencipe et al., 2008; Vieira, 2016).

Independent variable: family business. The literature offers dozens of definitions of family business based on different criteria, although the two criteria more used have been the family ownership and the family management (Hernández-Linares et al., 2017, 2018b). Hence, and in line with recent studies (López-Delgado & Diéguez-Soto, 2015), we consider as family to those firms in which most of the voting rights, directly or indirectly, are owned by one or more persons of the family and at least one member of it participates in the management or governance of the company. Given that the SABI database does not classify firms in family and non-family, we classify them following the procedure established by Rojo-Ramírez, Diéguez-Soto, & López-Delgado (2011), and by Diéguez-Soto, López-Delgado, & Rojo-Ramírez (2015), procedure that has been then corroborated as effective by other works (e.g. López-Delgado & Diéguez-Soto, 2015). Such procedure establishes two requirements to define a firm as a family firm: (1) 50% or more than firm ownership belonging to a family, natural person or legal entity; and (2) the same surname among members of the board of directors or majority shareholders. Thus, the variable Family was coded as a binary variable that assumes values of 1 or 0, according to whether the firm is classified as a family or not (Sue, Chin, & Chan, 2013; Vieira, 2016).

***Moderating variable**: generation.* This variable was defined based on firm age, which was calculated from the birth year of the company, following Hernández-Linares et al. (2018b). Then, and in line with previous studies (Blanco-Mazagatos, de Quevedo-Puente, & Castrillo, 2007; Sonfield & Lussier, 2004), we equate each generation to a period of 25 years, so that companies under 25 years of age were classified as first generation companies, companies between 25 and 50 years were classified as second-generation companies, and the rest as third generation companies.

Control variables. We first controlled for firm size (*Size*) because it is expected that larger firms are subject to greater regulation and control by the scrutiny of financial analysts and have more advanced internal control systems that discourage the earnings management practices (Paiva et al., 2019; Sánchez-Ballesta & García-Meca, 2007). Firm size was measured by using the turnover logarithm (Arnedo et al., 2008; Gill de Albornoz, 2012). Next, we controlled the indebtedness (*LEV*), given that the most indebted companies, on the one hand, will be subject to a more strict scrutiny by the creditors, for which they will report higher quality financial information (Pazzaglia et al., 2013; Rodríguez-Pérez & Hemmen, 2010), and on the other, they will be more

likely to manipulate the accounting results when these are not expected to avoid disclosing this situation to investors (Paiva et al., 2019; Sáenz & García-Meca, 2014). Specifically, we measure debt as the ratio between total liabilities and total assets. Third, return on assets (*ROA*), measured as the quotient between operating income and total assets, was controlled because although low levels of profitability seem to be associated with higher levels of earnings management (Ali et al., 2007; Kothari, Leone, & Wasley 2005), this may not be the case, either because the desired level of performance has already been achieved, or because the managers want to transmit improvements in performance (Guillamón-Saorín et al., 2018; Leuz, Nanda, & Wysocki, 2003). Fourth, we controlled growth (*GROW*), establishing the variation in turnover of one year with respect to the previous year because we expect greater manipulation of results in companies in decline (Bravo & Reguera-Alvarado, 2018; Cascino et al., 2010; Sue et al., 2013). Next, we checked whether the functions of the CEO were performed by the same person who presided over the board of directors (*DUAL*) (Bravo & Reguera-Alvarado, 2018), because the fact that the same person can exercise both functions is likely to reduce the type I agency costs, but increase the type II agency costs, as a consequence of the lower supervision of the administrative bodies, which constitutes a precedent for earnings management (Monterrey-Mayoral & Sánchez-Segura, 2008). This variable is dichotomous and adopts the value 0 when the same person exercises the roles of CEO and chairman of the board of directors. Finally, and in line with other research (Cascino et al., 2010; Paiva et al., 2019), we controlled the sector (Sector) and year (Year) to detect eventual specific effects of these variables on the earnings management (Bravo & Reguera-Alvarado, 2018). The variable sector assumes the value 1 if the observation belongs to a certain sector and 0 otherwise, while the variable year, assumes the value 1 if the observation belongs to the year of analysis and 0 otherwise.

3.2.1 Measurement of earnings management

Given that earnings management can rarely be verified by external observers of financial information, the investigation has used different methods to verify indications of those practices, highlighting the accrual adjustments added (Jones, 1991), the specific accrual adjustments and the smoothing of results (García et al., 2005; Jara & López-Iturriaga, 2007).

In the present work, we opted for the method of accruals adjustments added (discretionary accruals). This method allows separating the expected component of accounting results that have not yet originated cash flows from the unexpected

component, which is associated with earnings management (Dechow, Sloan, & Sweeney, 1995; Jara & López-Iturriaga, 2007). This method is considered more intuitive and consistent with the accruals procedure since the managers can exercise discretion over the second component by, for example, the selection of accounting policies or alterations of the value of the considered estimates, which does not occur in the first because it results from the operations carried out by the company (García et al., 2005, Jones, 1991). In addition, this method is considered more consistent with the process of determining accounting results for general purposes, since it summarises in a single variable the effect of numerous accounting decisions. Thus, higher absolute values of discretionary accruals will be indicative of this practice (Jara & López-Iturriaga, 2007), while the specific accruals method requires a priori knowledge of the sectors and accounting items subject to manipulation (García et al., 2005; Gill de Albornoz, 2012), and the smoothing of results requires a greater variety of company-year observations to obtain robust results (Paiva et al., 2019).

The research has used several models to estimate discretionary accruals, but the models of Jones standard (1991) and Jones modified (Dechow et al., 1995) have been the most used (Gill de Albornoz, 2012; Paiva et al., 2016; Park, 2015). In our case, we have chosen the Jones modified model as the most common model in research with unlisted family firms (Arnedo et al., 2008; Stockmans et al., 2010, 2013). Thus, our research uses the modified Jones model (Dechow et al., 1995), which is cross-sectional, based on model 1, which is estimated by sector and year.

$$TA_{i,t} / A_{i,t-1} = \alpha/A_{i,t-1} + \beta\ (\Delta REV_{i,t} - \Delta REC_{i,t}) / A_{i,t-1} + \mu\ INVEST_{i,t} / A_{i,t-1} + \varepsilon_{i,t} \quad \textbf{(1)}$$

Where *i* is the number of firms (1 to 263); *t* are the years (2011 to 2015); TA is the total accruals (income from operations – cash flow from operations); ΔREV - ΔREC is the change in turnover (turnover $_t$ - turnover $_{t-1}$), deducted from changes in receivables balances (receivables $_t$ - receivables $_{t-1}$); INVEST is the value of tangible fixed assets and intangible assets; A is the total assets from the previous year; α is the linear regression constant; β is the coefficient of the variable (ΔREV - ΔREC); μ is the coefficient of the variable INVEST and finally $\varepsilon_{i,t}$ is the residual *i*, in the period *t*, which represent discretionary accruals.

The model considers that the variation in business volume implies a variation in the company's current assets and liabilities, in particular inventories, customers and suppliers, with respect to short-term accruals; and that the technical fixed assets, due to the effect of depreciation of tangible fixed assets and amortisations of intangible assets, have effects on the same line of opposite sign (medium and long-term variable). The variation of the customers is deduced from the model because it is

considered that it is easier to manipulate the sales on credit than the sales in cash. Therefore, the sign of the variables in a growth environment should be positive for the short-term component and negative for the medium and a long-term component.

The normal or non-discretionary accruals (AN) are estimated by equation (1), running the regressions for each sector and year, being the discretionary accruals (DA) obtained through the ε of the same regressions (Reguera-Alvarado et al., 2015). These DA are the used measure of earnings management (Callao & Jarne, 2018). In order to control the heteroscedasticity problems of the variables, the DA was determined by dividing all the values of the variables of equation (1) into the corresponding value of the previous year's assets (Dechow et al., 1995).

3.2.2 Descriptive Statistics

The variables used in the research are presented in Table 2.3, which shows that the means (and the standard deviations) of the values of the dependent variable (DA) are lower in family firms than in non-family firms. This may indicate potential effects on the earnings management of any restrictive policies of family businesses to reduce their accounting results, as a way to reduce dividends or the payment of taxes on performance and, therefore, to keep funds in the company. In this sense, the relative dispersion coefficient between the two sub-samples (standard deviation/mean), despite being high (Jara & López-Iturriaga, 2014), has very close values in family firms (1.11) and in non-family (1.08), so that this eventual problem is not considered in our analysis, as well as other studies that have had an impact on unlisted family firms (Kvaal et al., 2012; Stockmans et al., 2010, 2013).

Table 2.4 presents the correlation coefficients between the variables. There is no high correlation between the independent variables, which reduces the probability of possible multicollinearity problems.

Table 2.3 Descriptive statistics of dependent and independent variables

	Mean	Median	Standard Deviation
Total (n = 1263 observations)			
Discretionary accruals (DA)	0.072	0.043	0.078
Discretionary accruals Jones	0.072	0.042	0.086
Generation	1.50	1	0.70
Size	5.871	5.810	0.434
Leverage	0.473	0.445	0.248
ROA	0.046	0.035	0.102
Growth	0.019	0.035	0.427
Duality (DUAL)	0.51	1	0.50
Family firms (n =380 observations)			
Discretionary accruals (DA)	0.065	0.040	0.072
Discretionary accruals Jones	0.066	0.040	0.085
Generation	1.47	1	0.64
Size	5.717	5.658	0.436
Leverage	0.451	0.437	0.234
ROA	0.034	0.032	0.097
Growth	0.045	0.047	0.212
Duality (DUAL)	0.52	1	0.50
Non-family firms (n = 883 observations)			
Discretionary accruals (DA)	0.075	0.045	0.081
Discretionary accruals Jones	0.075	0.044	0.087
Generation	1.51	1	0.73
Size	5.937	5.875	0.416
Leverage	0.482	0.446	0.254
ROA	0.0490	0.0371	0.103
Growth	0.008	0.027	0.491
Duality (DUAL)	0.51	1	0.50

Table 2.4 Pearson correlation matrix

Variables	A/A1	B	C	D	E	F	G	H
A – DA	1	-0,065**	-0.041	-0.080***	0.253***	0.064***	0.038	0.065**
		(0.020)	(0.146)	(0.005)	(0.000)	(0.022)	(0.177)	(0.021)
A1 – DA Jones	1	-0.048*	-0.043	-0.084***	0.238***	0.093***	0.034	0.054*
		(0.091)	(0.124)	(0.03)	(0.000)	(0.001)	(0.232)	(0.054)
B – Family firms		1	-0.026	-0.228***	-0.061**	-0.066**	0.040	0.005
			(0.353)	(0.000)	(0.031)	(0.019)	(0.155)	(0.872)
C – Generation			1	(0.038)	-0.050*	0.007	0.017	-0.019
				(0.181)	(0.074)	(0.802)	(0.546)	(0.511)
D – Size				1	-0.029	0.062**	-0.015	-0.039
					(0.299)	(0.028)	(0.600)	(0.162)
E – Leverage					1	-0.096***	0.055*	-0.013
						(0.001)	(0.052)	(0.637)
F – ROA						1	0.029	0.078***
							(0.299)	(0.005)
G – Growth							1	0.008
								(0.770)
H – DUAL								1

***p< 0.01; **p< 0.05; * p< 0.1

3.3 Research model

In line with previous research (Cascino et al., 2010; Paiva et al., 2019; Prencipe et al., 2011), we test our hypotheses through a multiple linear regression (Table 2.5), which contrasts the dependent variable indicative of the discretionary accruals (DA) and the independent variables of family business and generation. The association between the dependent variable and the type of company aims to verify if the involvement of the family in the company reduces the indications of manipulation of the financial information (hypothesis 1), while the relation between the dependent variable and the generation aims to observe if the quality of the financial information varies with the passage from one generation to another, being observed the interaction between the familiar status of the company and the generation variable (hypothesis 2). Our research model is:

$$DA = \alpha + \beta_1 \text{ Family} + \beta_2 \text{ Generation} + \beta_3 \text{ Size} + \beta_4 \text{ LEV} + \beta_5 \text{ ROA} + \beta_6 \text{ GROW} + \beta_7 \text{ DUAL} + \beta_8 \text{ Fam*Generation} + \beta_9 \text{ Sector} + \beta_{10} \text{ Year} + \varepsilon \quad \textbf{(2)}$$

The dependent variable, DA, representative of earnings management, was estimated by the modified Jones model (Dechow et al., 1995), using the absolute values of the variable, in consonance with previous studies (Bravo & Reguera-Alvarado, 2018; Prencipe et al., 2011; Sáenz & García-Meca, 2014).

4. RESULTS ANALYSIS

Table 2.5 presents the results of the multiple linear regression obtained by the ordinary least square estimators (OLS) method, for a 95% confidence level. In the first model (model C1) only the five control variables were included. Four of them were statistically significant. Thus, size and discretionary accruals are negatively associated (β = -0.930; $p < 0.05$), confirming that larger firms are associated with a higher quality of financial information (Prencipe et al., 2008; Sáenz & García-Meca, 2014; Vieira, 2016). Debt variables (β = 0.066; $p < 0.01$) and operating profitability (β = 0.058; $p < 0.01$) have a positive association with discretionary accruals, which confirms the lower earnings management in companies with a lower level of indebtedness (Cascino et al., 2010; Sáenz & García-Meca, 2014), but contradicts several investigations that find a negative relation between operative profitability and earnings management (Paiva et al., 2019; Prencipe et al., 2008, 2011; Vieira, 2016). Considering the period of crisis that occurred in the most recent years of our analysis, we consider that companies may have manipulated accounting results in view of growth expectations (Callao & Jarne, 2011;

Vieira, 2016), a result that was also obtained by Sáenz and García-Meca (2014). Finally, our results also find a positive association between CEO duality and discretionary accruals (β = 0.908; p <0.05), indicating that the fact that the same person performs the functions of CEO and chairman of the board reduces the quality of financial information due to the lower level of supervision of the administrative bodies (Monterrey-Mayoral & Sánchez-Segura, 2008). This result corroborates, therefore, that the separation of the functions of CEO and chairman of the board of directors improves the alignment of interests between principal and agent, contributing to improve the quality of accounting information (Liu, Valenti, & Chen, 2016; Torchia & Calabrò, 2016).

Table 2.5 Regression estimates of discretionary accruals

	C1	C2	C3	C4	
Dependent variable: Discretionary accruals (DA)					
Independents variables	**β/S.E.**	**β/S.E.**	**β/S.E.**	**β/S.E.**	**VIF**
Intercept	9.934***	11.399***	12.980***	13.342***	
	(2.864)	(2.956)	(3.016)	(3.004)	
Size	-0.930**	-1.126**	-1.163**	-1.183**	1.151
	(0.483)	(0.493)	(0.492)	(0.490)	
LEV	0.066***	0.065***	0.064***	0.064***	1.079
	(0.008)	(0.008)	(0.008)	(0.008)	
ROA	0.058***	0.056***	0.056***	0.054***	1.031
	(0.020)	(0.020)	(0.020)	(0.020)	
GROW	0.003	0.003	0.004	0.003	1.013
	(0.005)	(0.005)	(0.005)	(0.005)	
DUAL	0.908**	0.908**	0.899**	0.899**	1.013
	(0.402)	(0.401)	(0.400)	(0.400)	
Family (Fam)		-0.893**	-0.942**	-0.952**	1.086
		(0.452)	(0.451)	(0450)	
Generation			-0.806***	-0.801***	1.095
			(0.297)	(0.296)	
Fam* Generation				-0.625**	1.007
				(0.269)	
Industry dummies	No	No	No	No	
Years dummies	Yes	Yes	Yes	Yes	
R^2	16.1%	16.4%	16.9%	17.2%	
Adjusted R^2	15.3%	15.5%	15.9%	16.2%	
Sig.	0.000***	0.000***	0.000***	0.000***	
Sig. Change in R^2	0.000***	0.048**	0.007***	0.02**	
N Observations			1,263		

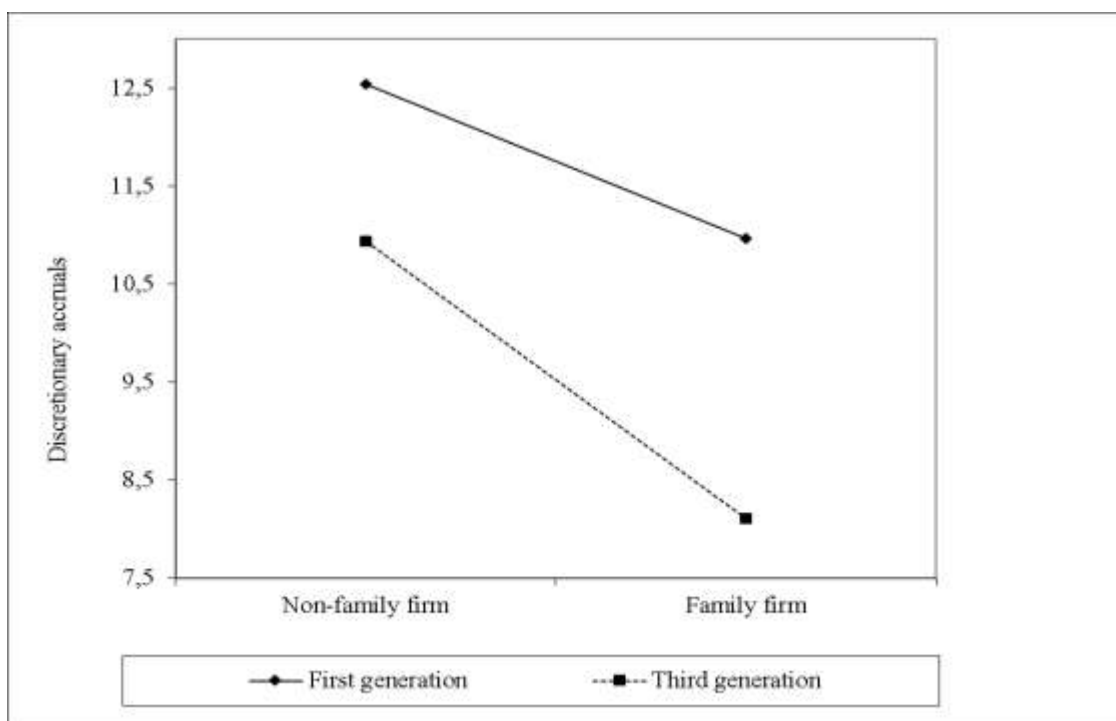
***p<0.01; **p<0.05; * p<0.1; S.E. – Standard error (in brackets).
C1 - Research model only with the control variables.
C2 - Research model with the independent variable Family firms.
C3 - Research model with the independent variable and the generation variable.
C4 - Research model with the interaction of the family firms variable with the generation variable.

In the C2 model, the family business variable was added, with a significant variation in R^2 of 0.3%. This model (see Table 2.5) reflects a statistically significant and negative association between family firms and discretionary accruals ($\beta = -0.893$; $p < 0.05$). This result supports the hypothesis 1, which proposed the existence of differences between the unlisted family and non-family companies with indications of discretionary accruals. Our work corroborates that family firms are associated with lower levels of earnings management (Bona et al., 2008; Cascino et al., 2010; Prencipe et al., 2008, 2011). In our opinion, this result is mainly justified because the agency costs between shareholders and managers are attenuated by the family's intervention in business (Cascino et al., 2010; Jiraporn & DaDalt, 2009; Prencipe et al., 2011; Wang, 2006). And also because, as a consequence of the long-term perspective that characterises family enterprises (Cheng, 2014; Liu et al., 2016), the holders of management positions of family companies usually stay in the position longer than in other firms (Kvaal et al., 2012; Miller & Le Breton-Miller, 2006), which may lead to lower pressure on accounting results, especially if the control of the company is not in question by the family, since it is usually concerned about transmitting its legacy to future generations (Cascino et al., 2010; Prencipe et al., 2008, 2011).

In the C3 model, the generation variable was added, with a significant variation in R^2 of 0.5%, and although the hypothesis was not formally established, the generation variable had a negative association with the discretionary accruals ($\beta = -0.806$; $p < 0.01$), indicating that companies that have gone through more succession processes are less likely to manipulate their accounts.

Finally, in order to test the moderating effect of the generation variable on the association between family status and discretionary accruals, the C4 model added the Family business*Generation interaction, with a negative effect ($\beta = -0.625$; $p = 0.02$) which confirms hypothesis 2, that is to say, as family businesses pass from one generation to another, these companies manipulate financial information less. To facilitate interpretation, the significant interaction between family business status and company generation is graphically depicted in Figure 2.3. As can be seen, company generation moderates the effect of family business status on accounting manipulation practices, so that the greatest effect (negative) of family business status on earnings management practices occurs in companies that are in higher generations, that is, in the second and subsequent generations. In assessing the effects of gradients, our results suggest that both first-generation firms ($t = -2.722$, $p < 0.01$) and firms in second or subsequent generations ($t = -2.362$, $p < 0.05$) have sufficiently significant interactions with the status of a family business to affect its earnings management practices.

Figure 2.3 - Interaction: Family business status and company generation



The lower earnings management in companies that have overcome more succession processes may be due to the greater interest of the longest-running companies in maintaining the family´s reputation (Berrone et al., 2010; Pazzaglia et al., 2013). This reputation is an intangible asset that is intended to be passed on to future generations, with the intention of providing credibility to the stakeholders, since this represents advantages both for the company (e.g. cost of capital) and for the family (e.g. maintain the management of the company and the family job).

Taking into account the logic of family business financing, more reliant on domestic resources, which may be insufficient for the development of new projects, the first generation may have to face greater conflicts of interest in its relationship with creditors and other stakeholders, so earnings management may be superior in this generation of unlisted companies (Stockmans et al., 2010), with concern about control of the company being a family priority (Gómez-Mejía et al, 2007). With the maturity of the company, in the following generations, type II agency problems will be less severe, the company will have greater financial stability and, therefore, will not need to alter its accounting results. On the other hand, successors will be more closely associated with the family name (given that the company generally achieves greater visibility in the market), so it is admitted that concern for the image and family reputation has

reflections on the quality of the financial information (Ferramosca & Allegrini, 2018; Martin et al., 2016; Prencipe et al., 2014). In addition, our results seem to corroborate that family firms are more sensitive to image problems than other companies (Gómez-Mejía et al., 2011, 2014; Stockmans et al., 2010, 2013).

The results obtained by the specified model are found in the safety margins ($p < 0.05$), supporting the research hypotheses. The variance inflation factors (VIFs) were found to be below the recommended limits; hence, the multicollinearity is not a concern in this research (Hair, Anderson, Tatham, & Black, 1998). In addition, the R^2 and R^2 adjusted coefficients reached values of 17.2% and 16.2% respectively, being considered satisfactory and consistent with other researches (Cascino et al., 2010; Paiva et al., 2019).

The literature contains some limitations of the accruals models, especially in the case of firms with extreme financial performance (Kothari et al., 2005; Reguera-Alvarado et al., 2015). To overcome these limitations, we carry out the additional analysis with the intention of verifying the relationship between earnings management and the opinion of the auditors (see Appendix 1).

5. DISCUSSION AND CONCLUSIONS

In this chapter, we study the indications of earnings management comparing the practices of family and non-family companies in a sample of unlisted Spanish companies, whose financial information is audited. Our results, in the first place, show a smaller propensity of the family companies to the practices of earnings management when these are measured through discretionary accruals. We attribute this result to two factors. On the one hand, the smaller separation between ownership and control in family firms contributes to attenuating the type I agency problem. On the other hand, the long-term perspective often attributed to family firms (Le Breton-Miller & Miller, 2006; Lumpkin & Brigham, 2011) may have positive effects on the quality of financial information, mainly as a consequence of the company's association with the family name (Pazzaglia et al., 2013; Villalonga & Amit, 2006). Our result is consistent with other studies that adopted the assumptions from agency theory (Jensen & Meckling, 1976) and stewardship theory (Donaldson & Davis, 1991) to explain the lower propensity of earnings management in quoted family firms, a fact attributed both to lower agency costs and to the long-term investment perspective and, consequently, the lower pressure on the more immediate accounting results (Cascino et al., 2010; Prencipe et al., 2008, 2011).

Then, we analysed the effect of a firm's generation on the relationship between the family business status and its indications of earnings management. In line with Gómez-Mejía et al. (2014), we find that the effect of generation is significant to explain earnings management in unlisted family companies, through two main factors: (1) the first generation is more sensitive to aspects of control as a form of transmission of wealth to future generations, so that agency costs resulting from weaker financial performance will lead to greater earnings management; (2) the longer time horizon of investments in family firms leads to the consolidation of the link between the company name and the family name occurs later, so that companies that are longer or that have surpassed more generational relays will be more sensitive to the aspects of image and family reputation with effects on the quality of financial information. In addition, when financial performance is weak, the family business, whose essential objectives are not only financial, will be able to support higher agency costs because of the relationship with other stakeholders pursuing financial goals. Our results confirm, in the context of unlisted companies, the heterogeneity in relation to the quality of financial information of family companies already pointed out by the research with listed companies (Ferramosca & Allegrini, 2018; Paiva et al., 2019).

Our work contributes to the knowledge of earnings management practices in both unlisted companies and family business. First, we provide empirical evidence that family business impacts on the quality of accounting information, so that this quality is higher in family firms than in non-family firms. This is a contribution not only because family firms are the backbone of many economies (Cascino et al., 2010; Vieira, 2016) and it is important to know their singularities in accounting terms, but also because our work is added to the scarce literature on the quality of financial information in unlisted companies (e.g. Kvaal et al., 2012; Stockmans et al., 2010, 2013), whose ownership structure tends to be more concentrated than in listed companies, which has consequences in agency relationships that are established both between the property and the administration, as well as between majority and minority shareholders. This increased credibility of unlisted family businesses is important since the annual accounts of these companies are practically the only information available to their sources of funding. Our work also contributes to the literature on earnings management practices by investigating such practices in the Spanish context, thus responding to the call for researching in other contexts (Ramírez-Orellana et al., 2017) beyond the traditionally researched Anglo-Saxon context. Finally, this research also contributes to the family business literature, by corroborating that its broadly accepted heterogeneity (Hernández-Linares et al., 2017; Miller et al., 2011) that is reflected in its earning management practices (Paiva et al., 2019; Stockmans et al., 2010). That is, not all family firms adopt the same earnings management practices. Those family firms that

have overcome more succession processes, tend to be more concerned for their image and reputation, which boosts a better quality of financial information.

6. LIMITATIONS AND FUTURE RESEARCH LINES

Our work is not without limitations, and many of them open the door to future research, as explained below. Difficulties in obtaining information on unlisted companies and the absence of classification of enterprises in family or non-family are the basis of some of these limitations. Thus, for example, our study sample was smaller than desired because of the lack of data for all model variables. In addition, since SABI does not classify the companies into family and non-family, we classify them according to the procedure proposed by Rojo-Ramírez et al. (2011) and by Diéguez-Soto et al. (2015), and later validated by López-Delgado and Diéguez-Soto (2015). However, considering the plethora of definitions appeared in literature (Hernández-Linares et al., 2017, 2018b), and that our family business definition is only based on objective criteria, it would be convenient to replicate this study using other definitions of family business that include subjective criteria (for instance, the self-perception as family firm), that allow us to capture the essence of being a family firm (Chrisman, Chua, & Sharma, 2005), and to verify the consistency of our results.

A second limitation of our work is that the results cannot be generalised to quoted companies, nor too small and medium-sized companies since we only include unquoted companies of significant size and audited in the sample. In addition, in the five years analysed, Spain was suffering a severe economic crisis, which could influence the levels of earnings management, which is why our results should be analysed carefully, especially since this is the first work of this nature with Spanish companies, which prevents us from making comparisons.

The modified Jones model has some limitations, and although our additional analysis contributes to overcoming these weaknesses, its use, although common in the field research (e.g. Paiva et al., 2019), could be considered as another weakness of our work. Therefore, replicating our analysis using other models of detection of earnings management could also constitute a line of future research and add value to our conclusions.

Another limitation of our work is that, beyond the opinion of the auditors, and duality of the CEO, other qualitative variables that could corroborate the lower levels of earnings management in family companies were not included in the analysis. Given the significant size of the firms in the sample, we consider relevant that other research

focus on variables related to their governance, such as the gender diversity of the board of directors, or the existence of independent members (Bravo & Reguera-Alvarado, 2018; Stockmans et al., 2013), to analyse whether these variables have an impact on the reliability of financial information and on the reputation levels of family versus non-family businesses.

Finally, and given that our work confirms that family firms are not a homogeneous population (Pazzaglia et al., 2013; Stockmans et al., 2010, 2013), we encourage scholars to analyse other sources of heterogeneity among family firms that may impact on their earning management practices.

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Capítulo 3: THE EFFECT OF CORPORATE GOVERNANCE FACTORS ON THE QUALITY OF FINANCIAL REPORTING IN FAMILY AND NON-FAMILY FIRMS

ABSTRACT

The objective of this study is to explore the quality of financial information of Spanish firms, by comparing family firms with non-family firms, and relating this quality with corporate governance practices. For this purpose, a sample of 650 Spanish firms was analysed during the period 2011-2016. Based on agency theory and socioemotional wealth literature, the results show a higher quality of financial information in family firms, a relationship which is reinforced by corporate governance factors. Our results are consistent with the scant previous research, and with the premises of agency theory, which indicate lower asymmetry of information between owners and managers in the singular context of family firms. Additionally, our work provides evidence that the participation of women on the board boosts the quality of financial information in family firms, contributing to the justification of family firm heterogeneity in terms of earnings management. This study contributes to reducing the gap in the literature on the influence of the family business context and the influence of women on the board on the quality of financial reporting.

1. INTRODUCTION

The quality of financial information, taken to be reports on financial performance that are relevant and can be useful in assisting users in decision-making, has been the subject of increasing interest (García-Lara, García-Osma, Mora, & Scapin, 2017; Gavana, Gottardo, & Moisello, 2017). Empirical evidence reveals that the quality of financial reporting depends on the type of firm or the business context (Dechow, Ge, & Schrand, 2010). Family businesses offer a particularly suitable context for researching this topic. On the one hand, the family involvement in the firm mitigates conflicts of interest between shareholders and managers and, consequently, asymmetries that may undermine the process of financial reporting (e.g. Prencipe, Bar-Yosef, Mazzola, & Pozza, 2011). On the other hand, the family dominance over the governance bodies may lead majority shareholders to increase their benefits to the detriment of minority interests, which may in turn lead to lower-quality accounting information (Chi, Hung, Cheng, & Lieu, 2015; Razzaque, Ali, & Mather, 2016; Torchia & Calabrò, 2016). The influence of the family firm status on the quality of financial information remains controversial, and constitutes the first research gap that this chapter tries to cover. Moreover, the quality of financial information can be also influenced by corporate governance, understood as the "system by which organisations are directed, monitored and incentivised, involving relationships between owners, the board of directors, management and supervisory bodies" (Mazzioni, Pugol, Moura, & Klann, 2016, p. 65). The system of governance of family firms also seems to present singular characteristics. For instance, the concentrated position of families and their dominance over governance bodies may lead to more informal governance structures, and lesser independence of the administration as regards the family, which in turn generates uncertainties as to the effective supervision of managers in relation to discretionary accounting (Aguilera & Crespi-Cladera, 2012; Jaggi, Leung, & Gul, 2009). However, as a consequence of their long-term orientation (Lumpkin, Brigham, & Moss, 2010), family firms are more sensitive to image problems and the need to convey an environment of trust and transparency in outside financial reporting. This concern for reputation may influence family firms to adopt singular governance practices and to present higher quality financial information (Liu, Valenti, & Chen, 2016). These inconsistencies in the corporate governance of family firms constitute the second research gap identified.

To contribute to closing the two research gaps above identified, this study aims to analyse the influence of the family firm status on the quality of financial information, and to research the effect of diverse corporate governance factors (non-duality between the president and CEO of the family firm, board size, proportion of women on the board, and size of the audit firm) on quality of financial reporting of family firms

versus non-family firms. To reach these objectives is important for two main reasons. First, family firms, defined as those firms where there is "significant family involvement or support" (Debicki, Matherne III, Kellermanns, & Chrisman, 2009, p. 152), are the dominant business model across the globe, ranging from 75% to 95% of firms in Western Europe (Lank, 1995; Prencipe, Bar-Yosef, & Dekker, 2014). In Spain, family businesses account for about 90% of commercial companies and generate about 60% of gross value added (IEF, 2015). Second, since the crisis of 2008, corporate governance has been the subject of new concerns, as evidenced in codes of conduct, as a way to convey to markets a climate of trust and transparency in financial reporting (OECD, 2016).

Based on the assumptions of agency theory (Jensen & Meckling, 1976) and on the SEW literature (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007), this study investigates both the quality of financial information in family versus non-family firms, and the influence of governance mechanisms adopted by these firms on the quality of this information. Our theoretical model is empirically tested with a sample of 650 large Spanish firms. The results show that family firms tend to present better quality financial information than their non-family counterparts, and that adoption of governance practices, such as the existence of non-duality between the president and CEO of the firm and the proportion of women on the board, represents an effective mechanism for family firms in restricting problems of discretionary accounting.

This study makes at least three contributions to the literature. First, it adds to the literature on corporate governance (e.g. Bona-Sánchez, García-Meca, & Pérez-Alemán, 2018), reporting that the adoption of certain practices in governance mechanisms contributes to substantial improvements in the quality of financial reporting in family firms, and that the lower independence of governance bodies in these firms does not appear to hamper this quality. Second, it contributes to the literature on quality of financial information (e.g. Cascino, Pugliese, Mussolino, & Sansone , 2010; Prencipe et al., 2011; Torchia & Calabrò, 2016), showing that, in the context of concentrated ownership, family firms are more likely than non-family firms to restrict earnings management. This often leads to increased confidence for users of financial information when considering how governance bodies affect accounting policies in both family and non-family firms, as well as for firms which are considering the effectiveness of resources applied in the field of governance, namely in the separation of CEO roles, managerial size and gender diversity. Finally, our results also have important theoretical implications for the discussion on the effects of agency and SEW.

The chapter is structured as follows: after this introduction, we address the theoretical foundations for the quality of accounting information and for corporate governance, and present the research hypotheses. The third section presents the research methods and describes the sample, the variables and the theoretical model. The fourth section presents both the results and robustness analysis. Finally, we discuss the results, present our conclusions, and propose some suggestions for future work.

2. THEORETICAL GROUNDING AND DEFINITION OF HYPOTHESES

2.1 Quality of financial information and family firms

Agency theory (Jensen & Meckling, 1976) is strictly focused on problems rooted in the separation of ownership and control. According to this theory, conflicts of interest may emerge between owners and managers if the latter act in their own interest to the detriment of shareholders (type I agency problem), as well as between majority and minority owners, since the former can derive benefits at the expense of other interested parties (type II agency problem). The characteristics of family firms seem to increase the likelihood that managers will act in the best interests of shareholders, as families tend to hold a concentrated position in their firms and thus have a strong incentive to control their managers (Demsetz & Lehn, 1985). This reduces the type I agency problems and, in turn, the manipulation of financial reports (Tong, 2007). However, majority family ownership and its domination over the composition of the board of directors can bring private benefits to the family to the detriment of the interests of minority owners, generating the type II agency problems (Paiva, Lourenço, & Branco, 2016; Salvato & Moores, 2010).

The literature based on listed firms suggests that type I agency problems are less acute in family firms and result in better quality financial reporting practices in samples from firms in countries such as the United States, Canada, England and Italy (Ali, Chen, & Radhakrishnan, 2007; Cascino et al., 2010; Jiraporn & DaDalt, 2009; Landry, Deslandes, & Fortin, 2013; Prencipe et al., 2011; Wang, 2006). However, some studies conducted in emerging economies, such as Thailand or China, have observed contrasting results, suggesting that family firms face more serious type II agency problems than non-family firms. Majority family control combined with potentially fragile corporate governance structures places founding families in an extraordinarily powerful position for extracting private gains at the expense of other minority owners (Ding, Qu, & Zhuang, 2011; Ding, Zhang, & Zhang, 2007). The discrepancy of results seems to indicate that the interpretation of the quality of financial information in family firms may

depend on the country and other characteristics of family firms (Ferramosca & Allegrini, 2018; Gavana et al., 2017; Jara & López-Iturriaga, 2014).

Studies based on Italian firms with concentrated ownership have shown that quality financial information occurs at the highest levels of family participation, as at lower levels the family has no power to act opportunistically (Ferramosca & Allegrini, 2018). This quality is reinforced by the moderating role of the family when senior management has experience and knowledge such that interests and benefits are aligned and lead to manager performance benefitting the organisation (Ferramosca & Allegrini, 2018).

As in other countries from Continental Europe (Cascino et al., 2010; Prencipe et al., 2011; Torchia & Calabrò, 2016), in Spain, both family and non-family firms have a concentrated ownership structure (Claessens & Tzioumis, 2006). Therefore, the type I agency problem may be attenuated in family firms given the lower agency costs between shareholders and managers. Moreover, this ownership concentration is often linked to higher stability in management positions, mostly assigned to the family or to its trusted representatives (Prencipe & Bar-Yosef, 2011). This seems to benefit the long-term interests of the family business and its different stakeholders (minority shareholders included), mitigating type II agency problems (Ferramosca & Allegrini, 2018; Torchia & Calabrò, 2016) and thus enabling a higher quality of accounting information. In addition, unlike non-family firms, family businesses are willing to sacrifice part of their financial wealth in favour of maintaining their SEW, defined as those "non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty" (Gómez-Mejía et al., 2007, p. 106). Family firms tend to be concerned for the long-term value of their companies, and for maintaining their reputational capital. Hence, they tend to avoid earnings management practices, since these ones could be considered detrimental to the future of the company (Martin, Campbell, & Gómez-Mejía, 2016). All the above arguments lead us to propose that family firm status boosts the quality of financial information. We formally propose the following hypothesis:

> ***Hypothesis 1*****:** *Family firm status is positively associated with the quality of financial information compared to non-family firms.*

2.2 Quality of financial information and corporate governance

The literature on listed firms reports that dispersed ownership structure and other government measures positively influence the quality of financial information (Alves, 2011, 2014; Bona-Sánchez et al., 2018, Callao-Gastón, Gasca-Galán, & Jarne-Jarne,

2008). However, this topic is under-researched in the family business context. Hence, we propose researching how different factors related to corporate governance influence the quality of accounting financial information in family firms. In particular, we focus on studying four corporate governance-related factors: the existence of non-duality between the president and CEO of the family firm, the board size, the proportion of women on the board, and the size of the audit firm.

In corporate governance, the board of directors is the ultimate decision-making body and is the liaison for guiding and supervising management's relationship with stakeholders, including the financial reporting process (CNMV, 2015; Cohen, Krishnamoorthy, & Wright, 2002; Torchia & Calabrò, 2016). Consequently, it constitutes a key mechanism for aligning interests between shareholders and managers, by reducing information asymmetries and improving the quality of financial information (Callao-Gastón et al., 2008; Monterrey-Mayoral & Sánchez-Segura, 2008; Torchia & Calabrò, 2016). To complement these studies, and considering that family governance differs from non-family firms' governance (Aguilera & Crespi-Clarera, 2012; Jaggi et al., 2009; Liu et al., 2016), we first analyse to what extent accounting information is influenced by CEO non-duality. CEO non-duality consists of separating the CEO's responsibility for strategic functions from those of the board of directors. The fact that the same person exercises the functions of CEO and president leads to a concentration of power and thus the level of supervision of the administration tend to be reduced, due to the accumulation of duties and significant influence on the administrative bodies, which impedes the effectiveness of control mechanisms in alignment of interests (Torchia & Calabrò, 2016). In this scenario, effective supervision by the board may be compromised in view of the CEO's ability to dominate and restrict information from the board, and single leadership may create constraints on the remaining board members' ability to raise difficult or critical issues or make correct judgments (Liu et al., 2016). Some studies have argued that duality may contribute to lower quality financial information (Dunn, 2004; Monterrey-Mayoral & Sánchez-Segura, 2008), whether related to earnings management (Davidson, Goodwin-Stewart, & Kent, 2004) or in information dissemination indexes (Liu et al., 2016; Torchia & Calabrò, 2016). All these arguments lead us to believe that the separation of the CEO's functions from those of the chairman of the board of directors contributes to higher quality financial information in family firms. Hence, we formally propose the following hypothesis:

> ***Hypothesis 2a:*** *The existence of non-duality between the president and CEO of the firm is positively associated with the quality of financial information in family firms.*

The size of the board can also cause constraints on financial reporting (Monterrey-Mayoral & Sánchez-Segura, 2008), since a smaller size will not allow adequate management supervision and a larger size may create inhibitions regarding strategic decisions (Caravaca-Sánchez, Sánchez-Ballesta, & García-Meca, 2012). The smaller size of the board may lead to better quality financial information, given the low level of dispersion of responsibilities regarding management control (Torchia & Calabrò, 2016). However, contrary arguments consider that the size of the board will be directly related to the size of the firm, since a larger size of company may generate greater complexity, leading to the requirement of a larger board, with its members having some specialisation with a view to facilitating supervisory mechanisms. Based on these arguments, Monterrey-Mayoral and Sánchez-Segura (2008) found a positive association between board size and the quality of financial information. Thus, in line with previous studies, we state a new corporate governance-related hypothesis as follows:

> ***Hypothesis 2b:*** *The size of the board of directors is positively associated with the quality of financial information in family firms.*

Gender diversity is one of the most recent concerns of the Code of Conduct in Spain after the change in 2015, which is mandatory for listed firms. However, the link between the presence of women on board and quality of financial information remains controversial (Arun, Almahrog, & Aribi, 2015; Damak, 2018; Gallego-Álvarez, García-Sánchez, & Rodríguez-Domínguez, 2010). Literature reports that women are more professionally ethical and less likely to act immorally, because they are more sensitive to the risk of loss of reputation and of lawsuits (Gull, Nekhili, Nagati, & Chtioui, 2018). On the basis of these arguments, gender complementarity would lead to better quality financial reporting in firms which have greater representation of women on the board of directors (Arun et al., 2015; Damak, 2018; Gull et al., 2018). In addition, lower levels of earnings management were found in firms in countries where concern with the theme of gender diversity is highest (Kyaw, Olugbode, & Petracci, 2015). Thus, the representation of women on the board of directors may be associated with better governance practices, aspects which may influence internal control systems and consequently the quality of financial information (Adams & Ferreira, 2009; Caravaca-Sánchez et al., 2012; Gallego-Álvarez et al., 2010; García-Lara et al., 2017; Pucheta-Martínez, Bel-Oms, & Olcina-Sempere, 2018). In line with the above arguments, the following research hypothesis can be formally stated:

> ***Hypothesis 2c:*** *The proportion of women on the board of directors is positively associated with the quality of financial information in family firms.*

In the field of external monitoring, research reports that larger auditors (Big 4 – KPMG, EY, PWC, and Deloitte) are more likely to restrict earnings management in listed firms as a way of maintaining their independence (Jara & López-Iturriaga, 2007; Kim, Chung, & Firth, 2003). However, for unlisted firms, it is considered that larger auditors lower the risk of litigation and loss of reputation (Cano-Rodríguez, Sánchez-Alegría, & Arenas-Torres, 2016), and therefore are not associated with higher audit quality in these firms (Park, 2015). Although the results of research remain inconclusive, empirical evidence seems to show that earnings management in unlisted firms happens in clients of both Big 4 companies and non-Big 4 clients (Cano, 2007) and that the higher audit quality carried out by the Big 4 will be more likely to occur when litigation risk increases, which is associated with publicly traded companies and with dispersed shareholder ownership (Van Tendeloo & Vanstraelen, 2008). Thus it is expected that the risk of litigation will be lower in family firms, given the concentration of ownership. Therefore, in line with other studies (Aguilera et al., 2012; Desender, Aguilera, LópezPuertas-Lamy, & Crespi-Cladera, 2014), we do not associate higher quality financial information with larger audit firms, leading to the formulation of the following research hypothesis:

> ***Hypothesis 2d:*** *The size of the audit firm is negatively associated with the quality of financial information in family firms.*

2.3 Quality of financial information and corporate governance: family firms versus non-family firms

The commitment of families with their wealth invested in the firm leads to relationships based on trust being established, bonds of loyalty being created among employees and a collective culture based on family values which allows them to obtain competitive advantages in identifying and satisfying the needs of their clients (Samara & Arenas, 2017; Zahra, Hayton, & Salvato, 2004). Family firms are more sensitive to aspects of corporate reputation because of the closer association of the firm with the family name, especially in the case of incorporated or inherited firms compared to acquired firms (Pazzaglia, Mengoli, & Sapienza, 2013; Stockmans, Lybaert, & Voordeckers, 2013). In addition, family firms are often concerned with the perpetuation of the family dynasty (Gómez-Mejía et al., 2007), which implies transferring a healthy firm to the family's heirs, and constitutes an additional reason for caring about outside visibility and reputation (Deephouse & Jaskiewicz, 2013; Paiva, Lourenço, & Curto, 2019), given that reputation constitutes an intangible asset associated with value creation, which is expected to yield better returns (Gómez-Mejía, Cruz, & Imperator, 2014; Villalonga & Amit, 2010). Corporate reputation is influenced by the information provided by firms to

the outside, the effect of which may harm the firm's image if the information is considered unethical, driving away the interest of investors and backers and increasing the vigilance of authorities (Brammer & Pavelin, 2004; Yang, 2010). However, if the information is considered to be of higher quality, this reduces asymmetries with stakeholders, increasing interested parties' confidence levels and bringing potential beneficial effects for the firm and markets (García-Sánchez & Martínez-Ferrero, 2016). Therefore, considering the long-term perspective of family firms and the need for reputation as a way of transmitting wealth to future generations (Chen, Chen, & Cheng, 2008), and bearing in mind that family and non-family firms have different governance practices (Aguilera et al., 2012) with family taking a role in decision-making bodies, we propose the following research hypothesis:

> ***Hypothesis 3:*** *The relationship between characteristics of corporate governance and the quality of financial information is stronger in family firms than in non-family firms.*

3. METHODS

3.1 Population and sample

The population for our study was selected from the SABI database, which has been used by other family business studies (e.g. Hernández-Linares, Kellermanns, & López-Fernández, 2018a; Terrón-Ibáñez, Gómez-Miranda, Miras-Rodríguez, & Rodríguez-Ariza, 2019). Our target firms were limited to large firms, similar to other studies (Arnedo, Lizarraga, & Sánchez, 2007), and in particular to firms with a business volume of more than 100,000,000 euros in 2015. Of the firms selected, we eliminated those related to the financial and insurance sector, as is common in this type of studies (Cascino et al., 2010; González & García-Meca, 2014; Pazzaglia et al., 2013), as well as firms that do not have values for all indicators in the model. A total of 3,887 observations (1,427 family firm and 2,460 non-family firm observations) were finally obtained (9% of them corresponding to listed firms), in the 6-year period of analysis, from 2011 to 2016.

Table 3.1 shows the main characteristics of the sample. The weight of family firms in the sample is 36.7%, which is consistent with previous studies (e.g. 39.15% reported by Claessens & Tzioumis, 2006), but is lower than the most recent data published by the IEF (2015). This difference may be associated with the larger size of the firms included in our sample.

Table 3.1 –Observations by activity sector

Observations by activity sector	Total sample				Listed	Unlisted	Family	Non-family
	No.	%	Average volume of business (10^6 €)	Average age (in years)	No.	No.	No.	No.
Agriculture and food (SIC 1)	487	13%	1,248	32.5	48	439	221	266
Industry (SIC 2 and 3)	938	24%	1,232	32.7	102	836	272	666
Construction and commerce (SIC 4 and 5)	1,367	35%	910	30.2	102	1,265	517	850
Services (SIC 6,7 and 8)	1,095	28%	820	24.9	96	999	417	678
Total	**3,887**	**100%**	**1,005**	**29.6**	**348**	**3,539**	**1,427**	**2,460**
%					**9%**	**91%**	**37%**	**63%**

3.2 Variables

a) *Dependent variable*

We used the discretionary accruals metric, laid out in the models of Jones (1991) and Kothari, Leone and Wasley (2005), as a measure of earnings management, a notion introduced by Schipper (1989) and developed by García-Osma, Albornoz-Noguer and Gisbert-Clemente (2005). This is a question of any deliberate practice by managers with opportunistic and/or informative purposes in presenting the level of desired results; thus, by an inverse process we obtain an approximation of the quality of accounting information, in line with other studies (Stockmans et al., 2013). We chose the discretionary accruals method as it is more consistent with the accruals method, on which managers can exercise discretionary accounting (Pereira & Alves, 2017). The aim of the models used is to separate the expected component of accounting results that have not yet resulted in cash flow from the unexpected component, which is interpreted as earnings management (Dechow, Sloan, & Sweeney, 1995; Jara & López-Iturriaga, 2007).

b) *Independent variables*

Family firm (Family). Given the absence of a database of family firms in Spain, we classified family firms based on the information available in the SABI database. We adopted the procedure defined by Rojo-Ramírez, Diéguez-Soto and López-Delgado (2011), and corroborated as effective by several studies (e.g. Diéguez-Soto & López-Delgado, 2018; López-Delgado & Diéguez-Soto, 2015). This procedure establishes two requirements: (1) a concentration of capital of more than 50% belonging to a family, natural person or legal entity; and (2) the same surname among members of the board

of directors or majority shareholders. Thus, the variable Family is a binary variable that assumes values of 1 or 0, according to whether the firm is classified as family or not (Ali et al., 2007; Sue, Chin, & Chan, 2013; Vieira, 2016).

Non-duality of the CEO (N-DUAL). This variable identifies whether the CEO's functions are separate from those of the chairman of the board of directors. Thus, if these functions are performed by different people, the N-DUAL variable assumes a value of 1, and 0 otherwise (Monterrey-Mayoral & Sánchez-Segura, 2008).

Size of the board (SIZE-B). This variable is calculated by dividing the number of managers by the logarithm of the total assets (Anderson & Reeb, 2003; Monterrey-Mayoral & Sánchez-Segura, 2008), which allows us to consider the size of the firm along with the number of board members.

Gender. This variable corresponds to the representation of women on the board of directors, and is measured by dividing the number of women by the total number of members of this body (Gull et al., 2018; Kyaw et al., 2018).

Audit quality (AUD). This variable is analysed via the size of the audit firm (Big 4), with it is assigned a value of 1 if the firm is audited that year by a Big 4 company rather than other auditors, in which case the variable is coded as a value of 0 (Jara & López-Iturriaga, 2007).

c) ***Control variables***

First, we controlled for the size (*Size*), because larger firms are subject to greater regulation and control by the scrutiny of financial analysts and are expected to have more advanced internal control systems, which reduces the possibility of earnings management practices (Paiva et al., 2019; Sánchez-Ballesta & García-Meca, 2007). We used the asset logarithm to measure this variable (Cascino et al., 2010; Paiva et al., 2019). Second, we controlled for indebtedness (*LEV*), because the most indebted firms are subject to rigorous analysis by creditors, and therefore have a greater propensity to report higher quality financial information (Pazzaglia et al., 2013), as well as a higher propensity to manipulate unexpected accounting results in order to avoid disclosure to backers (González & García-Meca, 2014; Paiva et al., 2019). Specifically, indebtedness is measured as the ratio of total liabilities to total assets. We then controlled for return on assets (*ROA*), measured as the quotient between operating result and total assets, because low levels of profitability seem to be associated with higher levels of earnings management (Ali et al., 2007; Kothari et al., 2005). This, however, may not be the case, either because the desired level of performance has

already been achieved or because managers wish to convey improvements in performance (Leuz, Nanda, & Wysocki, 2003). Fourth, we controlled for cash flow from operations (*CFO*), establishing the relationship between this variable and total assets, because firms with higher levels of cash flow and greater variability in accounting results are more likely to carry out earnings management (Paiva et al., 2019). The fifth control variable is the age of firm (*Age*), measured as the number of years from its inception to the year of observation (Hernández-Linares et al., 2018a; Michelon & Parbonetti, 2012). We controlled for this variable because literature has suggested that earning management might depend on firm age (e.g. Stockmans et al., 2013). Sixth, we controlled for the intensity of intangible assets (*INTANG*), via the relation between the value of intangible assets and the total assets (Cascino et al., 2010; Moura, Theiss, & Cunha, 2014). According to these authors, the fact that firms seek greater competitiveness leads to assets associated with greater information requirements being intensified, given the greater risk associated with this undertaking. In addition, we controlled the effect of being a listed or a non-listed firm (*Listed*), through a binary variable that has a value of 1 if the firm is listed and 0 otherwise. The greater demand on listed firms in their financial information leads to the belief that they present higher quality financial information (Arnedo et al., 2007). Eighth, we controlled for the effect of the 2008 crisis period in Europe on earnings management, introducing a dummy variable (*Crisis*) for the period of 2011 and 2012 (Miralles-Quirós, Miralles-Quirós, Sánchez-Hernández, & Guia-Arraiano, 2017). Given the acute economic and financial crisis experienced in this period in the Iberian Peninsula, a positive relationship with discretionary accruals can be expected. Finally, and in line with other researches on the quality of financial information (Cascino et al., 2010; Paiva et al., 2019), we controlled for the activity sector effect via binary variables (Industry) which have a value of 1 if the observation belongs to a given sector and 0 otherwise.

3.3 Measurement of the quality of financial information

We used discretionary accruals as an approximate measure of the quality of financial information (Cascino et al., 2010; Gavana et al., 2017; Mazzioni et al., 2015; Moura et al., 2014; Silva & Costa, 2017) measured by Jones' modified model (Dechow et al., 1995) in its cross-section version, which is estimated by activity sector and year. This model has been used in recent studies (Arun et al., 2015; Ferramosca & Allegrini, 2018; García-Lara et al., 2017). The application of the model, presented in equation (1), consists of calculating total accruals via the difference between the result of the period before outstanding items and cash flow from operations for each firm-year.

Thus, in the absence of earnings management, the increases/decreases in net current assets will correspond to the part of the period result which has not yet originated cash flow:

$$TA_{i,t} / AST_{i,t-1} = \alpha/AST_{i,t-1} + \beta\ (\Delta Sales_{i,t} / AST_{i,t-1} - \Delta Clients_{i,t}) / AST_{i,t-1} + \mu\ INVEST_{i,t} / AST_{i,t-1} + \varepsilon_{i,t} \quad \textbf{(1)}$$

Where i = number of firms (1 to 650); t = year (2011 to 2016); TA = total accruals (period results – cash flow from operations); ΔSales - ΔClients = change in turnover (turnover $_t$ - turnover $_{t-1}$), deducted from the change in clients (clients $_t$ - clients $_{t-1}$); INVEST = tangible and intangible fixed assets; AST = assets from the previous year; and finally $\varepsilon_{i,t}$= residues of firm i, in period t, which represent discretionary accruals.

In order to corroborate the results obtained, we also applied Jones' modified model adjusted for ROA (Kothari et al., 2005), which is estimated by equation (2), by year and activity sector. This model corresponds to a modification put forward by Kothari et al. (2005) to Jones' modified model (Dechow et al., 1995), based on the assumption that discretionary accruals are correlated with the firm's current and past performance. Reguera-Alvarado, Laffarga-Briones and Fuentes-Ruiz (2015) analysed the model and observed that it is effective in the context of Spanish firms, reducing the potential specification problems of Jones' modified model (Dechow et al., 1995) for firms with extreme financial performance.

$$TA_{i,t} / AST_{i,t-1} = \alpha/AST_{i,t-1} + \beta\ (\Delta Sales_{i,t} / AST_{i,t-1} - \Delta Clients_{i,t}) / AST_{i,t-1} + \mu\ INVEST_{i,t} / AST_{i,t-1} + w\ ROA/AST_{i,t-1}\ \varepsilon_{i,t} \quad \textbf{(2)}$$

To control variable heteroscedasticity problems, we proceeded to the determination of discretionary accruals, dividing all the values of the variables of equations (1) and (2) by the corresponding value of the previous year's assets.

3.4 Research model

We tested the hypotheses defined by using a multiple linear regression (ordinary least squares – OLS) (Cascino et al., 2010; Paiva et al., 2019; Prencipe et al., 2011), where the dependent variable is the discretionary accruals module as an inverse measure of the quality of financial information, and the independent variables are family, non-

duality (N-DUAL), size of board of directors (SIZE-B), gender and size of the auditing firm (AUD). The variables of firm size (Size), indebtedness (LEV), profitability (ROA), cash flow (CFO), age, asset intangibility (INTANG), being listed, crisis years (Crisis) and sector (Industry) are control variables, as shown in the following model:

$$DA = \alpha + \beta_1 \text{ Family} + \beta_2 \text{ N-DUAL} + \beta_3 \text{ SIZE-B} + \beta_4 \text{ Gender} + \beta_5 \text{ AUD} + \beta_6 \text{ Size} + \beta_7 \text{ LEV} + \beta_8 \text{ ROA} + \beta_9 \text{ CFO} + \beta_{10} \text{ Age} + \beta_{11} \text{ INTANG} + \beta_{12} \text{ Listed} + \beta_{13} \text{ Crisis} + \beta_{14} \text{ Industry} + \varepsilon \quad \textbf{(3)}$$

The relationship between the dependent variable and the type of firm allows us to see if family firms present higher quality information compared to non-family firms (Hypothesis 1), while the association between the same dependent variable and the variables related to corporate governance aim to ascertain if governance-related factors lead to reinforcing that quality, in the first phase in family firms (Hypotheses 2a to 2d) and finally, in the second phase comparing family and non-family firms (Hypothesis 3).

4. RESULTS

4.1 Descriptive statistics

The quantitative variables used in the research are presented in Table 3.2, which shows that the measurements of dependent variable values, discretionary accruals determined by Jones' modified model (Dechow et al., 1995) – DA (J) and Jones' modified model for ROA (Kothari et al., 2015) – DA (K) are lower for family firms than non-family, and had statistically significant difference in the means. In the remaining variables, there are also differences, and it should be noted that family firms are smaller, have higher average seniority and have lower levels of cash flow from operations.

Table 3.2 Descriptive statistics for dependent and independent variables

	N	DA (J)	DA (K)	SIZE B	Gender	Size
Sample	**3,887**					
Mean		0.069	0.065	6.648	0.137	5.413
Median		0.046	0.043	5	0.071	5.292
Standard deviation		0.073	0.068	4.842	0.182	0.649
Difference in means (t-stat.)						
- Family vs.	**1,427**	-0.010***	-0.011***	-0.017	0.048***	-0.149***
- Non-family	**2,460**					
	N	**LEV**	**ROA**	**CFO**	**Age**	**INTANG**
Sample	**3,887**					
Mean		29.024	5.350	6.788	29.591	0.082
Median		25.895	4.627	6.467	24	0.020
Standard deviation		22.898	8.859	19.907	20.932	0.146
Difference in means (t-stat.)						
- Family vs.	**1,427**	-0.704	0.539*	-0.007	2.702***	-0.010**
- Non-family	**2,460**					

***p < 0.01; **p < 0.05;* p < 0.1

The frequency of the qualitative variables is presented in Table 3.3, where, essentially, the distribution between family firms (36.7%) and non-family firms (63.3%) can be seen, as well as the greater expression of CEO duality at the level of family firms, which have a larger proportion of smaller auditors.

Table 3.3 Frequency of qualitative variables

Variables	No (0)	%	Yes (1)	%	Total	Diff. in Means (t-stat.)
Family/ Non-family (Family)	**2,460**	**63.3**	**1,427**	**36.7**	**3,887**	
Dummy DA (K)	**2,546**	**65.5**	**1,341**	**34.5**	**3,887**	
Non-Duality	**1,759**	**45.3**	**2,128**	**54.7**	**3,887**	**-0.055*** **
Family	694	**48.6**	733	51.4	1,427	
Non-family	1,065	**43.3**	1,395	56.7	2,460	
Big 4 Auditors	**1,056**	**27.2**	**2,831**	**72.8**	**3,887**	**-0.225*** **
Family	591	**41.4**	836	51.6	1,427	
Non-family	465	**18.9**	1,995	81.1	2,460	
Crisis	**2,591**	**66.7**	**1,296**	**33.3**	**3,887**	**-0.001**

***p < 0.01; **p < 0.05; * p < 0.1

Table 3.4 shows the correlation matrix which reveals that the degree of correlation between the independent variables is not high, since the coefficients obtained are lower than 0.6, under the recommended threshold of 0.65 (Tabachnick & Fidell, 2012).

Table 3.4 Correlations

Var.	1 DA (J)	2 DA (K)	3 Family	4 N-DUAL	5 SIZE-B	6 Gender	7 AUD	8 Size	9 LEV	10 ROA	11 CFO	12 Age	13 INTANG	14 Listed	15 Crisis
1 DA (J)	1														
2 DA (K)	-	1													
3 Family	-0.078***	-0.084***	1												
4 N-DUAL	-0.069***	-0.073***	-0.061***	1											
5 SIZE-B	-0.135***	-0.158***	0.019	0.291***	1										
6 Gender	-0.052***	-0.047***	0.124***	0.068***	0.069***	1									
7 AUD	0.007	0.002	-0.248***	0.069***	0.026	0.006	1								
8 Size	-0.212***	-0.189***	-0.118***	0.008	0.185***	-0.042**	0.286***	1							
9 LEV	0.027*	0.030*	-0.006	-0.005	0.042**	0.032**	0.071***	0.248***	1						
10 ROA	0.012	0.048***	0.030*	0.046***	-0.043***	-0.021	-0.047***	-0.028*	-0.284***	1					
11 CFO	0.021	0.052***	-0.060***	0.028*	-0.025	-0.020	0.046***	0.017	-0.202***	0.531***	1				
12 Age	-0.115***	-0.112***	0.062***	0.114***	0.220***	0.014	0.027*	0.193***	-0.023	-0.037**	-0.015	1			
13 INTANG	-0.076***	-0.087***	-0.031*	0.049***	0.151***	-0.033**	0.161***	0.216***	0.206***	-0.021	0.039**	-0.072***	1		
14 Listed	-0.161***	-0.200***	-0.009	0.090***	0.355***	-0.008	0.168***	0.426***	0.100***	-0.018	-0.013	0.286***	0.228***	1	
15 Crisis	0.031*	-0.005	-0.006	0.002	0.005	0.000	0.003	-0.010	0.052***	-0.037**	-0.039**	-0.060***	0.013	0.013	1

***p < 0.01; **p < 0.05; *p < 0.1

4.2 Multivariate analysis

The results of linear regression are shown in Table 3.5. Initially we only analysed the control variables for the whole sample (column 1) and then the significance of the family variable also for the whole sample (column 2). Subsequently, we separated the sample into the family (columns 3 and 4) and non-family firms (columns 5 and 6), with the respective results presented for control variables and for variables related to governance.

As can be seen, the model is significant for an acceptance level of 0.05, with a low degree of explanation when the total sample is analysed only with the control variables (6.7%). This is substantially increased in family firms with the control variables (14.4%) and when governance variables are introduced (16.9%). Other research that followed this model obtained close or lower levels of explanation (Cascino et al., 2010; Paiva et al., 2019).

As can be seen from the results in column 2, the family variable has a strong negative statistical association with the quality of financial information ($\beta = -1.228$; $p < 0.01$), leading to lower discretionary accruals in family firms. This result confirms the first research hypothesis, showing evidence of better quality financial information in family firms than non-family. Our results are in line with previous literature (Cascino et al., 2010; Jara & López-Iturriaga, 2014; Prencipe et al., 2011; Stockmans et al., 2010).

Regarding the research hypotheses related to governance mechanisms, the results show a negative significance between earnings management and the CEO non-duality variable ($\beta = -0.970$; $p < 0.01$), supporting hypothesis 2a, which proposed that the existence of non-duality between the president and CEO of the firm would be positively associated with the quality of financial information in family firms. Our results indicate that management independence and supervision lead to better quality financial information, consistent with previous studies (Alves, 2011, 2014; García-Osma, 2008; Monterrey-Mayoral & Sánchez-Segura, 2008). However, hypothesis 2b, which proposed that the board size would be positively associated with the quality of financial information in family firms, was not supported ($\beta = -0.200$; n.s.) even if the sign of the variable is consistent with our initial expectations. Although bigger boards seem to promote the quality of financial information (Alves, 2011; Monterrey-Mayoral & Sánchez-Segura, 2008), and considering that the mean size of boards in family and non-family firms are very similar (6.64 and 6.65 members, respectively), we think that in the family business context, this effect may be neutralized by the higher sensitivity of family firms to aspects of corporate reputation (Berrone, Cruz, Gómez-Mejía, &

Larraza-Kintana, 2010; Martin et al., 2016). In family firms there is a lower proportion of external members on boards than in their non-family counterparts (Jaggi et al., 2009; Prencipe & Bar-Yosef, 2011; Stockmans et al., 2013), and although the bigger board size allows the company to include more family members on the board, this may not influence the quality of their accounting information. That is, given that family members often represent a high proportion of the board members both in bigger and smaller boards, the concern of family for avoiding damage to the corporate reputation may not be higher in companies with bigger board size. Despite this, the size of the board of directors revealed a positive statistical association with the quality of financial information in non-family firms, similar to findings from Monterrey-Mayoral and Sánchez-Segura (2008). Hypothesis H2c proposed that the proportion of women on the board of directors would be positively associated with quality of financial information in family firms. Our results support this hypothesis ($\beta = -0.028$; $p < 0.01$). This result seems to corroborate that women are associated with best practices in corporate governance (García-Lara et al., 2017) and that the presence of women on the board of directors of Spanish firms favours correctness and good governance practices, with a positive effect on the quality of financial information (Caravaca-Sánchez et al., 2012). Finally, the variable of the size of auditor shows a positive statistical significance ($\beta = 1.227$; $p < 0.01$), supporting hypothesis 2d, which established that the size of the audit firm would be negatively associated with the quality of financial information in family firms. Our results, hence, reveal that non-Big 4 audit firms are associated with a higher quality of financial information. This result is contrary to the idea that the Big 4 are often associated with a higher quality of auditing (Jara & López-Iturriaga, 2007), due to their higher resources and their higher independence as a consequence of their broader client portfolio, although this will depend on reputational and litigation risk (Cano, 2007; Van Tendeloo & Vanstraelen, 2008). This risk seems to be lower in non-listed companies (Van Tendeloo & Vanstraelen, 2008) and especially in family firms due to the smaller asymmetries of information and smaller agency costs (Prencipe et al., 2011). Our results, hence, are consistent with the size in the sample of unlisted firms (Cano, 2007; Van Tendeloo & Vanstraelen, 2008) given that smaller conflicts of interest occur in these family firms (Ali et al., 2007; Cascino et al., 2010, Jiraporn & DaDalt, 2009; Landry et al., 2013; Prencipe et al., 2011; Wang, 2006) and there will be less motivation for hiring a Big 4 audit firm. Indeed, the Big 4 are hired by the 51.6% of family firms versus 81.1% of non-family firms, a difference that has been pointed out by previous studies (Kvaal, Langli, & Abdolmohammadi, 2012).

Table 3.5 Linear regression regarding quality of financial information

	Total Sample		Family		Non-Family	
	Dependent Variable: DA (J)					
	C1	C2	C3	C4	C5	C6
Independent Variables	**β/S.E.**	**β/S.E.**	**β/S.E.**	**β/S.E.**	**β/S.E.**	**β/S.E.**
Constant	18.349***	20.839***	18.946***	18.946***	19.725***	2.115***
	(1.085)	(1.113)	(1.752)	(1.752)	(1.373)	(1.409)
Size	-2.145***	-2.506***	-2.090***	-2.330***	-2.359***	-2.514***
	(0.209)	(0.214)	(0.336)	(0.346)	(0.264)	(0.272)
LEV	0.032***	0.034***	0.042***	0.043***	0.030***	0.030***
	(0.006)	(0.005)	(0.008)	(0.008)	(0.007)	(0.007)
ROA	0.009	0.020	0.222***	0.222***	-0.059***	-0.057***
	(0.016)	(0.018)	(0.026)	(0.026)	(0.019)	(0.020)
CFO	0.027**	0.012	-0.177***	-0.181***	0.091***	0.089***
	(0.013)	(0.012)	(0.020)	(0.020)	(0.016)	(0.016)
Age	-0.022***	-0.014**	-0.024**	-0.023***	-0.019**	-0.012***
	(0.006)	(0.006)	(0.009)	(0.009)	(0.008)	(0.008)
INTANG	-0.024***	-0.024***	-0.007	-0.007	-0.032***	-0.030***
	(0.009)	(0.009)	(0.013)	(0.013)	(0.011)	(0.011)
Listed	-1.683***	-1.237**	-0.686	-0.664	-2.077***	-1.472**
	(0.495)	(0.509)	(0.710	(0.718)	(0.646)	(0.672)
Crisis	0.360	0.366	0.134	0.125	0.550	0.561*
	(0.244)	(0.241)	(0.335	(0.330)	(0.323)	(0.322)
Industry	s.s.	s.s.	s.s	s.s.	n.s.	n.s.
Family		-1.228***				
		(0.249)				
N-DUAL		-0.777***		-0.970***		-0.769**
		(0.243)		(0.341)		(0.328)
SIZE-B		-0.402***		-0.200		-0.549**
		(0.158)		(0.217)		(0.216)
Gender		-0.019***		-0.028***		-0.013
		(0.006)		(0.008)		(0.010)
AUD		0.988***		1.227***		0.508
		(0.280)		(0.346)		(0.415)
R^2	6.7%	7.6%	14.4%	16.9%	8.4%	9.2%
R^2 Adjusted	6.4%	7.3%	13.8%	15.9%	7.9%	8.6%
Change in R^2		0.9%		2.5%		0.7%
Sig.	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
Sig. Change		0.000***		0.000***		0.000***
N	3,887		1,427		2,460	

***p < 0.01; **p < 0.05;* p < 0.1; s.s. – significant; n.s. – non-significant; SE – Standard error (in brackets).

To examine hypothesis 3, and in line with other studies (e.g. Zahra et al., 2004), we used the Chow test (Chow, 1960) to determine the significance of the differences between sub-samples of family (column 4) and non-family firms (column 6). The result obtained from this test supports hypothesis 3, which established that the relationship between the characteristics of corporate governance and the quality of financial information would be stronger in family firms (change of 2.5% in R^2) compared to non-

family (change of 0.7% in R^2). We also compared the coefficients of governance variables for each pair of equations and found that the statistical significance of the non-duality variable was stronger in family firms ($p < 0.01$) than in non-family ($p < 0.05$), while the variables of gender and size of auditor are significant in family firms ($p < 0.01$), but not in non-family. The exception concerns the variable of the size of the board, which is only significant in non-family firms ($p < 0.05$). In general, our results support hypothesis 3.

The control variables are generally significant, showing that size has a negative association with the discretionary accruals ($\beta = -2.145$; $p < 0.01$), while indebtedness ($\beta = 0.032$; $p < 0.01$) and cash flow from operations ($\beta = 0.027$, $p < 0.05$) are positively associated with discretionary accruals. Firm age ($\beta = -0.022$, $p < 0.01$) and intangibility of assets ($\beta = -0.024$; $p < 0.01$) are negatively associated with discretionary accruals, which implies that firms that are older and have larger intangible investments have higher quality financial reports. A similar result was found for listed firms ($\beta = -1.683$; $p < 0.01$), reporting that these firms are subject to higher requirements in their accounting information. The variable of profitability showed a significant negative sign when the sample was separated into family ($\beta = 0.222$; $p < 0.01$) and non-family firms ($\beta = -0.059$; $p < 0.01$), which may be due to lower pressure attributed to the former on their short-term financial performance.

4.3 Robustness analysis

With a view to assessing the validity and robustness of the evidence obtained, Table 3.6 shows the results obtained by the multiple logistic regression that associates the quality of the financial information, as an inverse measure of discretionary accruals determined by Kothari et al. (2005) model, with the independent and control variables presented in the previous model. Following the procedure put forward by Prior, Surroca and Tribó (2008), we converted the discretionary accruals variable into a binary variable that has a value of 1 if the amount of that variable is greater than or equal to the average of the observations by sector and year, and 0 otherwise.

From the variables considered, this model allows an estimation of the probability of a firm presenting quality financial information or not, distinguishing variables with statistical significance (Wald test). We employed this model, which has been used by several authors (Callao-Gastón et al., 2008; García-Osma , 2008; Prior et al., 2008), as it does not require strict compliance with multivariate normality assumptions (López-Iturriaga & Zarza-Herranz, 2010). The capacity of the model is evaluated by its

explanatory power R^2, the interpretation of which is similar to the coefficient of determination of classic regression.

The model is significant for an acceptance level of 0.05, with levels of explanation higher than with linear regression – 12.8% for the whole sample when considering the control variables and 20.1% in family firms. Other research that followed this model obtained close or lower explanatory levels (11% reported by García-Osma et al., 2008; 8% reported by Prior et al., 2008; and 16.6% by Callao-Gastón et al., 2007).

Table 3.6 Logistic regression regarding the quality of financial information

	Total sample		Family		Non-Family	
	Dependent variable: DA (K)					
	C1	C2	C3	C4	C5	C6
Independent variables	**β/S.E.**	**β/S.E.**	**β/S.E.**	**β/S.E.**	**β/S.E.**	**β/S.E.**
Constant	2.138***	2.949***	2.420***	2.778***	2.695***	3.201***
	(0.375)	(0.389)	(0.820)	(0.848)	(0.445)	(0.460)
Size	-0.536***	-0.646***	-0.735***	-0.761***	-0.593***	-0.645***
	(0.071)	(0.073)	(0.156)	(0.162)	(0.084)	(0.086)
LEV	0.010***	0.010***	0.023***	0.024***	0.007***	0.007***
	(0.002)	(0.002)	(0.003)	(0.003)	(0.002)	(0.002)
ROA	0.005	0.008	0.062***	0.062***	-0.004	-0.004
	(0.005)	(0.005)	(0.011)	(0.011)	(0.005)	(0.005)
CFO	0.014***	0.011***	-0.028***	-0.029	0.020***	0.020***
	(0.004)	(0.004)	(0.008)	(0.011)	(0.004)	(0.004)
Age	-0.005***	-0.002	-0.013***	-0.013***	-0.002	0.000
	(0.002)	(0.261)	(0.004)	(0.004)	(0.002)	(0.002)
INTANG	-0.009***	-0.009	-0.003	-0.002	-0.012***	-0.011***
	0.003	(0.003)	(0.006)	(0.006)	(0.002)	(0.004)
Listed	-20.007	-19.821	-2.468***	-2.456***	-20.101	-19.833
	(2.299)	(2.282)	(0.737)	(0.741)	(2.835)	(2.822)
Crisis	-0.035	-0.025	-0137	-0.140	-0.006	0.002
	(0.076)	(0.077)	(0.137)	(0.139)	(0.094)	(0.095)
Industry	n.s.	n.s.	n.s.	n.s.	n.s.	s.s.
Family		-0.351***				
		(0.080)				
N-DUAL		-0.175**		-0.039***		-0.109
		(0.078)		(0.146)		(0.097)
SIZE-B		-0.201		-0.089		-0.278***
		(0.054)		0.096		(0.000)
Gender		-0.004*		-0.010***		-0.003
		(0.002)		(0.003)		(0.003)
AUD		0.298***		0.325**		0.176
		(0.087)		(0.142)		(0.118)
R^2	12.8%	15.2%	17.6%	20.1%	14.8%	16.2%
Sig.	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
N	3,887		1,427		2,460	

***p < 0.01; **p < 0.05; *p < 0.1; s.s. – significant; n.s. – non-significant; SE – Standard error (in brackets).

As can be seen, there is no change in results in the statistical relation between the discretionary accruals and the family and non-family firms, which allows us to corroborate the results obtained by the multiple linear regression. Regarding the variables of governance, CEO non-duality, representation of women in the board, size of the board of directors and size of the auditor, all variables have significance close to that obtained in linear regression. The results obtained for the control variables, in general, are also confirmed.

5. CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

This study investigates the quality of financial reporting via evidence of earnings management in family versus non-family firms, and analyses whether this relationship depends on the effect of good corporate governance practices. The results show that family firms in Spain manipulate the accounting information less than their non-family counterparts. This result is in line with other researches, mainly focused on listed firms (Cascino et al., 2010; Prencipe et al., 2011) and with the premises of agency theory which indicate low asymmetry of information between owners and managers. In family firms, the governance factors analysed (non-duality of the CEO, size of the board of directors, gender diversity on the board and auditor size) seem to contribute to attenuating potential conflicts of interest in agency relationships (Paiva et al., 2016).

The aforementioned mechanisms of governance revealed a significant relationship with the quality of financial information in family-owned firms, corroborating the results obtained in other studies (Alves, 2011, 2014; Callao-Gastón et al., 2008; Caravaca-Sánchez et al., 2012). Thus, many of these firms require better governance systems as a way to outwardly exhibit procedures of transparency and trust in the eyes of stakeholders (Ariff, Ibrahim, & Othman, 2007), showing that family members are concerned with reputation, particularly in the case of unlisted firms where the recommendations of the Code of Conduct are not mandatory. This claim is evidenced by the separation of functions of the CEO and the chairman of the board of directors, which has a strong statistical relationship with the quality of financial information in family firms.

The less stringent requirements explained by agency theory regarding governance of corporations with concentrated ownership show significant changes compared to family firms, as these firms aim for good governance practices as a means of conveying confidence in the relationships they have with minority shareholders and other stakeholders (Aguilera & Crespi-Cladera, 2012; Liu et al., 2016). These firms are

motivated to find mechanisms that are in accordance with accepted norms in the codes of conduct, which is explained by the SEW perspective, according to whose arguments, family firms can imitate the actions of the firms with dispersed capital to increase their legitimacy and reputation (Berrone et al., 2010; Miller, Le Breton-Miller, & Lester, 2013).

The greater participation of women in the management of family firms is also associated with higher quality financial information. This result seems to corroborate the idea that the participation of women has an effect close to that of independent representatives as they become involved less often in practices of manipulation or fraud and benefit the firm's performance, with characteristics of correctness and good practice (Caravaca-Sánchez et al., 2012) and also because they are associated with better systems of governance (García-Lara et al., 2017). The literature indicates that gender complementarity fosters dialogue in firms, reducing information asymmetries with the outside and promoting transparency in financial reporting; the result obtained thus being consistent with previous studies on listed firms (Damak, 2018; Gull et al., 2018).

Also for the audit function, as an external and independent control of the firm, the results obtained showed an association with quality financial information in family firms, as opposed to non-family. As this result is not associated with larger audit firms, it is assumed that family firms may be more compliant with audit recommendations, a result that is consistent with studies carried out on unlisted firms (Cano, 2007).

Considering the stronger role of the family in decision-making processes in family firms, we analysed whether good governance practices have a stronger relationship with the quality of financial information in these firms compared to non-family firms. The results obtained were robust for three of the four variables analysed regarding corporate governance. While family firms are associated with less formal management and control procedures and are considered less compliant with codes of conduct (Aguilera et al., 2012; Liu et al., 2016), the adoption of good practices in governance mechanisms contributes to substantial improvements in reducing earnings management. The evidence obtained contributes to the literature on the quality of financial information, showing that family firms have specific characteristics that favour the alignment of interests and accounting information. Thus, we support the continued debate on interaction between family and accounting (Miller & Le Breton-Miller, 2006), showing that the effects of good governance practices reinforce that quality. In addition, our study contributes to the literature by providing new evidence to support the increasingly accepted view that women in high-level positions help improve accounting

information (Arun et al., 2015; Damak, 2018; Gull et al., 2018). The results obtained are relevant for information users and regulators, taking the effect of good corporate governance practices into account, as well as for auditors and firms, considering audit risk and the effectiveness of implementing appropriate monitoring and internal control systems.

Our work is not free of limitations and some of them constitute directions for future lines of research. By focusing the sample on listed and unlisted firms, we are faced with the limitations of the SABI database regarding the availability of information for a wide range of listed firms, so our results may not be wholly generalizable to these firms. Thus, we call on scholars to replicate this analysis on listed firms, given the functioning of the capital market and the lower concentration of capital and from the perspective of comparison of results with previous research. We also call for research into the relationship between corporate social responsibility and quality of financial information. We believe in the legitimacy of this analysis given that new concerns emerge due to external pressures that firms face in this area, which have effects on the quality of financial information (Miralles-Quirós et al., 2017). On the other hand, as SABI does not classify the firms as family and non-family, we undertook this classification following the procedure proposed by Rojo-Ramírez et al. (2011) and later validated by several studies (Diéguez-Soto et al., 2018; López-Delgado et al., 2015). However, given that there is a multitude of definitions of the family firm concept (Hernández-Linares, Sarkar, & Cobo, 2018b; Hernández-Linares, Sarkar, & López-Fernández, 2017), it would be useful to verify the consistency of our results by adopting other methods of identification.

Our work was carried out in the context of listed and unlisted Spanish firms that apply, inter alia, international accounting standards or accounting standards adapted to these firms, so the results may be different in other contexts (Pereira & Alves, 2017). In addition, Spain has broad experience in applying codes of conduct in the field of corporate governance, and future research may determine relations with the quality of financial information in different legal and cultural environments, in family and non-family firms, as well as the effects of different generations of families (Jara & López-Iturriaga, 2014). Another approach lies in verifying the effect of independent managers and the supervisory and monitoring activities of the board of directors in the context of these firms, in view of the possible effect of greater informality on governance structures in family firms (Liu et al., 2016).

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Capítulo 4: THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE ON EARNINGS MANAGEMENT: FAMILY VERSUS NON-FAMILY FIRMS

***"El contenido de esta sección está sujeto a protección*"**

ABSTRACT

This study investigates the relationship between Corporate Social Responsibility (CSR) in environmental, social and corporate governance dimensions and earnings manipulation practices in family and non-family firms. We analysed 243 listed companies in France and Spain, two countries with code-law and concentrated ownership, from 2009 to 2018. The results show that CSR performance helps reduce levels of earnings management in family firms compared to non-family. The multidimensional nature of the concept of CSR may be differently reflected in the triple dimension of CSR performance in family firms, which reflects the quality of financial information. This evidence seems to be associated with the family's socio-emotional wealth, taking into consideration the company's concerns with image and reputation and the main stakeholders of CSR actions. Our study closes the gap in the literature on the relationship between CSR and the quality of financial information in family versus non-family firms.

Capítulo 5: RESUMEN DE RESULTADOS Y CONCLUSIONES FINALES

La investigación que recoge esta Tesis Doctoral se planteó con el objetivo de identificar los efectos del desempeño financiero y no financiero en los *earnings management* en empresas familiares *versus* no familiares. Para ello, primero, en el Capítulo 2, analizamos la relación entre el estatus familiar o no de la empresa y las prácticas de *earnings management*, así como el efecto moderador de la generación en que se encuentra la empresa. Después, en el Capítulo 3, analizamos la relación entre las buenas prácticas de gobierno corporativo y la calidad de la información financiera comparando empresas familiares y no familiares. Finalmente, en el Capítulo 4, investigamos la relación entre la RSC y los *earnings management,* analizando si esta relación era diferente en el singular contexto de la empresa familiar.

Los resultados obtenidos en el Capítulo 2 muestran, en primer lugar, una menor propensión de las empresas familiares a las prácticas de manipulación contable cuando éstas son medidas a través de los *accruals* discrecionales. Atribuimos este resultado a dos factores. Por un lado, la menor separación entre propiedad y control en las empresas familiares contribuye a atenuar el problema de agencia tipo I. Por otro, la perspectiva a largo plazo a menudo atribuida a las empresas familiares (e.g. Le Breton-Miller y Miller, 2006; Lumpkin y Brigham, 2011) puede tener efectos positivos en la calidad de la información financiera, principalmente como consecuencia de la vinculación de la empresa al nombre de la familia (Pazzaglia, Mengoli y Sapienza, 2013; Villalonga y Amit, 2006).

A continuación analizamos el efecto de la generación de la empresa en la relación entre el estatus familiar y sus indicios de manipulación contable, y encontramos que, en línea con el trabajo de Gómez-Mejía, Cruz e Imperatore (2014), el efecto de la generación se reveló significativo para explicar la manipulación contable en las empresas no cotizadas familiares, a través de dos factores principales: (1) la primera generación es más sensible a los aspectos del control como forma de transmisión de la riqueza a las generaciones futuras, por lo que los costes de agencia que resultan de un desempeño financiero más débil conducirán a una mayor manipulación contable; (2) el horizonte temporal más largo de las inversiones en las empresas familiares lleva a que la consolidación de la vinculación entre el nombre de la empresa y el nombre de la familia ocurra más tarde, por lo que estas empresas serán más sensibles a los aspectos de imagen y reputación familiar con efectos en la calidad de la información financiera. Además, cuando el desempeño financiero es débil, la empresa familiar, que persigue no sólo objetivos financieros, podrá soportar mayores costes de agencia por la relación con otros *stakeholders* que persiguen objetivos financieros. Nuestro resultado confirma, en el contexto de las empresas no cotizadas, la heterogeneidad en relación a la calidad de la información financiera de las empresas familiares ya

apuntada por la investigación con empresas cotizadas (Paiva, Lourenço y Curto, 2019).

En el Capítulo 3, los resultados obtenidos muestran que las empresas familiares en España manipulan menos la información contable que sus homólogas no familiares. Este resultado está en línea tanto con otras investigaciones, principalmente centradas en empresas cotizadas (Cascino, Pugliese, Mussolino y Sansone, 2010; Prencipe, Bar-Yosef, Mazzola y Pozza, 2011) como con las premisas de la teoría de la agencia, que indican una menor asimetría de la información entre propietarios y gerentes de las empresas de naturaleza familiar (Anderson y Reeb, 2003; Jara y López-Iturriaga, 2014). En las empresas familiares, los factores de gobernabilidad analizados (el hecho de que el rol de CEO y presidente del consejo no sea desempeñado por la misma persona, el tamaño del consejo, la diversidad de género en el consejo y el tamaño del auditor) parecen contribuir a atenuar los posibles conflictos de intereses en las relaciones de agencia (Cascino et al., 2010; Prencipe et al., 2011).

Los mecanismos de gobierno mencionados anteriormente están significativamente asociados con la calidad de la información financiera en las empresas familiares, corroborando los resultados de estudios previos (Alves, 2011, 2014; Callao-Gastón, Gasca-Galán y Jarne-Jarne, 2008; Caravaca-Sánchez, Sánchez-Ballesta y García-Meca, 2012). Por lo tanto, muchas de estas empresas requieren mejores sistemas de gobierno como una forma de exhibir de manera externa los procedimientos de transparencia y confianza a ojos de sus *stakeholders* (Ariff, Ibrahim y Othman, 2007), mostrando que los miembros de la familia están preocupados por la reputación, particularmente en el caso de empresas no cotizadas donde las recomendaciones del Código de Conducta no son obligatorias. Esta afirmación se evidencia en la separación de funciones del CEO y el presidente del consejo, que tiene una fuerte relación estadística con la calidad de la información financiera en las empresas familiares.

Los requisitos menos estrictos explicados por la teoría de la agencia con respecto al gobierno de las organizaciones empresariales con propiedad concentrada muestran cambios significativos en comparación con las empresas familiares, ya que estas empresas apuntan a las prácticas de buen gobierno como medio para transmitir confianza en las relaciones que tienen con los accionistas minoritarios y otras partes interesadas (Aguilera y Crespi-Cladera, 2012; Liu, Valenti y Chen, 2016). Estas empresas están motivadas por encontrar mecanismos que estén de acuerdo con las normas aceptadas en los códigos de conducta, lo que se explica por la perspectiva de la SEW, según la cual, las empresas familiares pueden imitar las acciones de las

organizaciones con capital disperso para aumentar su legitimidad y reputación frente a terceros (Berrone, Cruz, Gómez-Mejía y Lazarra-Kintana, 2010; Miller, Le Breton-Miller y Lester, 2013).

La mayor participación de las mujeres en la administración de las empresas familiares también se asocia con información financiera de mayor calidad. Este resultado parece corroborar la idea de que la participación de las mujeres tiene un efecto cercano al de los representantes independientes, ya que se involucran menos en las prácticas de manipulación o fraude y benefician el desempeño de la empresa, con características de corrección y buenas prácticas (Caravaca-Sánchez et al., 2012), y además están asociadas con mejores sistemas de gobierno (García-Lara, García-Osma, Mora y Scapin, 2017). La literatura indica que la complementariedad de género fomenta el diálogo en las empresas, reduce las asimetrías de información con el exterior y promueve la transparencia en la información financiera; el resultado obtenido es, por lo tanto, consistente con estudios previos realizados con muestras de empresas cotizadas (Damak, 2018; Gull, Nekhili, Nagati y Chtioui, 2018).

También para la función de auditoría, como un control externo e independiente de la empresa, los resultados obtenidos mostraron una asociación con la información financiera de calidad en empresas familiares, en lugar de no familiares. Como este resultado no está asociado con empresas de auditoría más grandes, se supone que las empresas familiares aceptan mejor las recomendaciones de auditoría, un resultado que es consistente con los estudios realizados en firmas no cotizadas (Cano, 2007).

Teniendo en cuenta el papel más importante de la familia en los procesos de toma de decisiones en las empresas familiares, analizamos si determinadas prácticas de gobierno corporativo tienen una relación más sólida con la calidad de la información financiera en estas empresas en comparación con las empresas no familiares. Los resultados obtenidos fueron sólidos para tres de las cuatro variables analizadas con respecto al gobierno corporativo. Si bien las empresas familiares están asociadas con procedimientos de control y gestión menos formales y se consideran menos conformes con los códigos de conducta (Aguilera y Crespi-Cladera, 2012; Liu et al., 2016), la adopción de buenas prácticas en mecanismos de gobernabilidad contribuye a mejoras sustanciales reduciendo las prácticas de *earnings management*.

Finalmente, en el Capítulo 4, los resultados muestran que las empresas familiares más comprometidas con la RSC presentan menores niveles de *earnings management*. Esta evidencia es consistente con la investigación que observó que la perspectiva de la legitimidad que lleva a las empresas a desarrollar acciones que se conforman con los patrones de la sociedad, reduce el comportamiento antiético, y puede contribuir para la

mayor calidad de los informes financieros (Amar y Chakroun, 2017; Campopiano y De Massis, 2015; Choi, Choi y Byun, 2018; Gras-Gil, Palacios-Manzano y Hernández-Fernández, 2016). Este resultado es además consistente con la teoría de la agencia, que considera que la participación de la familia en los negocios es susceptible de reforzar la supervisión de los gestores. Sin embargo, la heterogeneidad de las empresas familiares y el concepto multidisciplinar de la RSC lleva a que las empresas familiares sean más responsables en unas dimensiones y menos en otras, lo cual corrobora la necesidad de observar cada dimensión individualmente (Bingham, Dyer Jr., Smith y Adams, 2011; Cruz, Larraza-Kintana, Garcés-Galdeano y Berrone, 2014).

El mayor compromiso con el medio ambiente genera una mayor visibilidad pública para la empresa familiar, lo cual permite a la empresa mejorar su reputación, contribuir a su continuidad y reducir las prácticas de *earnings management* (Amar y Chakroun, 2017; Berrone et al., 2010; Iyer y Lulseged, 2013).

En el desempeño social, es probable que el establecimiento de relaciones duraderas entre la fuerza laboral en las empresas familiares logre una mayor alineación de objetivos a nivel de la organización y esto contribuye a mejorar las relaciones con los clientes, proveedores y la comunidad (Fauver y Fuerst, 2006; Labelle, Hafsi, Francoeur y Amar, 2018; Van Gils, Dibrell, Neubaum y Craig, 2014). Además, la orientación a largo plazo de estas empresas conducirá a la definición de objetivos no financieros que motiven a los trabajadores a alcanzar objetivos futuros relacionados, por ejemplo, con la satisfacción del cliente, y no con el desempeño financiero, lo cual reduce el riesgo financiero (Liu et al., 2017) y, en consecuencia, las prácticas de *earnings management* (Hassabelnaby, Mohammad y Said, 2010).

Sin embargo, no encontramos ninguna relación entre el desempeño de gobierno corporativo y la gestión de resultados contables. La participación familiar en las empresas puede llevar a la empresa familiar a centrar sus esfuerzos en ciertas partes interesadas, como clientes y consumidores, y esta dimensión no es una prioridad para la familia, ya que el accionista mayoritario tiene información privilegiada sobre la empresa (Iyer y Lulseged, 2013; Kyaw, Olugbode y Petracci, 2017; Labelle et al., 2018). La idea de una mayor alineación de los intereses entre el interior y el exterior de la empresa a partir de las informaciones comunicadas sobre el desempeño de gobierno corporativo no se confirma como mecanismo de reducción de las prácticas de *earnings management*.

Encontramos evidencia de que la asociación entre la RSC y los *earnings management* es más fuerte en las empresas familiares que en las no familiares, lo que corrobora la idea de que los clientes y los consumidores valoran la información creíble (Amar y

Chakroun, 2017; Campopiano y De Massis, 2015). Las relaciones de lealtad establecidas con los empleados (partes interesadas internas) pueden llevar a la empresa familiar a mantener el control, ya que logra una mayor estabilidad en la fuerza laboral y mejora las relaciones con las partes interesadas externas (clientes, proveedores y consumidores) (Block y Wagner, 2014; Branco y Rodrigues, 2006; Cruz et al., 2014). Esto permitirá establecer vínculos de confianza y lealtad con este grupo de *stakeholders*, mitigando el riesgo y la incertidumbre en las transacciones y contribuyendo así a la mejor imagen de la empresa (Zientara, 2017).

En síntesis, teniendo en cuenta los resultados obtenidos, podemos concluir que la mayor preocupación por la imagen y reputación de las empresas familiares, así como el refuerzo de la supervisión de la familia, lleva a que estas empresas adopten mecanismos de gobierno y principios éticos que generalmente restringen las prácticas de manipulación contable respecto a las no familiares. A pesar de ello, la mayor preocupación por el control de la empresa, asociada a desempeños financieros débiles puede incentivar las prácticas de *earnings management*, corroborando la heterogeneidad de las empresas familiares en sus prácticas contables (Paiva et al., 2019; Stockmans, Lybaert y Voordeckers, 2010). Estas conclusiones son relevantes para la investigación, para inversores, empresas y organismos normalizadores, considerando los *gaps* encontrados en la literatura sobre el tema investigado.

Sin embargo, nuestra investigación no está exenta de limitaciones. Primero, y dado que nuestros resultados son verificados esencialmente en empresas españolas de tamaño elevado, los mismos pueden ser extrapolables a otros países de la Europa Continental, de propiedad concentrada, pero no son aplicables a pequeñas y medianas empresas, cuyas motivaciones para las prácticas de *earnings management* podrán ser diferentes (Kvaal, Langli y Abdolmohammadi, 2012; Sousa, Góis y Viseu, 2019). Segundo, en la investigación realizada, adoptamos una definición de empresa familiar basada en el porcentaje de propiedad familiar, la cual también ha sido adoptada en otros estudios (e.g. Mandl, 2009; Paiva et al., 2019). Dada la gran cantidad de definiciones que aparecen en la literatura (Hernández-Linares, Sarkar y Cobo, 2018b; Hernández-Linares, Sarkar y López-Fernández, 2017), en futuras investigaciones consideramos relevante emplear otras definiciones de empresa familiar que capturen otras perspectivas de estas empresas. Por otro lado, las prácticas de *earnings management* han sido medidas a través de los *discretionary accruals*, mediante la aplicación de varios modelos, por lo que sería interesante analizar la consistencia de nuestros resultados a través de prácticas basadas en decisiones reales (*real earnings management*: Bozzolan, Fabrizi, Mallin y Michelon, 2015; Liu, Shi, Wilson y Wu, 2017). Adicionalmente, dado que la RSC está

influenciada por el gobierno corporativo (Chi, Hung, Cheng y Lieu, 2015), sería interesante analizar si la participación de mujeres en el consejo de administración o la participación de representantes independientes puede influenciar el desempeño de RSC, especialmente en el caso particular de las empresas familiares. También sería interesante analizar si la relación entre la RSC y las prácticas de *earnings management* está moderada por la presencia de miembros de la familia o la existencia de miembros externos en el consejo de administración. Finalmente, dado que nuestro estudio revela que no todas las empresas familiares se comportan de la misma forma en términos de RSC, y que la política de RSC adoptada por las empresas familiares parece influir en la calidad de la información financiera, animamos a futuras investigaciones a estudiar las consecuencias de la adopción de las diferentes dimensiones de la escala FIBER (Hauck, Suess-Reyes, Beck, Prügl y Frank, 2016) en la política de RSC de las empresas familiares.

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Anexo 1: Appendix - of Chapter 2

The literature picks up some limitations of the accrual-based models, especially with respect to firms with extreme financial performance (Dechow, Hutton, Kin, & Sloam, 2012; Kothari et al., 2005; Reguera-Alvarado, Laffarga- Briones, & Fuentes-Ruiz, 2015). Previous studies have corroborated the association between discretionary accruals and auditors' opinion to verify both the consistency in model specification (Bartov, Gul, & Tsui, 2001), and the effects of the type of audit caveats on earnings management (Arnedo et al., 2008), since the audit is designed to validate the extent to which the disclosures that companies make in their financial statements coincide with their economic reality (Callao, Gasca, & Jarne, 2007). The result of this process, carried out by independent experts, is reflected in the audit report that accompanies the financial reports, allowing to reduce the uncertainties regarding the quality of the financial information and thus to attenuate the asymmetries of information that are established between the interior and the exterior of the company (Huguet & Gandía, 2014). In this sense, given the relevance of the audit opinion to give credibility to financial information that may be useful to users of such information (Cano-Rodríguez, Sánchez-Alegría, & Arenas-Torres, 2016; Park, 2015), such an opinion is a measure of the inherent quality of accounting information. That is, given the strength of auditors' control over potential accounting discretion on the part of managers, auditing is one of the instruments for reducing agency costs both among owners and managers, as well as between owners and other stakeholders (Jara & López-Iturriaga, 2007).

Thus, Bartov et al. (2001) associated the audit opinion with discretionary accruals, obtaining statistically significant results in the context of the American listed companies. In a similar sense, Arnedo et al. (2008) analysed the effects of the audit opinion on the quality of the financial information of Spanish companies, and found that audit qualifications may be positively related to discretionary accruals adjustments, or negatively, in the case of companies that are in the process of divestment. In a complementary sense, Jara and López-Iturriaga (2007) concluded that in Spanish companies there is a dependency ratio between the quality of the financial information, evaluated by discretionary accruals adjustments, and the quality of the audit, associated with the size of auditors and the issuance of qualifications.

Therefore, to verify the effect that the discretionary accruals present in the audit opinion, and in line with other investigations (Arnedo et al., 2008; Bartov et al., 2001; González-Díaz, García-Fernández, & López-Díaz, 2013; Jara & López-Iturriaga, 2007), we estimate the *logit* model presented in model A. The number of observations for which we have information about the audit opinion is 911 (see Table A, models A1 and A2), which 237 respect the qualified opinion (26%). Consistent with Arnedo et al. (2008) we analysed all audit qualifications and classified them in disagreement and

scope limitations (117 observations), or in uncertainties per operating company and disagreement regarding disclosures (120 observations). We neutralise the effect of audit caveats not associated with earnings management, that is, for the last two types considered, so that the results are presented with observations with audit qualifications, corresponding to 13% of the total observations, 44% of them corresponding to family businesses.

Audit opinion (1 – qualified; 0 - clean) = $\alpha + \beta_1$ DA + β_2 Family + β_3 Generation+ β_4 Fam*DA + β_5 Size + β_6 LEV + β_7 ROA + β_8 GROW + β_9 DUAL + β_{10} Sector + β_{11} Year + ε **(A)**

The results obtained are presented in Table A. Model A1 included control variables, and model A2 controls and following variables: Discretionary accruals, Family business, Generation and the interaction effect of family business status with discretionary accruals (Fam*DA). The underlying analysis of this interaction aims to observe how the effect of discretionary accruals influences the opinion of the auditors, since the variable family business is influenced by the operations of the sample that has been reduced taking into account the available information.

As can be seen (Table A, model A1), the control variables are statistically significant, observing that the qualified opinion of auditing mainly occurs in smaller companies, with lower profitability, less debt and lower growth, which confirms the results of Jara and López-Iturriaga (2007). In addition, the DUAL variable presents a significant statistical relationship with the qualified audit opinion, in agreement with the literature, informing that the nonduality can contribute to attenuate the asymmetries of information between the managers and the outside of the company (Callao et al., 2007; Torchia & Calabrò, 2016).

The model A2 shows a strong statistically significant and positive relationship between the dependent variable audit opinion and the discretionary accruals, which implies that the indications of higher discretionary accruals will be associated with situations detected by the auditors and reflected in the corresponding reports of audit (Arnedo et al., 2008; Bartov et al., 2001). The family firm also has a significant statistical relationship with the auditors' opinion, corroborating the idea that family companies are heterogeneous in the quality of financial information, which may be influenced by the first generation (Stockmans et al., 2010). As can be seen, financial agony may lead to family firms to manipulate accounting results to a greater extent, which may be associated with the risk of loss of control (Gómez-Mejía et al., 2014). The generation variable has a negative effect on the qualified audit opinion, which also occurs in the case of the interaction variable between family business status and discretionary

accruals. Thus, the reduction in discretionary accruals, which seems to occur in the family generations after the founder, seems to have a significant effect on the quality of financial information, which may result from increased business consolidation (Ariff, Ibrahim, & Othman, 2007) and the effect of the family's notoriety (García-Sánchez & Martínez-Ferrero, 2016).

Table A Regression estimates of audit opinion and discretionary accruals Jones

Dependent variable	Audit opinion			DA Jones		
	A1	A2		A3	A4	
Independents variables	β/S.E.	β/S.E.	VIF	β/S.E.	β/S.E	VIF
Intercept	2.808	1.326		10.570***	13.873***	
	(2.057)	(2.197)		(2.939)	(3.077)	
Size	-1.212***	-0.971***	1.204	-1.182**	-1.372***	0.864
	(0.335)	(0.338)		(0.496)	(0.504)	
LEV	-0.011**	-0.014***	1.113	0.072***	0.069***	0.927
	(0.005)	(0.005)		(0.009)	(0.020)	
ROA	-0.035***	-0.033***	1.100	0.070***	0.069***	0.969
	(0.011)	(0.012)		(0.020)	(0.020)	
GROW	-2.341***	-2.310***	1.037	0.002	0.003	0.987
	(0.698)	(0.677)		(0.005)	(0.005)	
DUAL	1.153***	1.174***	1.015	0.676*	0.653	0.987
	(0.243)	(0.252)		(0.412)	(0.410)	
AD		0.062***	1.482			
		(0.018)				
Family (Fam)		1.489***	1.967		-1.065**	1.087
		(0.346)			(0.462)	
Generation		-0.649**	1.159		-0.954***	1.097
		(0.278)			(0.304)	
Fam* Generation		a)			-0.558**	1.016
					(0.269)	
Fam*AD		-0.068**	2.254			
		(0.032)				
Industry dummies	No	No		No	No	
Years dummies	Yes	Yes		Yes	Yes	
R^2	19.5%	25.8%		14.5%	15.8%	
Adjusted R^2				13.7%	14.8%	
Sig.	0.000***	0.000***		0.000***	0.000***	
Correct classifications	89.1%	89.1%				
N Observations	911			1,263		

***p<0.01; **p<0.05;* p<0.1 - Standard error (in brackets).
A1 - Logit model only with the control variables.
A2 - Logit model with independent variables.
A3 - Research model only with the control variables.
A4 - Research model with independent variables.
a) Variable omitted in this iteration due to the existence of multicollinearity.

The result obtained seems to corroborate that the higher discretionary accruals are associated to deficiencies in the financial information (Arnedo et al., 2008). Similarly, the result supports the association between the discretionary accruals and the generation of the company, including family firms. That is, the probability that a first generation company receives a qualified audit opinion from discretionary accruals will be higher than in subsequent generations.

In a complementary way, we replicate the analysis model by evaluating discretionary accruals using the Jones (standard) model, which allows us to corroborate the results obtained by the modified Jones model (Table A, models A3 and A4).

Anexo 2: Revista Española de Financiación y Contabilidad / Spanish Journal of Finance and Accounting – Publication online

Routledge
Taylor & Francis Group

Spanish Journal of Finance and Accounting / Revista Española de Financiación y Contabilidad

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Earnings management in private family versus non-family firms. The moderating effect of family business generation

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Anexo 3: Revista de Contabilidad / Spanish Accounting Review – Acceptance Certificate

Electronic ISSN: 1988-4672
Print ISSN: 1138-4891
https://revistas.um.es/rcsar

Bernardino Benito, Full Professor of Financial Economics and Accounting at the University of Murcia, and Editor in Chief of Revista de Contabilidad-Spanish Accounting Review (RC-SAR),

CERTIFY THAT:

The article "The effect of relevant corporate governance factors on the quality of financial reporting in family and non-family firms" (with identifier 358451), presented by João Borralho, has been accepted for its publication in RC-SAR.

Murcia, 18 July 2019

Signed by: Bernardino Benito