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Table of Contents

Family in Top Management Team and Firm Value: Do Gender and Education of Family Manager Matter? <i>Hadi Sumarsono</i>	146
Indonesian Consumers' Intention of Adopting Islamic Financial Technology Services <i>Anissa Hakim Purwantini, Fauzul Hanif Noor Athief, Faqiyatul Mariya Waharini</i>	171
Impact of Transparency and Accountability on Trust and Intention to Donate Cash Waqf in Islamic Microfinance Institutions <i>Zulfikar Ali Ahmad, Rusdianto</i>	197
Education Level, Spiritual Intelligence, and Love of Money: Do They Correlate to Ethical Perception? <i>Irma Istiarini, Uliya Arifah</i>	228
How Ramadan and Global Pandemic Affect Religiosity and Donating Behaviors <i>A'rasy Fahrullah, Moch. Khoirul Anwar, Ahmad Ajib Ridlwan, Prayudi Setiawan Prabowo, Ach. Yasin</i>	250
A Critical Review of the Market Efficiency Concept <i>Karwan Hussein Mustafa, Amanj Mohamed Ahmed</i>	271



Family in Top Management Team and Firm Value: Do Gender and Education of Family Manager Matter?

Hadi Sumarsono

Faculty of Economics, Universitas Muhammadiyah Ponorogo, Indonesia
Hadisumarsono@umpo.ac.id

Abstract

The in-hand study sheds some light on empirical relationship between involvement of family members in the top management team and family firm value. Specifically, this study examines how gender and education of family managers affect firm value in Indonesian context. The total sample employed in this study consisted of 935 observations with 235 family companies. The data required in this study were collected from various sources. Drawing on fixed effect regression, the results identified that the involvement of family members in top management team significantly affected the family firm value. It was also revealed that the female family manager had a lower firm value than the male family manager. Moreover, the education level of the family manager positively affected the firm value. These results provide an empirical evidence on how gender and education of family managers influence family firm value. It is further depicted that the results of this study are in line with the upper echelons theory in which the differences in human resources (e.g. gender and education) arisen from the family involvement in a management undeniably affect family firm value. As for the practical contribution, this study suggests that powerful actors in the family firms should be a family member involved in a management. It is also a worth saying that the involvement of family members on the top management teams should consider gender and level of education.

Keywords: Corporate Governance; Family Firm Value; Top Management Team; Upper Echelons

Introduction

It is commonly accepted that family firms are heterogeneous entities (Nordqvist, Sharma, & Chirico, 2014). The heterogeneity of family firms has come from many sources (Daspit, et al., 2018). One of the sources has come from family-based human assets (Verbeke & Kano, 2012, Michiels and Molly, 2017; Chua et al, 2012). The differences in human resources arisen from the family's involvement in management is the primary cause of heterogeneity and can also lead to a wide variety of outcomes (Astrachan et al., 2008; Klein et al., 2005; Gill & Kaur, 2015).

The present study examines how individual property (e.g. gender and education) of the family manager affects firm value in Indonesian context. Family management in the Indonesian setting is interesting to be discussed. Most family firms in Indonesia are managed by family members. Based on data in 2010, Sumarsono (2014) found that 139 companies in Indonesia Stock Exchange involved family members in the top management team (Indonesia adopt two-tier board which the term of top management in Indonesia actually referred to the board of directors).

In Indonesia, family management much perceived as less good than professional management (Djarmiko, 2011). The involvement of family member in top management team sometimes does not consider the talents and abilities, so that family manager is potentially less accountable compared to more professional manager or outside directors (Young et al., 2008). Family management is synonymous with poor performance, lack of productivity, full of nepotism, and lack of professionalism. However, some pieces of evidence show that the number of future generations has been schooled at a high reputation university, typically with an MBA from a United States university (Tabalujan, 2002).

Previous studies showed that the impact of family management on firm performance still has any mixed. Some studies depicted that family management has a positive effect on firm performance (Anderson & Reeb, 2003; Maury, 2006; Saito, 2008; Kowalewski et al., 2010). Meanwhile, Chen, Gray, & Nowland (2011) found several negative relationships between family managers and firm performance but not all of the family management has a negative impact on the firm performance. Moreover, it was also shown that the involvement of family members in the management team had a negative impact on family firm performance (Sciascia and Mazzola, 2008).

Most studies of the relationship between family management and family firms' performance are based on agency theory and resource-based view (Chrisman, Chua, & Sharma, 2003), but few studies of the family firm are based on upper echelons theory. Upper echelon theory suggests that company performance is a reflection of observable characteristics of demographic factors such as age, educational level, gender, skills, and tenure of the powerful actors (Hambrick & Mason, 1984). Hambrick and Mason (1984) developed the idea that the characteristics of powerful actors in an organization can be used to predict organizational performance. Several studies have shown that the demographic characteristics of top management teams and board of directors have an influence on firm values (Marimuthu & Kolandaisamy, 2009; Bialowas & Sithipongpanich, 2014; Sithipongpanich & Polsiri, 2013). However, previous literature have still been silent on examining the phenomenon of the family firm (Minichilli et al., 2010).

The previous literature generally emphasize that powerful actors in the company's strategic decision-making process include CEOs and top management teams, although some exceptions may occur (Cannella & Holcomb, 2005). This study supposes that powerful actors in the family firm should be family members

involved in the top management team. Kellermanns et. al. (2008) proved that the demographic characteristics of family members involved in firms can influence economic growth through entrepreneurship behavior. Entrepreneurship behavior of family member in top management team is essential for firms to adapt and respond to environmental changes, such as consumer preferences, competitor actions, and technological developments (Kellermanns, et al. 2008). Thus, the primary objective of this study is to examine the effect of gender and education of family managers on family firm value in Indonesian context.

The current study is expected to enrich the literature in upper echelons and family business literature. This study offers a number of insights into the context of heterogeneity of family firms, particularly gender and education of family management. The demographic characteristics of the family managers are crucial factors in family corporate strategy policies. To the best of the author's knowledge, the present study is the first research examining how gender and education of family managers (as powerful actors in the family firms) affect firm value in the Indonesian context.

The presentation format of this paper is as follows. The introduction presents the objectives, motivation, and contribution of the study. It is then followed by the discussion on upper echelons theory and their effect on firm value, the theoretical framework, and hypotheses development. Research methodology presenting the sample and variable treatments is presented in the next section. Furthermore, the research findings and discussion are presented in the Section of Result and Discussion. Lastly, this research report is ended with a conclusion of the research findings, along with limitations and practical suggestions for future researchers.

Review of Literature

Upper Echelons Theory

The central premise of upper echelons theory is that executives' experiences, values, and personalities greatly influence their interpretations of the situations they face and, in turn, affect their choices. The theory assumes that decisions made by managers are not always based on rationality, but affected by the manager's limitations as a human being. Behavior in the decision-making process is limited by cognitive ability (habits, values, knowledge, or references) and the constraints of external aspects (environmental factors) so that the selected decision cannot be optimized (Sumarsono, 2013). There is rationality bounded in the process of decision making.

Hambrick and Mason (1984) stated that the situation in decision making is a complex process and it includes some phenomena that may be more complex to understand. Managers cannot capture all aspects of the existing environment. Information from environmental aspects collected and then filtered based on the limitations of perceptions, in consideration to the managers as policymakers, cannot be separated from their values and basic thinking.

The perception capturing process can be analyzed in several layers (David et al., 2012). The first layer is the limits of the scope (field) of the vision of the manager (policy-maker). The area or scope that the manager considers is limited by a manager's perception. The second one is the perception of a person that is also more broadly limited to a phenomenon becoming the field of a manager based on the sphere of vision they possess. The third one is the choice of information in the decision-making process interpreted to be filtered on the basis of cognitive and managerial values. The perception coming from the combination of situations with the

cognitive and manager's values is the basis for choosing strategy. On one side, the manager's values can influence perceptions, and on the other side, the manager's values can also directly influence the choice of strategy.

Upper Echelon Characteristics and Corporate Performance

The organization is a reflection of upper managers (upper echelons). The top managers influence the organization's performance with the choice of strategy they create. Upper echelons theory states that the characteristics of upper echelons and their choice of strategies can be used to help explaining an organizational performance (Hambrick & Mason, 1984). Organizational outcomes are partially predicted by managerial background characteristics of the top level management team. The policies taken by the powerful actors in the decision-making process are influenced by their cognitive and values base.

Since this psychological construct is difficult to measure, the demographic characteristics of the powerful actor can be used as a proxy for measuring cognitive bases and values. Hambrick and Mason (1984) stated that the individual demographic characteristics are the indicators of the individual's quality. Previous researches have also suggested that demographics are an indicator of the belief in values and individual abilities (Wiersema & Bantel, 1992). For example differences in gender that has some differences in leadership style, communication skills, aggressiveness, and risk preference (Bialowas & Sitthipongpanich, 2014). The level of education reflects the basic knowledge and level of one's intellectual competence (Hambrick & Manson, 1984).

Several studies have shown that the demographic characteristics of upper echelons have an effect on firm performance (Marimuthu & Kolandaisamy, 2009; Bialowas & Sitthipongpanich, 2014; Sithipongpanich & Polsiri, 2013). Furthermore,

Sithipongpanich and Polsiri (2013) proved that the diversity of age and educational background of members of the board of directors has a positive effect on the corporate value but the level of education has a negative one. The diversity of the education level of the board of directors increases the cost of conflict and leads to limitations in coordination and communication. Bialowas and Sitthipongpanich (2014) proved that experienced and competent CEOs will be able to make some better strategic decisions that can increase the value of the company.

Family Manager and Firm Value

The upper echelons theory suggests that family managers may also be directly associated with firm performance (Hambrick & Mason, 1984). Hiebl (2013) states that the family CEO holds the most strategic decision-making power. As a powerful actor in the decision-making process, the family manager is significantly influenced by their values and cognitive bases. The family manager provides a motive to behave more altruistically rather than the non-family manager. Schulze et al. (2002) define altruism as a moral value that motivates individuals to undertake actions that benefit others without any expectation of external reward. Family managers will make decisions that favor profits and profitability for their family firm and thus benefit their family.

Family involvement in the top management team contributes to families (firm-level bundle of resources and capabilities resulting from the system interactions) which then influence firm performance (Minichilli, 2010). The family managers can produce trust-based culture within the top management team (Zellweger 2007). Family manager produces and creates unique or distinctive resources and capabilities based on the family culture that impact on higher performance (Habbershon et al., 2003). Furthermore, family involvement in the top management team has a positive

impact on performance because it is correlated to the strong commitment organizational leaders have to the firm they own (Minichilli, 2010).

Previous researches provide evidence that family leadership is strongly associated with financial performance (Anderson and Reeb, 2003; Villalonga and Amit, 2006). The family manager suggests long-term growth aims of firm value rather than a non-family manager (Lutz and Schraml, 2012). Family involvement in the top management team presents a positive relationship with performance (Mazzola et al., 2013). Minichilli et al. (2010) show that families in firm leadership have a positive impact on performance. González-Cruz and Ros (2015) found that family involvement contributes to firm performance for the case of SME- the family business. Their results indicate that family involvement in the top management team is beneficial for firm performance. Thus a hypothesis is formulated.

H1: There is a positive relationship between the family manager and family firm value.

Gender Family Manager and Family Firm Value

Some previous studies have provided empirical evidence that women on the top management significantly affected firm performance. Jurkus, Park and Woodard (2011) proved that an increase in the proportion of women in company management showed a decrease in agency costs. Female representation remains an important indicator of the success of firms because female representation in top management will enrich the information and social diversity of a board (Dezso & Ross, 2012). However, the proportion of female managers may negatively be associated with firm performance in Indonesian context. Listed firms in Indonesia are mainly family-controlled, in which the presence of women on the top management may be more driven by family relationships

rather than their occupational expertise and experiences (Darmadi, 2010). The lack of competent female-family managers may, in turn, influence the family firm's value.

The presence of women in the executives is negatively associated with Indonesia's bank performance (Sawitri et al, 2016). Female executives are associated with less risky financial decisions and strategies (Huang & Kisgen, 2013). Female CEOs do not appear to allocate capital as efficiently as male CEOs. Faccio, Marchica and Mura (2016) document that firms run by female CEOs tend to make financing and investment choices that are less risky than otherwise similar firms run by male CEOs. Women have differences in leadership style, communication skills, aggressiveness, and risk preference than men (Bialowas & Sitthipongpanich, 2014). This study suggests that female-family managers have a lower capability to produce families in family firms compared to male-family manager. Based on the argument, then another hypothesis is postulated.

H2: Female-family manager has a negative effect on family firm value.

Education Level of Family Manager and Family Firm Value

Barth et al. (2005) and Smith & Amoako-Adu (1999) proved that the CEOs of family members have a negative impact on company performance. The performance is not better because the ability of the CEO of the family is no better than the Professional CEO. Morck et al. (2000) proved that the ability of family management on average is still below the ability of professional managers. The managers of family members who do not have the competencies and capabilities required by companies will lead to increased agency conflict between the owner of the family and the minority owner (Young et al., 2008). Conversely, if the ability of

family members is high, then it can enhance the company's competitive advantage (Barney, 1991).

Hambrick and Manson (1984) stated that level of education reflects the basic knowledge and level of one's intellectual competence. The level of education can increase the capability of individuals in improving managerial skills. A good level of education will also make it easy to understand complex problems. Previous studies state that higher education of the top executive is positively associated with attitudes toward new products and innovation (Bialowas & Sitthipongpanich, 2014), and receives better credit rating (Papadimitri et al., 2020). Xiaowei and Zhang (2010) have used a high level of CEO education to proxy a good capacity to process information and flexibility to openness, innovation, and development of strategic decisions.

Bhagat et al. (2010) state that higher education could be a signal of the CEO's intellect and ability to persevere on challenging intellectual activities. Xiaowei and Zhang (2010) found that the educational level of managers had a positive effect on firm operation and market performance. Directors who have a good level of education can handle the problems and situations that arise in the company (Amran & Ahmad 2011). Based on an in-depth and extensive review of the above-mentioned studies, the researcher proposes that educational level of upper echelons is positively associated with financial performance. In the present study, the educational level of family echelons is proxied as a dummy variable, which is denoted as 1 if the educational level of family echelons is the postgraduate degree and 0 if other. Therefore, the third hypothesis of this study is drawn.

H3: The education degree of family manager has a positive effect on family firm value.

Research Method

Sample Selection and Data Sources

The sample used in this study was family firms listed in the Indonesia Stock Exchange which were actively traded from 2011 until 2015 because the economy was relatively stable. Companies in the banking industry and other financial institutions were not included in this study because the financial industry had different regulations from non-financial companies. For example, *Surat Edaran Otoritas Jasa Keuangan Nomor 39 /SEOJK. 03/2016* regulates that board of director of bank must meet more specific competencies and requirements than director of non-bank and non-financial companies. In the banking and financial industry, family firm may not appoint family manager who do not have the required capabilities. Non-bank and non-financial companies also have some characteristics of different financial statements compared to other companies. According to Andres (2008), family firm is defined with two criteria, (1) founder and/or family member hold more than 25% of voting share and (2) if family ownership was less than 25%, they have to be represented on management and/or supervisory board.

Data Collection

The data required in this study were collected from various sources such as financial reports used to collect financial information, company prospectus, annual reports, and other sources on newspapers or the internet. The researcher conducted extensive observations to obtain the necessary data. After excluding the incomplete data, there were 935 observations with 235 companies that are identified as family firms. They were finally utilized as the data in this study, and proceeded to the data analysis stage.

Data Analysis

This study employed fixed effect and unbalance panel data to examine research hypotheses. The empirical models to be estimated are presented as follows.

$$\text{TobinsQ} = \beta_0 + \beta_1\text{FM} + \beta_2\text{FemaleFM} + \beta_3\text{EduFM} + \beta_4\text{LEVERAGE} + \beta_5\text{LnTA} + \beta_6\text{Growth} + \beta_7\text{LnFirmage} + \varepsilon$$

The researcher used Tobin's Q as a firm's value measurement because the aim was to measure market performance as a reflection of firms' long-term performance. Tobin's Q has advantages in considering governance issues and the growth of the company (Saito, 2008). According to Bunkanwanicha et al (2008), Tobin's Q (TobinsQ) is calculated by using the ratio of the book value of total assets minus book value of equity plus the market value of equity to book value of total assets. Family manager (FM) was proxied by the dummy variable, which was denoted by 1 (one) if family involved in the management team and 0 (zero) otherwise. Female-family manager (FemaleFM) taking a value of 1 for firm having female-family manager and 0 otherwise. The postgraduate degree of the family manager (EduFM) was proxied by a dummy variable, scored 1 if the family manager has a postgraduate degree, and scored 0 otherwise.

Leverage, LnTA, Growth, and Lnfirmage were also included for the control variable. Leverage was measured as the total debt divided by total assets (Anderson & Reeb, 2003; Maury, 2006). Lnfirmage is the logarithm of firm age. Firm age measured as the natural logarithm of the number of years since the establishment of the firm. Growth here was calculated based on $(\text{Net Sales} - \text{Net Sales}_{t-1}) / \text{Net Sales}_{t-1}$ as sales growth. Maury (2006) states that sales growth is used for the proxy value of growth opportunities. King and Santor (2008) found that firm size has a positive effect on

company performance. Firm size (LnTA) was measured by the logarithm of total assets (Anderson & Reeb; Maury, 2006).

Results

Table 1 presents the results of variable description used in the study. The models consist of 935 observations. The mean of TobinsQ is 0.8908, while the highest is 3.0308 and the minimum value is 0.0416. The average leverage is 0.5346 with a maximum value of 2.8762 and a minimum value of 0.0413. Sales growth is 0.1608 on average with a maximum value of 8.4326. The minimum growth is -0.8849 indicating that sales decline drastically and almost no sales at all.

Table 1. Descriptive Statistics

	TobinsQ	FM	FemaleFM	EduFM	Leverage	LnTA	Growth	LnFirmage
Mean	0.8908	0.6235	0.1668	0.2418	0.5346	21.381	0.1608	3.1780
Median	0.7763	1.0000	0.0000	0.0000	0.5303	21.390	0.1092	3.2580
Maximum	3.0308	1.0000	1.0000	1.0000	2.8762	25.296	8.4326	4.6728
Minimum	0.0416	0.0000	0.0000	0.0000	0.0413	16.145	-0.8849	0.0000
Std.Dev.	0.5301	0.4847	0.3734	0.3730	0.2883	1.5273	0.4353	0.6013
Observations	935	935	935	935	935	935	935	935

Source: data analysis

With regards to frequency of the family manager, table 2 illustrates that not all family firms managed by the family managers. About 62.35 percent of the family firm involved their member on the top management team or 583 observations are categorized as family management. It was found that 26.76 percent of the family manager was women. This finding suggests that women's family members have not played many roles in managing family enterprises. The provision of education for the family manager seems more important in the family enterprise. There is 38.94 percent of family managers have a postgraduate degree.

Table 2. Frequency of the Family Manager

	Count	Percentage (%)	Percentage (%)
Number of Obs.	935	100%	
FM	583	62.35%	100%
FemaleFM	156	16.68%	26.76%
EDUFM	227	24.28%	38.94%

Source: data analysis

Moreover, table 3 depicts the correlation matrix between independent variables in this study. Overall, it can be seen that the relationship between independent variables was relatively low. However, the relationship between FM and FemaleFM variables was about 0.335. The correlation between FM and EduFM was about 0.429 and the correlation between FemaleFM and EduFM was 0.344. Family management (FM) presence had a positive relationship with both FemaleFM and EduFM. Leverage had a negative relationship with FM and EduFM but positively correlated to FemaleFM.

Table 3. Correlation Matrix of Variables

	FM	FemaleFM	EduFM	Leverage	LnTA	Growth	LnFirmage
FM	1						
FemaleFM	0.335	1					
EduFM	0.429	0.344	1				
Leverage	-0.008	0.001	0.041	1			
LnTA	-0.063	0.001	0.103	0.051	1		
Growth	0.009	0.046	-0.039	-0.031	0.032	1	
LnFirmage	0.174	0.023	-0.0038	0.028	-0.023	-0.103	1

Source: data analysis

Furthermore, the result of regression analysis using fixed effects is shown in Table 4. Model 1 in Table 4 indicates that FM (family manager) has a significantly positive relationship with TobinsQ at level 5%. Consistent with model 1, model 2 in table 4

shows that there is a positive and significant association between Family manager and Tobin's Q after Female_FM and Edu_FM included in the model. Regression model 2 further describes that the coefficient of family manager is 0.280 with t-statistic value is 2.324740, and significant at level 5%. These findings support the hypothesis 1, indicating a positive relationship between family management and firm value.

Table 4. Result of Regression Analysis

Model	1	2	3	4
SUB SAMPLES	Family Firm	Family Firm	Family Firm	Family Management
FM	0.262027 (2.884139)**	0.280293 (2.324740)**		
FemaleFM		-0.199704 (-1.557613)	-0.105886 (-0.867330)	-0.532291 (-2.918485)***
EduFM		0.128716 (0.783610)	0.331862 (2.378415)**	0.670564 (1.661171)*
Leverage	0.651010 (4.634334)***	0.642358 (4.571504)***	0.656160 (4.659053)***	0.753624 (4.569456)***
LnTA	-0.065591 (-1.526059)	-0.071757 (-1.663707)*	-0.068431 (-1.582414)	-0.138905 (-2.934079)
Growth	0.027084 (0.940687)	0.026620 (0.924589)*	0.032052 (1.113377)	-0.021919 (-0.705349)
LnFirmage	0.132559 (0.701287)	0.140838 (0.743940)	0.148507 (0.782079)	-0.153706 (-0.654915)
Constant	1.356172 (1.339623)	1.457073 (1.437483)	1.463122 (1.438870)	3.834300 (3.174770)***
Number of Family Firm	235	235	235	150
Number of Observation	935	935	935	583
R ²	0.721103	0.722220	0.720041	0.758304
Adj_R ²	0.623025	0.623444	0.621041	0.667454
F_Stat	7.352332	7.311746	7.273137	8.346743
Prob_F Stat	0.000000	0.000000	0.000000	0.000000

t-statistic is in parentheses

*Significant at level 10%. **Significant at level 5%. ***Significant at level 1%.

As presented in table 4, model 3 reveals that FemaleFM is found to be negatively associated with tobinsQ. When the sub sample all of family firm (number of family firms is 235 and number of observation is 935) was employed, the coefficient of the interaction between FemaleFM and TobinsQ is -0.105886 (t-statistic= -0.867330). By contrast, model 4 explains that the coefficient on the interaction between FemaleFM and TobinsQ is significantly negative when sub sample family management is used. This finding suggests a negative association between female family manager and tobinsQ (coeff = -0.53229, t-stat = -2.918485, sig. level < 0,001). Female-family manager has no effect on family firm value. Otherwise, the family firm with female-family manager have lower value than male-family manager.

According to table 4, model 3 and model 4 shows positive and significant associations between EduFM and TobinsQ. This finding suggests that the educational level of the family manager is positively associated with tobinsQ. The model 3 specifically depicts that coefficient of EduFM is significant at level 5% (coeff= 0.331862, t-stat= 2.378415) and model 4 significant at level 10% (coeff= 0.670564, t-stat=1.661171). These findings support the hypothesis 3, meaning that the education degree of family manager has a positive effect on family firm value.

Discussion

The results of data analysis reveal that there is a positive relationship between the family manager and family firm value. Family management has a higher firm value compared to a family firm managed by a non-family member. This result is consistent with Minichilli et al. (2010), Mazzola et al., (2013), and González-Cruz and Ros (2015). The empirical vidence of positive relationship family management on firm value suggests that family management can provide resources that generate unique capabilities and

advantages (Habbershon et al., 2003). Family involvement in the top management team contributes to families which then influences firm value (Minichilli, 2010).

Model 3 indicates that female FM were found to be negatively associated with *tobinsQ*. The value of the family firm was not different when a female family member involved in management or not. However, when using sub-sample family management (model 4), the result showed a negative correlation with female family manager with *tobinsQ*. There are differences in family firm values between female family managers and male family managers. The value of a firm with the female family manager is lower than a firm with the male family manager. This finding suggests that female family managers have lower capabilities to produce families rather than the male family manager. In Indonesia, women involvement in a management is not considered capabilities and expertise (Darmadi, 2010).

The value of family firms is higher when family members with postgraduate degrees involve in management. This result supports hypothesis 3 which states that the education level of family managers has a positive effect on family firm value. The postgraduate degree of the family manager is positively associated with firm value. If the sub-sample family management in model 4 was used, it was found that *eduFM* positively affected family firm value. There are also difference values of family firms when the education of family managers are postgraduate degree and a non-postgraduate degree.

Furthermore, the present study results in an empirical evidence that the involvement of family members in management enhances the family firm value. This result does not support Morck et al (2000) who argue that the abilities of family management are still below than the capabilities of a professional manager. However, the female family manager has lower capabilities than male family

managers. The positive relationship between family management and the firm value was lower when the family involves female family members in management rather than the male family managers.

Table 5. Sensitivity test (Ownership>0.5)

Model	1	2	3	4
SUBSAMPLES	Family Firm	Family Firm	Family Firm	Family Management
FM	0.386558 (3.263780)***	0.340381 (2.159242)**		
FemaleFM		-0.308463 (-1.608183)	-0.325849 (-1.692723)*	-0.709066 (-2.964484)***
EduFM		0.243276 (1.075515)	0.535198 (2.938072)***	0.814152 (1.862991)*
Leverage	0.340514 (1.425080)	0.344300 (1.440071)	0.412523 (1.732907)*	0.269328 (0.961452)
LnTA	-0.078156 (-1.536457)	-0.084057 (-1.648342)*	-0.085665 (-1.672547)*	-0.123119 (-2.345987)**
Growth	0.050186 (0.972137)	0.048445 (0.937274)	0.065881 (1.284692)	-0.070799 (-1.127653)
LnFirmage	0.002363 (0.010787)	0.005484 (0.024998)	0.008267 (0.037514)	-0.159086 (-0.638178)
Constant	2.150232 (1.819167)*	2.290921 (1.934683)*	2.421509 (2.038484)**	3.812417 (2.912262)***
Number of Family Firm	161	161	161	99
Number of Observation	585	585	585	370
R ²	0.751619	0.753214	0.750390	0.780563
Adj_R ²	0.650471	0.651034	0.647893	0.689761
F_Stat	7.430885	7.371438	7.321105	8.596362
Prob_F Stat	0.000000	0.000000	0.000000	0.000000

t-statistic is in parentheses

*Significant at level 10%. **Significant at level 5%. ***Significant at level 1%.

As a sensitivity check, the researcher also used an alternative definition of the family firm. It was used to cut off the sample by 50 percent ownership to define the family firm. The samples consist of

161 family firm with 585 observations. Table 5 reports the result of multivariate regression after using the alternative definitions. Model 1 in table 5 depicts that the FM variable is significant at level 0.01. The results were similar to the previous regression.

In line with the regression result in table 4, model 3 in table 5 demonstrates that female FM were found to be negatively associated with *tobinsQ*, however, the female family manager has lower *tobinsQ* than the male family manager. The education level of family managers is positively correlates to *tobinsQ*. Compared to other types of family firm, postgraduate degree of family manager has a higher value. Furthermore, the postgraduate degree of family manager also has a higher firm value than the non-postgraduate degree of the family manager. In short, this study's main result is still robust to using these alternative definitions of the family firms.

Conclusion

The present study examines the impact of family firm heterogeneities on firm value. It has attempted to explain the relationship between the involvement of family member on top management team and family firm value. The family firm has a higher value when a family member involves in the top management team than with no involvement of a family member. Family involvement in the top management team contributes to families which then influences firm value. The family manager is the powerful actors that influence the family firm's performance by the choice of strategy they create.

This study also investigates how the characteristics of family managers (gender and level education) affect family firm value. The result reveals that female family managers had a lower firm value than male family managers. This finding implies that female family manager has lower capabilities to produce families rather than the male family managers. Furthermore, the study also finds that the

education of family managers greatly affects firm value. Postgraduate degree of family management are recognized to enhance family firm value, and it is higher than the non-postgraduated degree. The education of family management matters in order to produce families so that it has a positive impact on family firm value. The differences in human resources, arisen from the family's involvement in management is the cause of heterogeneity and can also lead to a wide variety of outcomes

The results of this study have several implications. For firms, they should consider gender and education of family management to optimize their contribution. Education and gender are closely associated with cognitive moral judgment. The ethical consideration by family managers on strategy choice can reduce agency costs. However, the data employed in this study are mostly limited to the government of Susilo Bambang Yudhoyono in 2011 to 2015. As an effort to generalize the results of this study, future researches are recommended to include wider scope of data from other government regimes. Moreover, it is also a worth suggestion that future researches has to combine the upper echelons theory and agency theory to explain family firm performance.

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