

Family Firm Downsizing: Identification and Reputation

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Abstract

This article studies the relationship between corporate downsizing and family ownership. Through the lens of socioemotional wealth theory, we hypothesise that family firms downsize less than their non-family counterparts as they identify more with their firms, care about reputational damage, and take a long-term, potentially intergenerational approach. We find a significantly negative relationship between family ownership and downsizing. The effect is exerted for family firms in which the family has more control through voting rights or an active management position. Finally, companies displaying a stronger identification with the owning family or enhanced reputational concerns downsize less.

Keywords: family firm; downsizing; employment; family identity

JEL classification: G32,

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1 Introduction

In light of the rapid outbreak of COVID-19, anecdotal evidence suggests that numerous companies across all industries and countries have announced mass lay-offs and furloughs as business activities are suspended. The challenges brought by the pandemic to both business owners and employees are unprecedented. Amid the uncertainty of business shutdowns and unemployment, we raise the questions: do firms make different workforce downsizing choices? Particularly, does firm ownership have an effect on the decision to reduce the workforce? This article aims at answering these questions. We study founding family ownership, as this ownership type is oftentimes motivated by non-financial considerations that are characterised as socioemotional wealth (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson and Moyano-Fuentes, 2007). Socioemotional wealth theory is developed to capture the intrinsic value of a firm to the members of the founding family. It is considered an essential differentiator that sets family businesses apart. We hypothesise that family firms, driven by the motivation to preserve their socioemotional wealth, are less inclined to downsize than non-family companies.

As the most prevalent business structure worldwide (Astrachan and Shanker, 2003; Morck and Yeung, 2004), family businesses are often referred to as the backbone of the economy in many countries of the world, accounting for significant proportions in revenue, Gross Domestic Product (GDP), and employment (Stavrou and Swiercz, 1998). Osunde (2017) estimate that over 70 per cent of global GDP emanates from family businesses contributions. While the majority is privately held, family businesses are also well represented among larger publicly-listed enterprises throughout the world and take an influential role (Claessens, Djankov and Lang, 2000; Faccio and Lang, 2002; Anderson and Reeb, 2003). In Switzerland, almost 90 percent of all companies fall into the family business category, contributing to roughly 60 percent of Swiss GDP and supporting two-thirds of the workforce (Frey, Halter, Zellweger and Klein, 2004; Binz, Schweikert and Meissner, 2011). As in many other countries they also account for a significant part of publicly-listed companies (Isakov and Weisskopf, 2014).

Despite the accelerated advancement in the field of family firms over the last two decades, the existing literature is rather fragmented (Gedajlovic, Carney, Chrisman and Kellermanns, 2012). This article aims at closing the gap of knowledge in the relationship between ownership structure and firms' downsizing decisions, where previous research is rather scarce. Studies by Block (2010) and Stavrou, Kassinis and Filotheou (2007) examine the impact of family ownership on the likelihood of employment downsizing, taking empirical evidence from U.S. firms. Building on their findings, this article switches focus from the United States to

continental Europe to study the downsizing decisions of 161 publicly listed firms in Switzerland over the period 2003 to 2019. This period covers multiple economic crises, including the global financial crisis and the European sovereign debt crisis, providing a unique perspective to look at how family businesses and their non-family counterparts react under varying economic conditions.

Through the lens of socioemotional wealth theory, we hypothesise that family firms tend to downsize less than non-family firms. They identify more with their companies and community, care about the firm's and their own reputation, and take a long-term perspective. We find evidence that founding family firms downsize significantly less than companies with non-family owners. Our findings also confirm that blockholders are a heterogeneous group. Firms owned by different non-family blockholders display different behaviours in terms of workforce reductions. Findings further suggest that family firms in which the family has more control are less inclined to downsize. This indicates that the family needs as much power as possible to drive its own agenda. Finally, we also present evidence that the identification of a family with its company and community has an effect on downsizing practices. The more a family identifies with its company or fears reputational damage, the less it is inclined to downsize.

This remainder of the paper is structured as follows. Section 2 reviews relevant literature. In Section 3 hypotheses are developed on the relationship between ownership structure and downsizing. Section 4 will describe the sample data and different variables used in the analysis, and elaborate on the methods used. Section 5 presents our empirical results and section 6 some robustness tests. Section 7 will provide implications, while section 8 will conclude and indicate possible orientations for future research.

2 Literature Review

2.1 What Makes Family Businesses Different?

In widely-held corporations, shareholder value creation is the primary purpose of business operation, and employees are regarded as one of the resources to achieve economic goals. Family firms, while having financial considerations, also pursue family-based, non-economic goals (Sharma, Chrisman and Chua, 1997; Janjuha-Jivraj and Spence, 2009). Therefore, family businesses may adopt a more caring approach towards stakeholders (Cennamo, Berrone, Cruz and Gomez-Mejia, 2012) to develop long-term relationships (Carney, 2005; Déniz and Suárez, 2005; Stavrou et al., 2007) which can be turned into competitive resources (Aronoff, 2004).

In this article, we use socioemotional wealth theory (Gómez-Mejía et al., 2007) to understand family businesses' distinct behaviours. The socioemotional wealth theory argues that family firms are commonly devoted to preserving their socioemotional wealth, which incorporates multiple affect-related dimensions (Berrone, Cruz and Gomez-Mejia, 2012). For example, these include a family social status within a community, corporate reputation (Dyer and Whetten, 2006; Zellweger, Kellermanns, Chrisman and Chua, 2012), a sense of satisfaction and pride derived from the family control over the business, members identification with the business (Dyer and Whetten, 2006), binding social relationships (Miller, Lee, Chang and Le Breton-Miller, 2013), or an intention for succession (Zellweger and Astrachan, 2008).

Three dimensions of socio-emotional wealth theory can explain why family firms may make different downsizing decisions than non-family counterparts. First, the strong identification that family owners have with the firm (Berrone, Cruz, Gomez-Mejia and Larraza-Kintana, 2010) makes them more conscious of the corporate image projected to external stakeholders (Micelotta and Raynard, 2011) as the company is often viewed as an extension of the family itself. This is especially the case if the company name carries the family name (Gómez-Mejía et al., 2007). As a result, family firms have been found to be more socially responsible (Gallo, 2004; Dyer and Whetten, 2006) and community-friendly (Berrone et al., 2010) in an attempt to maintain their positive public reputation and family image. Second, the dimension of social bonds is not limited to kin ties. The reciprocal nature in family firms is often extended to non-family members (Miller et al., 2013) such as employees, suppliers, and customers, leading to stable, time-tested social bonds (Miller and Le Breton-Miller, 2005; Cennamo et al., 2012). Finally, intention for succession indicates a family's desire for a dynasty to perpetuate and to pass it on to future generations (Gallo and Vilaseca, 1996; Casson, 1999; McConaughy and Phillips, 1999). The sense of transgenerational heritage implies that family members tend to have a long-term vision (Lansberg, 1999; Le Breton-Miller and Miller, 2006) incorporating sustainable practices in the firm's strategic planning.

2.2 The Myth of Downsizing

Downsizing is widely recognised as a strategic initiative driven by either diminishing demand for labour or efforts to save costs (Cappelli, 2000; Chadwick, Hunter and Walston, 2004). The external environment mainly drives the first, be it an economic crisis or a drop in market shares, during which firms have to make it through hard times. The other is an internal strategic reorganisation from a pure cost-cutting perspective. Evidence shows that the considerations triggering actual lay-offs, in either case, turn out quite similar (Gerhart and

Trevor, 1996; Cappelli, 2000). Downsizing decisions are more impacted by management practices than by the economic environment.

Past studies suggest that downsizing, though increasingly used by corporations around the world from the late 1980s onwards (Cascio, 1993; Budros, 1999; Hollenbeck, Noe and Gerhart, 2018), does not necessarily lead to improved value creation in the long run (Cascio, 2002; Chadwick et al., 2004; De Meuse, Bergmann, Vanderheiden and Roraff, 2004). Instead, most evidence indicates that downsizing results in negative economic and organisational consequences (De Meuse, Vanderheiden and Bergmann, 1994; McKinley, Sanchez and Schick, 1995; Budros, 1999) such as declines in stock prices (Worrell, Davidson III and Sharma, 1991), productivity (Cappelli, 2000), and return on investment (Cascio, 1993). This is also true for non-economic dimensions such as employee morale (Cascio, 1993), loyalty and organisational citizen behaviour (Bies, Martin and Brockner, 1993). An extensive reduction of specialists in the firm also brings unforeseen consequences such as a substantial cost increase in workforce training (Cascio, 1993), a knowledge gap in vital business segments, and the disruption of workplace networks (Fisher and White, 2000).

Downsizing not only adversely impacts the lives of employees who are being laid off and those remaining in the firm but may also damage the image the firm projects to the public. Downsizing may send out a signal that the firm is disloyal and untrustworthy (Brockner, Grover, Reed, DeWitt and O'Malley, 1987). By engaging in this strategy, the company violates the psychological contract with staff members (Robinson, Kraatz and Rousseau, 1994; Cappelli, Bassi, Katz, Knoke, Osterman and Useem, 1997) and breaks its commitment to the social relationship it has with its employees. Those surviving after the lay-offs often report higher levels of stress, dissatisfaction, and job insecurity (Mishra and Spreitzer, 1998; Chadwick et al., 2004), and lower degrees of commitment, trust, and motivation (Brockner, 1990; Davy, Kinicki and Scheck, 1991; Mishra and Mishra, 1994). This in turn may generate higher absenteeism and employee turnover (Mishra and Spreitzer, 1998). Downsizing also harms corporate reputation (Zyglidopoulos, 2004; Flanagan and O'Shaughnessy, 2005; Love and Kraatz, 2009) as stakeholders and the public accredit a negative reputation to companies exhibiting undesirable corporate character traits (Davies, Chun, Da Silva and Roper, 2003) such as unreliability, disloyalty, and absence of integrity.

2.3 Putting it all Together

How do family firms act differently from their non-family counterparts when it comes to downsizing? Previous literature on the relationship between family ownership and downsizing

is scarce. Stavrou et al. (2007) study the relationship between family companies and downsizing scale through the strategic stakeholder management orientation model and the intrinsic stakeholder commitment model. They find that financial considerations do not significantly impact a family firm's decision to downsize, and that family firms have a smaller likelihood to downsize than non-family firms. Block (2010) uses social identity theory and agency theory as a framework and contends that family owners and managers usually identify themselves more with the businesses than those of non-family businesses. Thus, they are more cautious in making decisions that will impact the firm's reputation. Expanding Stavrou et al. (2007), Block (2010) argues that family businesses are a heterogeneous group. He, therefore, identifies ownership and management as two distinct aspects of family involvement and finds different results for these two dimensions. He concludes that family members serving as CEO or chairman of the Board do not impact the company downsizing decisions. In contrast, ownership of the founding family has a significantly negative effect on deep job cuts.

3 Development of Hypotheses

Are family firms less inclined to downsize than their non-family counterparts? It appears so given their distinct characteristics. Literature has shown that family members are more conscious of preserving their socioemotional wealth than non-family firms (Gómez-Mejía et al., 2007). They, therefore, tend to avoid negative impacts of management decisions that could harm the firms SEW.

The reasons a family firm will prefer not to downsize can be seen as threefold through the theoretical lens of the SEW theory. First, downsizing generally diminishes the firm's reputation (Zyglidopoulos, 2004; Flanagan and O'Shaughnessy, 2005; Love and Kraatz, 2009), which can be emotionally destructive to the members who identify closely with the family business entities (Westhead, Cowling and Howorth, 2001). Second, downsizing can harm the firm's relationship with its employees, as both those who are laid off and those who remain experience a series of negative emotions associated with the downsizing. It goes against a family firm's intention to build stable social ties with external stakeholders. Third, downsizing is often regarded as a strategy to boost corporate profitability in the short-term, with numerous long-term negative consequences that interfere with the firm's strategic planning. Nevertheless, a family's primary goal of leaving a legacy to future generations reinforces owners' incentives to take a long-term perspective (Aronoff, 2004) in the decision-making process such that the family business will prosper enduringly (Miller, Le Breton-Miller and Scholnick, 2008). Therefore, family members may not be willing to sacrifice the firm's SEW, even if the decision could hurt the firm's

financial returns in the short-run (Gómez-Mejía et al., 2007). We thus propose the following hypothesis:

Hypothesis 1 (H1): Family firms downsize less than firms with other ownership types.

It is widely accepted that owning a minority stake in a company (e.g. 20% of voting rights) should suffice to secure the family ultimate control over its company (La Porta, Lopez-de-Silanes and Shleifer, 1999; Faccio and Lang, 2002). However, only under a majority stake will a family be in the position to have undisputable control over its company. More control also means that the family has more say over where the company is heading. Family members, who are more concerned with preserving the firm's socioemotional wealth than other shareholders, tend to avoid making decisions that hurt the corporate reputation or the long-term survival of the company. Therefore, firms in which family members have a higher stake should exhibit behaviours that are more congruent with the family members' will. Family involvement encompasses multiple dimensions (Astrachan, Klein and Smyrniotis, 2002). We, therefore, argue that apart from ownership, active involvement of family members at the management level will also have a strong impact on a firm's strategic choices, therefore shifting more focus to the preservation of socioemotional wealth. In contrast, if the family business is professionally managed, financial considerations may have a higher priority (Gómez-Mejía et al., 2007). Thus, the following hypothesis is proposed:

Hypothesis 2 (H2): The more control a family has, the less it downsizes.

Socioemotional wealth theory states that family members identify themselves more closely with the firm, and the firm often represents the family. The external stakeholders' perception of the firm is, therefore, linked to the family reputation (Chen, Chen, Cheng and Shevlin, 2010). Gómez-Mejía et al. (2007) show that family members tend to be more sensitive about the firm reputation and image to the public if the firm carries the family name. We argue that firms carrying the family name serve as an indicator of the level of family identification with the company. The stronger the identification, the stronger the motivation to preserve the reputation of the company.

Hypothesis 3 (H3): Stronger congruence between family and company leads to less downsizing.

4 Data and Methodology

4.1 Sample Description

The sample consists of all publicly-listed companies on the SIX Swiss Exchange included at least once in the Swiss Performance Index (SPI)¹ over the period 2003-2019. The sample starts in 2003 as it is the first year it became mandatory for Swiss corporations to make ownership data publicly available. We further restrict the sample to companies having at least a median of 500 employees over the sample period². Finally, we exclude all financial companies. Information on ownership structure and family characteristics is manually collected from multiple sources. The primary source for all family and ownership-related data is the annual reports of the respective companies. If there was ambiguous or insufficient information in the annual reports, additional sources such as Swiss stock guides, companies' official websites, news reports, and the commercial register were consulted. All accounting and financial data are retrieved from Thomson Reuters DataStream. The final sample consists of 161 firms (2,012 firm-year observations).

4.2 Variable Measures

4.2.1 Ownership Variables

Following previous studies (La Porta et al., 1999; Faccio and Lang, 2002; Sraer and Thesmar, 2007), a shareholder owning more than 20 percent of a firm's ultimate voting rights is identified as a controlling shareholder (dummy variable denoted as *Blockholder* in the specifications)³. If no shareholder possesses more than 20 percent of voting rights, a firm is regarded as widely-held (dummy *Widely-held*). Blockholders are a heterogeneous group that asks for a more careful analysis of this group of shareholders. We thus further divide blockholders into family⁴ and non-family blockholders (dummy *Non-family Blockholder*).

Despite abundant research in the family-business field over the past decades, there is still no ultimate consensus on family firms' definition. Chua, Chrisman and Sharma (1999) and Chrisman, Chua and Sharma (2005) conclude that two dominant theoretical approaches emerge over time: the components-of-involvement approach and the essence approach. The former uses

¹ The Swiss Performance Index is the largest Swiss stock index and includes all publicly listed companies with a minimum 20% free float.

² Restricting the sample to companies with a median of at least 500 employees or reducing this threshold to at least 100 employees does not change results significantly.

³ The terms blockholder, controlling shareholder or large shareholder are used interchangeably in this article.

⁴ The terms firm with family blockholders, family firm and founding family firm are used interchangeably in this article.

family involvement in ownership and management as the principal criterion. Simultaneously, the latter builds on the condition of family involvement and imposes a stricter rule that family involvement must be directed toward behaviours that produce certain distinctiveness before it can be considered a family firm.

In this article, we build on the components-of-involvement approach. A company is defined as a family firm (dummy *Founding Family*) if (i) the controlling shareholder(s) is/are member(s) of the founding family, and (ii) the family possesses at least 20 percent of ultimate voting rights. In other words, family businesses are companies owned and controlled by the founding family, defined as one or more individuals or families who founded a company. Non-family blockholders are further divided according to the nature of the owners. Private investors are individuals who did not participate in the incorporation or shaping of the firm they own as opposed to a founding family. The State (dummy *State*) as a blockholder regroups the Swiss Federal government and regional or municipal government entities. Widely-held corporations (dummy *W.H. Corporation*) are companies that themselves do not have a controlling shareholder. Finally, miscellaneous (dummy *Miscellaneous*) denotes blockholders that are pension funds, foundations or other entities that do not fit into any of the categories above.

4.2.2 Family Variables

Founding family is further divided into subcategories to analyse the influence of different family firm characteristics. We, especially, want to examine whether (i) the amount of control a family can exert on the company and (ii) a stronger identification between the company and the family or increased reputational concerns have an impact on downsizing.

Control can be increased in two major ways. First, the higher the family's stake, the easier it becomes to influence corporate decision-making and votes at Annual General Meetings (AGM). Therefore, we create two indicator variables *Family 20-50%* and *Family 50% or more*, taking the value one if the family owns, respectively, between 20 and 50% or more than 50% of voting rights. Although it is widely accepted that a minority stake usually is sufficient to pass resolutions at AGM due to low attendance, this cannot always be guaranteed. Only in the latter case does a family have absolute control over its company. Second, families can exert increased control by taking an active position in their companies. To control for this, we create two dummy variables. *Family Active* takes the value one if one or several family members are active in the company as Chairman of the Board and/or Chief Executive Officer (CEO). *Family Passive* denotes a dummy taking the value one if persons outside the family are Chairman and CEO.

We also want to explore whether a stronger identification between the family and its company or stronger possible repercussions of reputational damages influence the relationship between family ownership and workforce downsizing. To this avail, we start by looking at firm size. Smaller companies (dummy *Small family firm*) should make it easier for a family to know its workforce and create bonds with employees than in larger firms (*Large family firm*). To examine a family's identification with its firm, we further look at family generation and name. We argue that companies at the founder stage (*Founder-stage*) display less identification between the family and the firm.

In contrast, companies at the descendant stage (*Descendant-stage*), which have been in the family's hands over a long period of time, should increase the relationship. Founder stage firms are also more recent and have not had as much time to build a reputation with local communities as much as descendant companies. We also split the founding family dummy into two and create two dummy variables, which take the value one if the family's name is also the company's name (*Family Name*) or if this is not the case (*No Family Name*). In this case, the link between the family and the company is direct and visible to everyone. This should increase the identification of the family with its company.

We also examine the effect the company's headquarters' location has on the relationship between family ownership and downsizing. We argue that companies headquartered in more rural areas should have stronger ties with their communities, and the family is probably better known, which should influence their decision to downsize or not. We define urban family companies (*Urban Family Firm*) as companies headquartered in one of the five major Swiss cities⁵ and rural companies (*Rural Family Firm*) as all others. This may seem restrictive, but Switzerland is a small country with a federalist system that lacks vast agglomerations. Cities outside the top 5 have at most 100,000 inhabitants. Some company headquarters are located in small towns with less than 10,000 inhabitants where social ties, and therefore potential reputational damage should be more pronounced. Finally, we hypothesise that less international companies should also have an impact on downsizing. Firms with international activities have a more restrained local anchor and could be less influenced by ties with the community. To test this possibility, we create two dummy variables taking the value one if the proportion of international assets over total assets is above (*International Family Firm*) or below (*Domestic Family Firm*) the median.

⁵ These cities include Zurich, Geneva, Basel, Bern and Lausanne.

4.2.3 Downsizing Variables

We use various variables to measure downsizing. We first create a variable called *change in workforce*, a continuous variable defined as the annual variation in the number of company employees. This variable can represent both positive and negative changes in employees and thus does not capture pure downsizing. Therefore, we create a variable *workforce downsizing* for which all positive employee variations are dropped from the sample. Extant literature on downsizing defines deep job cuts as a decrease in the workforce of more than 5 percent (Cascio, Young and Morris, 1997; Block, 2010). To examine different levels of downsizing, we also construct three dummy variable: *Lay-off 0-5%* takes the value one if workforce downsizing is between 0% and -5%; *Lay-off 5-10%* if workforce downsizing is between -5% and -10% and finally *Lay-off 10% and more* for workforce downsizing larger than -10%.

4.2.4 Control Variables

Several control variables that affect downsizing are included in our analysis. *Age* (defined as the natural logarithm of the number of years since a firm's incorporation) and *Size* (natural logarithm of total assets) aim to control for the impact of corporate scale and life cycle. *Leverage* is defined as total debt over capital employed and *Cash* as the ratio of cash & equivalents to total assets. *Market-to-Book* is the company's market value over its book value of equity, *Sales growth* is the annual variation in sales, and *Return on Assets* is EBIT divided by total assets. These variables control for financial risk, growth opportunities, corporate performance, and profitability. *Employee Intensity*, the number of employees over total assets, controls for the fact that some companies may be more reliant on the workforce. It may thus constitute a larger part of corporate expenses and is needed to remain efficient. Finally, *Change in PPE* denotes the annual variation in Property, Plant & Equipment (PPE) as a restructuring of other corporate dimensions frequently accompanies employee downsizing. We also include year and industry⁶ dummies to control for year- and industry-specific effects. We winsorise all control variables, but *Age* and *Size*, at the 1% and 99% level to avoid extreme values.

4.3 **Descriptive Statistics**

Table 1 reports the number of observations per year and ownership type over the period 2003 to 2019. Overall, founding family firms make up 37.0% of all observations over the sample period, while non-family blockholders represent 26.6% of observations. 36.4% are

⁶ Industries are defined following the Industry Classification benchmark (ICB).

widely held companies. Out of the firms with non-family blockholders, private investors account for almost half with 12.8% of all observations; the state, widely-held corporations, and miscellaneous owners account for 5.7%, 5.0%, and 3.2%, respectively. The proportion of each ownership category remains relatively stable over time, with a slight drop in the proportion of firms owned by founding families and an increase in firms owned by private investors. Initial Public Offerings and M&A activities mainly cause these changes.

< Insert Table 1 about here >

Table 2 presents summary statistics on all variables used throughout the empirical analysis. Out of all founding family firms, around 60% have a family as majority shareholder, and only 40% of families hold a minority stake between 20 and 50%. Families also tend to bolster their control as 60% are actively managing their company, and 40% leave management to non-family members only. 30% of family companies are at the founder-stage, and around 70% have been passed on to descendants, indicating that these are predominantly multigenerational companies. Finally, the family name is used as a company name in 37% of the cases. Around a quarter of family companies are located in urban areas.

< Insert Table 2 about here >

Over the sample period, the workforce's median annual change is 2.62%, indicating that overall, companies are rather expanding their workforce rather than contracting it. However, this number varies quite a lot, depending on the company and year. In around 37% of the observations, downsizing is performed. Half occurs at levels between 0 and -5%, showing that many companies adjust their workforce gradually and on a limited scale. The other half is resorting to deep job cuts of more than 5% of the workforce. This is further confirmed by the median downsizing coefficient of -4.11%.

Sample companies have a median size of close to one billion Swiss Francs (CHF) and are 67 years old. However, these range from small companies (3.8 million CHF) to substantial companies with total assets of 135 billion CHF and young to old companies ranging between 1 and 501 years. The median company further displays a solid performance and growth opportunities with a return on assets of around 6%, 1-year sales growth of 3.75%, and a market-to-book ratio of around 2. It also funded a quarter of its capital with debt, and 15% of assets are

held as cash and equivalents. Finally, companies tend to expand their PPE over time but at a low rate and again with much variations.

Figure 1 provides the first evidence of the downsizing behaviour of Swiss companies over the sample period. Panel A illustrates the evolution of the average family and non-family companies that have shown a general workforce reduction (i.e., a negative change in the workforce) in a given year. Overall, the evolution follows a similar pattern for both groups. Downsizing occurred more in years with negative GDP growth rates in 2003 (burst of dot com bubble), 2008-2009 (Global Financial Crisis), 2011 (euro-debt crisis), and 2015 (Swiss Franc shock). In 14 out of 17 years, family firms on average downsized less than non-family firms. Panel B displays the same but for deep job cuts (defined as any annual workforce reduction of more than 5%). In 15 out of 17 sample years, family firms, on average, had fewer job cuts than non-family firms.

< Insert Figure 1 about here >

Table 3 illustrates the results from univariate analyses on the ownership dimension. To compare family businesses with their non-family counterparts, we group the observations according to the ownership structure into founding family firms and non-family firms. Family businesses seem to differ significantly across multiple dimensions from their counterparts. A lower proportion of family firms resorts to deep job cuts and generally to workforce downsizing. They are smaller in size, younger, and more profitable but also appear more risk-averse with a lower degree of indebtedness and a higher proportion of cash on the books.

< Insert Table 3 about here >

Table 4 presents the results of a second univariate analysis of the downsizing dimension. To compare the characteristics of firms that downsize to those with a relatively stable or even increasing workforce, we categorise the observations into a downsizing group and a stable group, using the threshold of lay-offs that are larger than -5%. There are also significant differences amongst both groups in this setting. A higher proportion of founding family and miscellaneous owners are found in the stable group suggesting a possible negative relationship between family ownership and the likelihood of downsizing. Widely-held firms and private investors are more present in the downsizing group, indicating that individuals who are not

members of the founding family display very different behavior. Thus, it is essential to separate both types of owners.

< Insert Table 4 about here >

Furthermore, firms in the downsizing group are smaller, older and as expected perform less well than companies in the stable group. Finally, it appears that workforce downsizing goes hand in hand with a more general restructuring of the company. Firms in the stable group display a positive change in PPE, hinting at a rather expansionist corporate policy, while those in the downsizing group simultaneously reduce their PPE levels.

4.4 Methodology

This article uses both least-square dummy variable (LSDV) regressions and logit models to examine the relationship between ownership structure and workforce downsizing. All tables in the empirical section follow the same logic. The first two specifications use the continuous *workforce downsizing* variable and, therefore, an OLS regression.

$$Workforce\ downsizing_{i,t} = \beta_0 + \beta_1 ownership_{i,t} + \beta' X_{i,t} + \mu_t + \gamma_i + \varepsilon_{i,t} \quad [1]$$

where *workforce downsizing* is a continuous variable derived from the negative change in the number of employees of firm *i* in year *t*. *Ownership* designates ownership and family characteristics that change in the different specifications. *X* denotes a vector of commonly used control variables for each year *t* and firm *i* and consists of firm size and age, leverage, market-to-book, change in PPE, return on assets, sales growth, cash, and employee intensity. All ratios are winsorised at the 1-99%-levels to mitigate biases due to outliers. We also include year (μ_t) and industry (γ_i) fixed effects in all specifications. All specifications use firm-year clustered robust standard errors.

The remaining six specifications are built around the three proposed lay-off dummy variables and therefore use logit regressions.

$$Lay - off_{i,t} = \beta_0 + \beta_1 ownership_{i,t} + \beta' X_{i,t} + \mu_t + \gamma_i + \varepsilon_{i,t} \quad [2]$$

where *lay-off* is a set of three distinct dummy variables taking the value one if company *i* lays off between 0 and 5%, 5 and 10% or more than 10% of its workforce in year *t*. The remainder of the variables follows those indicated for equation [1].

5 Empirical Results

5.1 Ownership Structure and Downsizing

Table 5 provides the first insights on the linkages between ownership structures and workforce downsizing. We only find weak evidence that companies having a blockholder and those with widespread ownership behave differently. Only in the case of lay-offs between 5 and 10% blockholders appear to downsize significantly less. However, as indicated in prior studies (Isakov and Weisskopf, 2014), blockholders are heterogeneous, and their incentives and management styles may vary substantially. This also appears to be the case in this study. Founding family firms downsize much less than non-family firms. Column 1 indicates that workforce downsizing is less negative than for companies with other types of shareholders. This is confirmed by the negative and significant coefficients in the logit regressions examining deep job cuts in columns 3 and 4. Results in column 2 indicate that at low levels of downsizing, which can be assimilated to natural fluctuations in employee levels, results are insignificant.

< Insert Table 5 about here >

Table 6 looks in more depth at the identity of blockholders and the decision to downsize. We look at non-family blockholders (odd columns) in general and then split this variable into more precise ownership types (even columns). These include private investors, the state, widely-held corporations, and miscellaneous. Founding family ownership appears to behave differently from all other types of owners, no matter their identity. These types of owners downsize consistently less than widely-held companies, but for low levels of employee changes. Non-family blockholders, however, have similar downsizing effects to widely-held corporations. Only the state appears to downsize less, especially when one looks at deep job cuts of more than 10%, as indicated in column 8. Interestingly, private investors (columns 2, 4, 6 and 8) who are the most similar to founding families as they constitute private owners and not legal entities like the other categories also behave differently from founding family firms. SEW theory could explain this result as private investors did not actively participate in founding or shaping the firm, and therefore identify themselves less with it than founding families.

Consequently, private investors would care less about the damage of downsizing to corporate reputation since they are more likely to view their stake in the firms merely as a monetary investment. Overall, it appears that individuals who (or whose ancestors) have founded the company display some unique characteristics that distinguish them from all other types of owners. In the following, we will try to analyse these characteristics in more detail.

< Insert Table 6 about here >

5.2 Family Control and Downsizing

Table 7 provides more detailed insights into the level of control a family can exert in a company. To do so, we examine the stake a founding family owns in a company and whether it takes an active position as Chairman of the Board and/or CEO. We argue that the more control a family can exert on its company, the more it can shape its direction, which may be more congruent with family goals.

Literature (La Porta et al., 1999; Faccio and Lang, 2002) admits that a 20% stake is generally sufficient for a shareholder to have enough votes to pass resolutions at AGM. This is not necessarily the case. If non-family shareholders coalesce against the family, it may not own enough voting power to pass all motions it wants. We study whether results differ whether a family owns a large stake or an outright majority of at least 50% of the company's votes. In the latter case, the family can decide how to shape its company and is heavily invested, swaying some of its decisions. Results in Table 7 show that only companies in which a family has a majority of the votes behave differently than non-family firms.⁷ They generally downsize less (column 1) and especially so for deep job cuts (column 5). Interestingly, these owners are more likely to show small workforce reductions of up to 5%. This provides evidence that this type of owners readjusts the workforce continuously due to a more caring and long-term view and not due to large short-term shocks, which would lead to deep job cuts.

< Insert Table 7 about here >

Families can also increase their control by taking up a management position. We complement evidence by Block (2010) but find contradicting results. In our case, family

⁷ In unreported results we also run the specifications on a continuous family stake variable instead of the two dummy variables. Results remain qualitatively similar in that a larger stake leads to less downsizing.

management does appear to have an impact on family firm behaviour. It leads to a reduction in downsizing only if the family is also actively managing the company. Outsider managed companies do not significantly differ from non-family companies. We argue that the main reason lies in the divergence in family management between the two studies. Block (2010) defines family ownership and family management as two separate dimensions of family involvement in a company. We, however, categorise family management as an additional characteristic of family-owned firms. On top of ownership, serving as CEO or Chairman of the Board gives family members more control over the firm's strategic planning and operational decisions. This facilitates the alignment of the founding family's long-term investment horizon with the company's situation. As a consequence, actively managed family firms exhibit a stronger SEW preserving behaviour.

5.3 Family Ownership, Identification, and Downsizing

The decision to downsize is not an easy one and has profound repercussions on the company, its owners, and, more generally, on the company's perception that internal and external stakeholders have. We argue that as it is complicated for stakeholders and the public to understand where the family ends and the company starts, this difficult decision is exacerbated in family companies. The, frequently, poor connotation of companies downsizing will reflect equally poorly on the family. This will play a role in family-owners' decision-making as it risks reputational damage for both its company and its family name. This issue may be aggravated in a small country in which the economic fabric is dense and news travel fast. Therefore, we want to examine if a closer identification between family and company and an increase in the potential reputational damage affects the decision to downsize.

We start by analysing whether firm size affects our results. Smaller companies may lead to a stronger bond of the family with employees. It is easier to know part or a majority of the employees if the company is small rather than if it is a multinational corporation with 300,000 employees throughout the world. In Table 8, we split our sample into small and large family firms following the total assets' median (around one billion CHF)⁸.

< Insert Table 8 about here >

⁸ In unreported results we also split firms according to the median market capitalization. Results remain the same.

We find strong evidence that it is mainly small companies that drive results. Smaller family firms not only overall reduce less their workforce but also do so for deep or very deep job cuts. It confirms our intuition that the bond between family and its firm and workforce is stronger the smaller company size. It could be argued that publicly listed firms are large and that this effect may not be generalizable to smaller, unlisted companies or measure some omitted variable. While it is true that publicly listed companies have a minimum size requirement to be listed, the Swiss market remains relatively small overall. It consists of many small companies, even in the stock market. For example, our sample's median company has 2,200 employees showing that it is realistic to assume that family owners know at least part of their workforce. We analyse the identification a family may have with its company in more detail to alleviate this concern further.

In Table 9, we analyse the generational stage (odd columns) of the family owner and the use of its name as the company name. We find that it is especially family firms at the descendant stage, which downsize less. We argue that this is due to three interrelated reasons. First, a new company is arguably less integrated into the local economic fabric. Thus the linkage with reputational damage may be weaker than for companies that have been part of a region for decades or even centuries. Second, the bond between family and firm should increase the longer it has been in the family's hands. The wish to perpetuate the company and to be able to continue its good reputation will lead descendants to be more careful in their approach. Third, descendant stage firms have more flexibility and a long track record, allowing them to make decisions that are not yet available to younger companies that have to establish themselves.

< Insert Table 9 about here >

In the even columns of Table 9, we analyse whether the relationship between family ownership and downsizing is mitigated because the company name is the same as the family name. In this specific case, the congruency between family and company is particularly strong. The risks of reputational damage are more pronounced as the link family-company becomes instantly visible to all stakeholders and the public. We indeed find that it is especially companies bearing the family name on the wall that downsize less. This, however, does not significantly hold for very deep job cuts of more than 10% of the workforce.

Table 10 also tests whether the geographical location and outreach by companies affect the relationship between ownership and downsizing. To this avail, we examine whether companies that are headquartered in rural areas and in which social ties are stronger and therefore

reputational damage potentially more profound differ from companies in urban areas. We also examine if the degree of internationalisation impacts the relationship. Companies that are more local and for which downsizing should, therefore, rather occur at a regional or national level will appear more in the media, and reputational damage may increase once again.

< Insert Table 10 about here >

Results confirm that companies located in rural areas generally downsize less. It is especially job cuts between 5 and 10% that are less probable. Those that are very large do not significantly differ amongst ownership types, and normal workforce fluctuations below 5% are more likely in rural companies. This hints that rural family firms instead resort to gradual regulation of their workforce to avoid cutting severely following a shock. Findings on the difference between international and domestic family firms are more mitigated. While the more negative coefficients suggest that domestic firms downsize less, this is not significantly the case. Only general workforce downsizing shows that overall domestic firms do less so.

6 Robustness Tests

To mitigate potential concerns on the overall validity of our results, we have performed several robustness tests. For each test, we report the respective Table in the appendix for our baseline specifications (i.e., Table 5).

Quantile regression: it is challenging to measure downsizing based on changes in the workforce as this variable constitutes a continuum that can be positive or negative. Limiting the sample only to companies with negative workforce changes or using dummy variables as in this paper appears the best solution to this issue. Another possibility is to resort to a quantile regression approach that would measure the linkage between ownership structure and the workforce's change at different quartiles of the continuum. Results in Appendix 1 on such a quantile regression yields qualitatively similar results to those presented in this paper. The founding family coefficient is positive and significant only for the two more extreme quantiles of the distribution (10% and 25%), indicating that family firms downsize less but do not seem to differ when examining workforce increases.

Survivorship: it may be argued that our results are driven by companies in financial distress that eventually disappeared from the market. We here would not measure restructurings and activities that allowed a company to survive but only financial distress cases. Manually screening the dataset shows that only very few companies went bankrupt over the sample

period. More than 95% of companies disappearing merged, were acquired or left Switzerland to list on another stock exchange. We, therefore, do not believe that financial distress drives our results. We nevertheless rerun Table 5 only for companies that have survived until the end of the sample in 2019, thus ensuring that those companies disappearing over time for whatever reason do not bias our results. Findings in Appendix 2 suggest that our results hold when we do so and that there is a relationship between family ownership and downsizing above and beyond a financial distress effect.

Identification: We have split individual blockholders into founding families and private investors. We believe that only families who have founded the company will display a strong attachment and identification with it. Private investors, who buy a stake in the company at one point in time, can admittedly also create a bond with the company, but in many cases may only play the role of a corporate raider, be invested in multiple companies, and be in it for a quick profit. It appears natural to expand somewhat on Table 6 and compare these two types of owners to see if they behave differently. To do so, we restrict our sample only to companies owned by a founding family or private investor. Unfortunately, this reduces our sample size quite considerably. However, results in Appendix 3 suggest that founding families generally downsize less, especially when large lay-offs are concerned than private investors who are less attached to their company.

Random effects: our results are based on OLS and logit regressions, including year and industry fixed effects. Another possibility would be to run these specifications using random effect panel regressions accounting for our dataset's panel structure. In Appendix 4, we rerun the specifications of Table 5 using random effect panel regressions (columns 1 and 2) and random effect logit panel regressions (columns 3 to 8). Our results remain qualitatively very similar, and the significant linkage between family ownership and downsizing remains valid.

Extreme values: We have winsorised all ratios at the 1-99% levels in the paper. We strike a balance between dealing with outliers while not modifying the sample too much with this approach. However, winsorising at these levels may still be too little. We, therefore, have rerun our specifications winsorising data at the 2.5-97.5% levels. As indicated in Appendix 5, this does not influence our results, and the relationship studied in this paper.

7 Conclusion and Future Research

This article studies the relationship between workforce downsizing practices and ownership structures, family ownership in particular. Through the lens of socioemotional wealth theory, we hypothesise that family firms tend to downsize less than non-family firms. They identify

more with their companies and the community surrounding them, care about the firm's and their own reputation, and take a long-term investment approach. We find evidence that founding family firms downsize significantly less than wide-held firms and non-family blockholders. Our findings also show that blockholders are a heterogeneous group. Firms owned by different non-family blockholders display other behaviours in terms of workforce downsizing. Results suggest that family firms with more family control (a higher stake or active management) are less inclined to downsize. This indicates that the family needs as much power as possible to drive its agenda. The literature on corporate governance often views the power of family owners negatively. While this may be true from a shareholder perspective, our results suggest that this may not hold from a stakeholder and society perspective. Finally, we also find evidence that the identification a family has with its company and the community surrounding affects downsizing practices. The more a family identifies with its company or fears reputational damage to it and the family, the less it is inclined to downsize.

Further research on this topic could take different directions. First, research could explore the relationship between the family firm's downsizing practices and corporate performance. Our results suggest that family firms downsize less. Extant literature is more ambiguous on the linkage between family ownership and company performance. Linking how families treat their employees, manage their workforce, and how this affects performance may shed some light on corporate performance drivers, which is still not entirely clear.

Moreover, similar studies in other countries could be conducted to compare family firms' behaviour in different legal environments and facilitate the generalisation of family businesses' distinct characteristics. Existing studies on the U.S. market and this study on Switzerland analyse two countries that are relatively liberal in their approach to employee protection and social welfare. Other countries, such as France, have stronger government regulations. For example, Germany allows employees to sit on the Board of directors and vote on resolutions. It would be interesting to understand if the family can substitute or complement the state or employee representation and ensure a stronger focus on stakeholders.

Finally, the impact of family ownership on downsizing could be examined in times of economic downturns. The long term view of families and their more gradual downsizing approach may alter their behaviour when short-term investors and professional managers move fast and downsize accordingly. This topic appears timely considering the recent COVID-19 outbreak. The U.S. National Bureau of Labor Statistics reported that the unemployment rate rose by 10.3 percentage points to 14.7 percent in April 2020. The unemployment rate is the highest in history, and the over-the-month increase from March to April of 234.1% is also

record-breaking. Compared to the same month last year, the unemployment rate in April rose by 308.3%. In Switzerland, where the proportion of family firms is almost 90 percent, the unemployment rate rose by 0.4 percentage point to 3.3 percent in April. The over-the-month increase is 13.8%. Compared to the same month last year, the unemployment rate in April increased by 43.5%. The impact of COVID-19 might vary from country to country; nevertheless, one may wonder if a higher percentage of family firms contributes to the lower increase in the unemployment rates in Switzerland than in the U.S.? The pandemic could provide a unique background to analyse these questions.

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Table 1: Sample composition

This Table displays the annual evolution in the ownership of sample companies. Widely-Held denotes companies that do not have a shareholder with at least 20% of voting rights. Blockholder is composed of Founding Family and Non-Family blockholders. Non-Family Blockholders include Private Investors, the State, Corporations and Miscellaneous.

	Widely-Held	Blockholder	Founding Family	Non-Family blockholder	Private Investor	State	Corporation	Miscellaneous	Total
2003	45	81	52	29	11	6	10	2	126
2004	48	79	53	26	9	6	8	3	127
2005	49	79	51	28	11	6	7	4	128
2006	44	83	50	33	12	7	10	4	127
2007	46	78	46	32	12	7	9	4	124
2008	45	79	47	32	14	7	7	4	124
2009	44	76	46	30	13	7	6	4	120
2010	48	75	44	31	13	7	7	4	123
2011	43	75	43	32	15	7	6	4	118
2012	43	76	43	33	17	7	5	4	119
2013	42	73	40	33	18	7	4	4	115
2014	40	70	38	32	18	7	3	4	110
2015	40	71	38	33	18	7	4	4	111
2016	38	69	36	33	19	6	4	4	107
2017	38	69	37	32	19	6	3	4	107
2018	40	73	39	34	19	7	4	4	113
2019	39	74	42	32	19	7	3	3	113
Total	732	1280	745	535	257	114	100	64	2012

Table 2: Summary statistics

The Table presents summary statistics (number of observations, mean, median, standard deviation, the minimum and the maximum) on all variables used in the empirical analysis. These pertain to ownership and family characteristics of companies, downsizing features and to control variables.

	Nb. observations	Mean	Median	Standard deviation	Minimum	Maximum
<u>Ownership variables</u>						
Widely-held (in %)	2012	36.38	0.00	48.12	0.00	100.00
Founding Family (in %)	2012	37.03	0.00	48.30	0.00	100.00
Non-family Blockholder (in %)	2012	26.59	0.00	44.19	0.00	100.00
Private Investor (in %)	2012	12.77	0.00	33.39	0.00	100.00
State (in %)	2012	5.67	0.00	23.12	0.00	100.00
WH Corporation (in %)	2012	4.97	0.00	21.74	0.00	100.00
Miscellaneous (in %)	2012	3.18	0.00	17.55	0.00	100.00
<u>Family variables</u>						
Family 20-50% (in %)	2012	14.51	0.00	35.23	0.00	100.00
Family 50% or more (in %)	2012	22.51	0.00	41.78	0.00	100.00
Family Active (in %)	2012	22.91	0.00	42.04	0.00	100.00
Family Passive (in %)	2012	14.12	0.00	34.83	0.00	100.00
Founder-stage (in %)	2012	11.33	0.00	31.71	0.00	100.00
Descendant-stage (in %)	2012	25.70	0.00	43.71	0.00	100.00
Family name (in %)	2012	13.87	0.00	34.57	0.00	100.00
No Family Name (in %)	2012	23.16	0.00	42.20	0.00	100.00
Urban Family Firm (in %)	2012	9.19	0.00	28.90	0.00	100.00
Rural Family Firm (in %)	2012	27.83	0.00	44.83	0.00	100.00
International Family Firm (in %)	1418	18.55	0.00	38.88	0.00	100.00
Domestic Family Firm (in %)	1418	18.90	0.00	39.16	0.00	100.00
<u>Downsizing variables</u>						
Change in workforce (in %)	1928	2.62	1.86	19.49	-97.44	82.59
Workforce downsizing (in %)	708	-7.53	-4.11	9.82	-55.76	-0.08
Lay-off 0-5% (in %)	1928	20.64	0.00	40.48	0.00	100.00
Lay-off 5-10% (in %)	1928	8.04	0.00	27.20	0.00	100.00
Lay-off 10% and more (in %)	1928	9.13	0.00	28.81	0.00	100.00
<u>Control variables</u>						
Total Assets (in '000 CHF)	2012	5400777	963321	16200000	3808	135000000
Age (in years)	2012	78.93	67.00	69.53	1.00	501.00
Leverage (in %)	2012	26.15	24.90	19.74	0.00	93.30
Cash (in %)	2010	16.00	13.04	11.44	0.42	54.41
Market-to-Book	2012	2.71	1.97	2.26	-0.33	11.80
Sales Growth (in %)	2012	5.67	3.75	17.22	-39.25	94.63
Return on Assets (in %)	2012	6.48	6.14	7.13	-18.55	28.45
Employee Intensity (in %)	1967	0.41	0.35	0.32	0.003	1.67
Change in PPE (in %)	1967	4.37	0.69	26.89	-54.72	190.67

Table 3: Univariate tests on family ownership

The Table illustrates the results for tests of means of downsizing and control variables used in the empirical analysis. The two groups are separated into family firms and non-family firms. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019.

	<u>All firms</u>		<u>Non-family Firms</u>		<u>Family Firms</u>		Mean differences Fam vs Non-fam	p-value
	Nb. observations	Mean	Nb. observations	Mean	Nb. observations	Mean		
Change in workforce (in %)	1928	2.62	1214	2.33	714	3.12	0.79	0.37
Workforce downsizing (in %)	708	-7.53	468	-8.11	240	-6.40	1.71	0.02
Lay-off 0-5% (in %)	1928	20.64	1214	20.10	714	21.57	1.47	0.44
Lay-off 5-10% (in %)	1928	8.04	1214	9.14	714	6.16	-2.98	0.01
Lay-off 10% and more (in %)	1928	9.13	1214	10.38	714	7.00	-3.38	0.01
Total Assets (in '000 CHF)	2012	5400777	1267	6090463	745	4227848	-1862615	0.01
Age (in years)	2012	78.93	1267	81.64	745	74.33	-7.31	0.01
Leverage (in %)	2012	26.15	1267	27.81	745	23.31	-4.50	0.00
Cash (in %)	2010	16.00	1265	15.41	745	17.00	1.59	0.00
Market-to-Book	2012	2.71	1267	2.68	745	2.74	0.06	0.57
Sales Growth (in %)	2012	5.67	1267	5.70	745	5.62	-0.08	0.91
Return on Assets (in %)	2012	6.48	1267	5.92	745	7.42	1.50	0.00
Employee Intensity (in %)	1967	0.41	1238	0.00	729	0.00	0.00	0.90
Change in PPE (in %)	1967	4.37	1239	4.32	728	4.45	0.13	0.91

Table 4: Univariate tests on downsizing

The Table illustrates the results for tests of means of ownership and control variables used in the empirical analysis. The two groups are separated into a stable group (change in workforce up to -5%) and a downsizing group (lay-off lower than -5%). The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019.

	<u>All firms</u>		<u>Stable Group</u>		<u>Downsizing Group</u>		Mean differences Stable vs Downsize	p-value
	Nb. observations	Mean	Nb. observations	Mean	Nb. observations	Mean		
Widely-held (in %)	1928	36.57	1597	35.32	331	42.60	-7.28	0.01
Founding Family (in %)	1928	37.03	1597	38.82	331	28.40	10.42	0.00
Non-family Blockholder (in %)	1928	26.40	1597	25.86	331	29.00	-3.14	0.25
Private Investor (in %)	1928	12.81	1597	11.71	331	18.13	-6.42	0.00
State (in %)	1928	5.71	1597	6.01	331	4.23	1.78	0.16
WH Corporation (in %)	1928	4.67	1597	4.57	331	5.14	-0.56	0.67
Miscellaneous (in %)	1928	3.22	1597	3.57	331	1.51	2.06	0.01
Total Assets (in '000 CHF)	1928	5551211	1597	5821886	331	4245263	1576624	0.08
Age (in years)	1928	79.73	1597	78.14	331	87.38	-9.24	0.08
Leverage (in %)	1928	26.05	1597	25.63	331	28.06	-2.43	0.05
Cash (in %)	1926	16.09	1597	15.87	329	17.16	-1.29	0.09
Market-to-Book	1928	2.71	1597	2.85	331	2.02	0.83	0.00
Sales Growth (in %)	1928	5.46	1597	7.63	331	-5.02	12.65	0.00
Return on Assets (in %)	1928	6.51	1597	7.29	331	2.71	4.58	0.00
Employee Intensity (in %)	1907	0.41	1597	0.42	310	0.39	0.02	0.22
Change in PPE (in %)	1926	4.47	1596	7.00	330	-7.73	14.73	0.00

Table 5: Ownership structure and workforce downsizing

The first two columns of the Table use OLS regressions and the last six columns logit regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Ownership variables are dummy variables taking the value of 1 if a firm belongs to a specific owner category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm-year clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing		Lay-off 0-5%		Lay-off 5-10%		Lay-off 10% or more	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Blockholder	1.031 (0.731)		0.194 (0.131)		-0.314* (0.183)		-0.263 (0.196)	
Founding Family		1.791** (0.761)		0.191 (0.126)		-0.409** (0.205)		-0.395* (0.219)
Size	1.073*** (0.286)	1.023*** (0.282)	0.103** (0.045)	0.095** (0.044)	-0.047 (0.073)	-0.033 (0.074)	-0.164* (0.092)	-0.152* (0.092)
Age	0.463 (0.407)	0.466 (0.407)	0.060 (0.063)	0.061 (0.064)	0.145 (0.098)	0.141 (0.097)	-0.047 (0.101)	-0.049 (0.101)
Leverage	-0.016 (0.024)	-0.012 (0.024)	0.008** (0.004)	0.008** (0.004)	0.002 (0.005)	0.001 (0.005)	0.011* (0.006)	0.010* (0.006)
Market-to-Book	0.350 (0.325)	0.341 (0.328)	-0.083** (0.042)	-0.084** (0.041)	-0.078 (0.079)	-0.076 (0.079)	-0.120 (0.074)	-0.118 (0.075)
Change in PPE	0.083** (0.039)	0.082** (0.039)	-0.010** (0.004)	-0.010** (0.004)	-0.011* (0.006)	-0.011* (0.006)	-0.038*** (0.013)	-0.039*** (0.013)
Return on assets	-0.085 (0.099)	-0.091 (0.100)	-0.001 (0.011)	-0.001 (0.011)	-0.032** (0.013)	-0.030** (0.014)	-0.023 (0.016)	-0.021 (0.016)
Sales Growth	0.120** (0.049)	0.121** (0.049)	-0.017*** (0.006)	-0.017*** (0.006)	-0.027*** (0.010)	-0.027*** (0.010)	-0.060*** (0.014)	-0.060*** (0.014)
Cash	-0.094** (0.042)	-0.092** (0.041)	-0.007 (0.006)	-0.007 (0.006)	-0.007 (0.010)	-0.008 (0.010)	0.020** (0.009)	0.020** (0.009)
Employee Intensity	280.672 (171.566)	296.895* (170.250)	11.394 (21.970)	12.168 (22.068)	-26.944 (32.936)	-29.748 (33.231)	-91.667** (42.160)	-91.223** (41.728)
Observations	708	708	1,906	1,906	1,906	1,906	1,906	1,906
R-squared	0.185	0.189						
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES

Table 6: Ownership structure and workforce downsizing

The first two columns of the Table use OLS regressions and the last six columns logit regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Ownership variables are dummy variables taking the value of 1 if a firm belongs to a specific owner category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm-year clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing		Lay-off 0-5%		Lay-off 5-10%		Lay-off 10% or more	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Founding Family	1.807** (0.809)	1.664** (0.814)	0.242* (0.146)	0.239 (0.146)	-0.462** (0.222)	-0.460** (0.221)	-0.423* (0.235)	-0.376 (0.235)
Non-family Blockholder	0.039 (0.988)		0.125 (0.159)		-0.131 (0.223)		-0.069 (0.239)	
Private Investor		-1.288 (1.521)		0.058 (0.206)		-0.065 (0.270)		0.318 (0.290)
State		3.102*** (1.108)		0.090 (0.303)		-0.123 (0.477)		-1.230** (0.605)
WH Corporation		-0.567 (1.745)		0.302 (0.287)		-0.432 (0.454)		0.334 (0.442)
Miscellaneous		2.012* (1.031)		0.169 (0.380)		-0.028 (0.582)		
Size	1.025*** (0.289)	0.989*** (0.294)	0.101** (0.045)	0.100** (0.045)	-0.040 (0.073)	-0.040 (0.073)	-0.155* (0.092)	-0.137 (0.091)
Age	0.465 (0.409)	0.534 (0.408)	0.059 (0.064)	0.058 (0.064)	0.143 (0.097)	0.142 (0.097)	-0.048 (0.101)	-0.106 (0.106)
Leverage	-0.012 (0.025)	-0.012 (0.026)	0.008** (0.004)	0.008** (0.004)	0.001 (0.005)	0.001 (0.006)	0.010* (0.006)	0.010 (0.006)
Market-to-Book	0.342 (0.324)	0.321 (0.323)	-0.083** (0.042)	-0.083** (0.042)	-0.079 (0.080)	-0.080 (0.080)	-0.120 (0.074)	-0.105 (0.073)
Change in PPE	0.082** (0.039)	0.081** (0.039)	-0.010** (0.004)	-0.010** (0.004)	-0.011* (0.006)	-0.011* (0.006)	-0.039*** (0.013)	-0.039*** (0.013)
Return on assets	-0.091 (0.100)	-0.087 (0.099)	-0.001 (0.011)	-0.001 (0.011)	-0.030** (0.014)	-0.030** (0.014)	-0.021 (0.016)	-0.023 (0.016)
Sales Growth	0.121** (0.049)	0.120** (0.049)	-0.017*** (0.006)	-0.017*** (0.006)	-0.027*** (0.010)	-0.027*** (0.010)	-0.060*** (0.014)	-0.060*** (0.014)
Cash	-0.092** (0.041)	-0.093** (0.041)	-0.007 (0.006)	-0.007 (0.006)	-0.007 (0.010)	-0.008 (0.010)	0.020** (0.009)	0.021** (0.009)
Employee Intensity	296.663* (169.859)	355.157** (175.488)	12.150 (22.055)	11.342 (22.648)	-28.995 (33.076)	-28.142 (34.463)	-91.234** (41.737)	-117.531** (46.746)
Observations	708	708	1,906	1,906	1,906	1,906	1,906	1,844
R-squared	0.189	0.197						
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES

Table 7: Family control and workforce downsizing

The first two columns of the Table use OLS regressions and the last six columns logit regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Family variables are dummy variables taking the value of 1 if a firm belongs to a specific family category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm-year clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing		Lay-off 0-5%		Lay-off 5-10%		Lay-off 10% or more	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Family 20-50%	0.508 (1.033)		-0.009 (0.177)		-0.251 (0.276)		-0.535* (0.291)	
Family 50% or more	2.599*** (0.855)		0.319** (0.148)		-0.535** (0.254)		-0.297 (0.270)	
Family Active		2.556*** (0.876)		0.276* (0.150)		-0.473* (0.248)		-0.619** (0.288)
Family passive		0.627 (1.016)		0.064 (0.173)		-0.321 (0.278)		-0.115 (0.271)
Size	1.025*** (0.281)	1.039*** (0.283)	0.095** (0.044)	0.095** (0.044)	-0.033 (0.073)	-0.034 (0.074)	-0.154* (0.092)	-0.157* (0.092)
Age	0.462 (0.406)	0.523 (0.411)	0.059 (0.064)	0.067 (0.064)	0.140 (0.096)	0.138 (0.096)	-0.050 (0.102)	-0.059 (0.101)
Leverage	-0.011 (0.024)	-0.010 (0.025)	0.008** (0.004)	0.008** (0.004)	0.001 (0.005)	0.001 (0.005)	0.010* (0.006)	0.010* (0.006)
Market-to-Book	0.333 (0.328)	0.355 (0.329)	-0.088** (0.042)	-0.084** (0.042)	-0.074 (0.079)	-0.076 (0.079)	-0.117 (0.075)	-0.119 (0.074)
Change in PPE	0.082** (0.039)	0.081** (0.039)	-0.010** (0.005)	-0.010** (0.004)	-0.011* (0.006)	-0.011* (0.006)	-0.039*** (0.013)	-0.038*** (0.013)
Return on assets	-0.089 (0.099)	-0.091 (0.101)	-0.002 (0.011)	-0.001 (0.011)	-0.030** (0.014)	-0.030** (0.014)	-0.022 (0.016)	-0.022 (0.016)
Sales Growth	0.121** (0.048)	0.123** (0.048)	-0.017*** (0.006)	-0.017*** (0.006)	-0.027*** (0.010)	-0.027*** (0.010)	-0.060*** (0.014)	-0.060*** (0.013)
Cash	-0.091** (0.041)	-0.094** (0.041)	-0.007 (0.006)	-0.008 (0.006)	-0.008 (0.010)	-0.007 (0.010)	0.020** (0.009)	0.021** (0.009)
Employee Intensity	316.102* (172.562)	296.649* (170.253)	15.895 (22.142)	11.995 (22.012)	-32.417 (33.467)	-30.068 (33.347)	-90.169** (41.849)	-89.940** (41.745)
Observations	708	708	1,906	1,906	1,906	1,906	1,906	1,906
R-squared	0.193	0.192						
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES

Table 8: Family firm size and workforce downsizing

The first two columns of the Table use OLS regressions and the last six columns logit regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Family variables are dummy variables taking the value of 1 if a firm belongs to a specific family category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm-year clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing	Lay-off 0-5%	Lay-off 5-10%	Lay-off 10% or more
	(1)	(2)	(3)	(4)
Small family firm	2.475** (1.052)	0.328** (0.155)	-0.530** (0.246)	-0.426* (0.248)
Large family firm	1.628 (1.042)	-0.033 (0.192)	-0.183 (0.316)	-0.325 (0.375)
Size	1.374*** (0.466)	0.129*** (0.049)	-0.060 (0.082)	-0.160* (0.096)
Age	0.593 (0.525)	0.058 (0.064)	0.142 (0.096)	-0.049 (0.101)
Leverage	-0.009 (0.030)	0.008** (0.004)	0.001 (0.005)	0.010* (0.006)
Market-to-Book	0.258 (0.522)	-0.074* (0.042)	-0.086 (0.080)	-0.121 (0.077)
Change in PPE	0.073 (0.054)	-0.010** (0.004)	-0.011* (0.007)	-0.039*** (0.013)
Return on assets	-0.092 (0.128)	-0.003 (0.011)	-0.029** (0.014)	-0.021 (0.016)
Sales Growth	0.105* (0.061)	-0.017*** (0.006)	-0.027*** (0.010)	-0.060*** (0.014)
Cash	-0.100* (0.054)	-0.007 (0.006)	-0.008 (0.010)	0.020** (0.009)
Employee Intensity	4.372* (2.346)	0.130 (0.221)	-0.309 (0.334)	-0.920** (0.413)
Observations	708	1,906	1,906	1,906
R-squared	0.168			
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES

Table 9: Family stage and name and workforce downsizing

The first two columns of the Table use OLS regressions and the last six columns logit regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Family variables are dummy variables taking the value of 1 if a firm belongs to a specific family category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm-year clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing		Lay-off 0-5%		Lay-off 5-10%		Lay-off 10% or more	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Founder-stage	2.361** (1.051)		0.076 (0.210)		-0.338 (0.345)		-0.239 (0.333)	
Descendant-stage	1.569* (0.864)		0.235* (0.141)		-0.436* (0.235)		-0.471* (0.258)	
Family name		2.832*** (1.024)		0.151 (0.183)		-0.519* (0.296)		-0.492 (0.329)
No family name		1.267 (0.865)		0.213 (0.147)		-0.347 (0.245)		-0.334 (0.247)
Size	1.035*** (0.284)	1.014*** (0.282)	0.093** (0.044)	0.096** (0.044)	-0.032 (0.074)	-0.032 (0.074)	-0.147 (0.092)	-0.150 (0.092)
Age	0.539 (0.430)	0.381 (0.422)	0.047 (0.067)	0.064 (0.065)	0.147 (0.099)	0.147 (0.098)	-0.030 (0.101)	-0.042 (0.100)
Leverage	-0.012 (0.024)	-0.014 (0.024)	0.008** (0.004)	0.008** (0.004)	0.001 (0.005)	0.001 (0.005)	0.010* (0.006)	0.010* (0.006)
Market-to-Book	0.338 (0.328)	0.346 (0.331)	-0.083** (0.041)	-0.084** (0.042)	-0.077 (0.080)	-0.075 (0.079)	-0.122 (0.077)	-0.119 (0.075)
Change in PPE	0.082** (0.039)	0.082** (0.039)	-0.010** (0.004)	-0.010** (0.004)	-0.011* (0.007)	-0.011* (0.006)	-0.039*** (0.013)	-0.039*** (0.013)
Return on assets	-0.089 (0.100)	-0.089 (0.100)	-0.001 (0.011)	-0.001 (0.011)	-0.030** (0.014)	-0.030** (0.014)	-0.021 (0.016)	-0.022 (0.016)
Sales Growth	0.121** (0.049)	0.122** (0.049)	-0.017*** (0.006)	-0.017*** (0.006)	-0.027*** (0.010)	-0.027*** (0.010)	-0.060*** (0.014)	-0.060*** (0.014)
Cash	-0.091** (0.041)	-0.094** (0.041)	-0.008 (0.006)	-0.007 (0.006)	-0.007 (0.010)	-0.008 (0.010)	0.020** (0.009)	0.020** (0.009)
Employee Intensity	303.624* (172.378)	291.366* (170.835)	11.049 (22.074)	12.316 (22.053)	-29.259 (33.328)	-29.566 (33.122)	-90.936** (41.965)	-91.462** (41.735)
Observations	708	708	1,906	1,906	1,906	1,906	1,906	1,906
R-squared	0.189	0.191						
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES

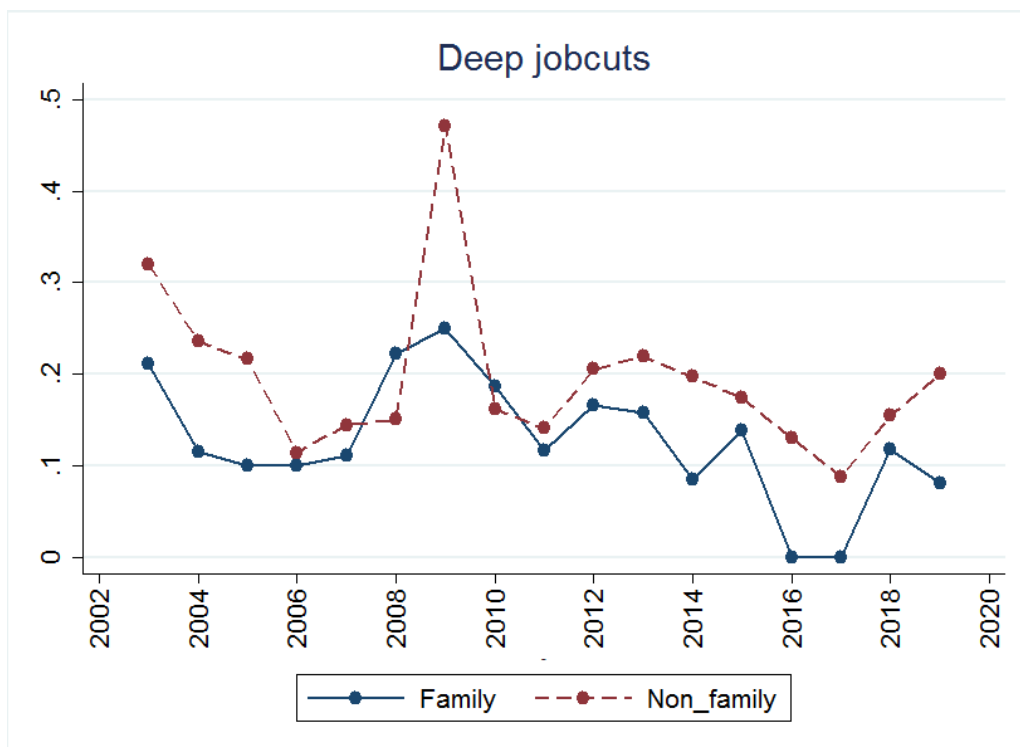
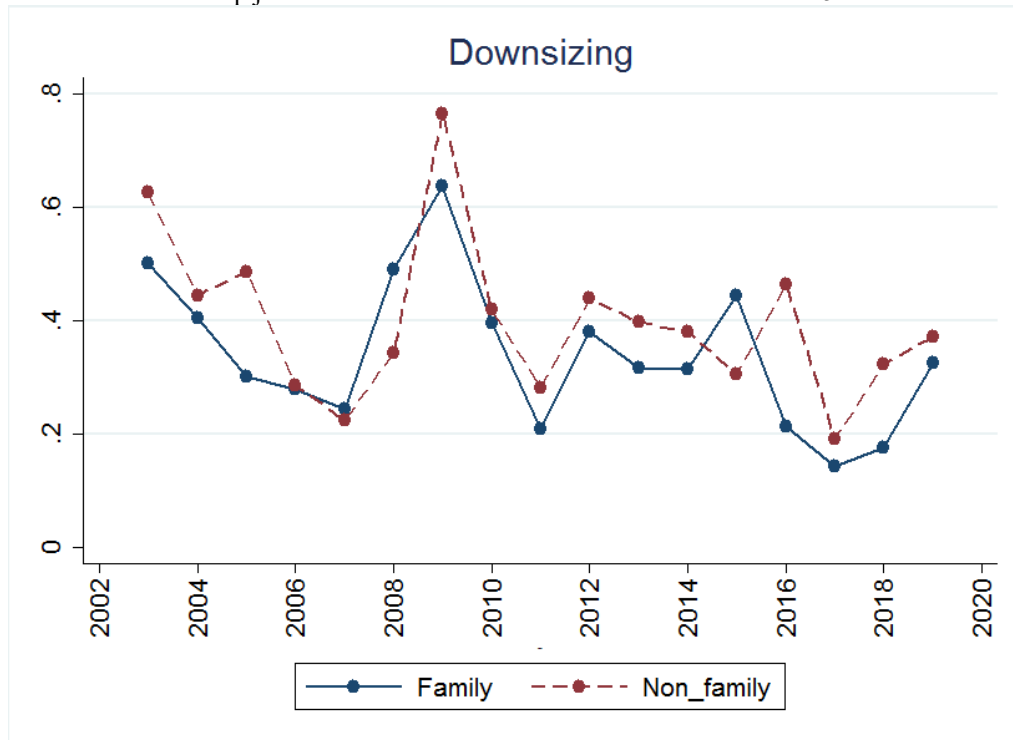
Table 10: Family firm location and internationalisation and workforce downsizing

The first two columns of the Table use OLS regressions and the last six columns logit regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Family variables are dummy variables taking the value of 1 if a firm belongs to a specific family category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm-year clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing		Lay-off 0-5%		Lay-off 5-10%		Lay-off 10% or more	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Urban Family Firm	0.751 (1.196)		0.084 (0.218)		-0.196 (0.328)		-0.499 (0.399)	
Rural Family Firm	2.151*** (0.830)		0.228* (0.138)		-0.492** (0.235)		-0.358 (0.238)	
International Family Firm		0.364 (1.222)		0.221 (0.193)		0.023 (0.291)		-0.113 (0.307)
Domestic Family Firm		2.315** (1.136)		0.177 (0.203)		-0.037 (0.306)		-0.362 (0.344)
Size	1.052*** (0.284)	0.933*** (0.275)	0.099** (0.044)	0.085 (0.053)	-0.041 (0.074)	0.036 (0.087)	-0.147 (0.094)	-0.120 (0.115)
Age	0.462 (0.409)	-0.120 (0.408)	0.060 (0.064)	-0.015 (0.080)	0.141 (0.097)	0.026 (0.111)	-0.048 (0.101)	-0.052 (0.133)
Leverage	-0.013 (0.024)	0.008 (0.032)	0.008** (0.004)	0.012** (0.005)	0.001 (0.005)	0.001 (0.007)	0.010* (0.006)	-0.008 (0.008)
Market-to-Book	0.368 (0.333)	0.391 (0.334)	-0.081** (0.041)	-0.057 (0.052)	-0.081 (0.080)	-0.036 (0.106)	-0.116 (0.076)	-0.156 (0.132)
Change in PPE	0.082** (0.039)	0.094*** (0.035)	-0.010** (0.004)	-0.010* (0.006)	-0.011* (0.006)	-0.013 (0.009)	-0.039*** (0.013)	-0.051*** (0.016)
Return on assets	-0.096 (0.100)	-0.070 (0.143)	-0.002 (0.011)	-0.001 (0.014)	-0.029** (0.014)	-0.040** (0.018)	-0.022 (0.016)	-0.026 (0.024)
Sales Growth	0.120** (0.049)	0.102* (0.059)	-0.017*** (0.006)	-0.028*** (0.009)	-0.027*** (0.010)	-0.032** (0.013)	-0.060*** (0.014)	-0.059*** (0.019)
Cash	-0.093** (0.041)	-0.043 (0.045)	-0.007 (0.006)	-0.001 (0.008)	-0.008 (0.010)	-0.012 (0.013)	0.020** (0.009)	0.015 (0.012)
Employee Intensity	281.728* (170.987)	384.177** (179.802)	10.632 (22.281)	22.811 (26.640)	-26.914 (33.581)	-21.625 (38.763)	-92.482** (41.351)	-170.002** (66.641)
Observations	708	480	1,906	1,343	1,906	1,343	1,906	1,343
R-squared	0.190	0.187						
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES

Figure 1: Evolution of downsizing by ownership

Panel A of the figure shows the annual proportion of companies downsizing (negative change in workforce) over the sample period 2003-2019. The continuous line represents family firms and the dashed line non-family firms. Panel B shows the same for deep job cuts defined as an annual workforce reduction of 5% or more.



Appendix 1: Quantile regression

The Table presents a quantile regression at the 10%, 25%, 50%, 75% and 90% quantiles. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Ownership variables are dummy variables taking the value of 1 if a firm belongs to a specific owner category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	q10	q25	q50	q75	q90
	(1)	(2)	(3)	(4)	(5)
Founding Family	2.102*	1.016*	0.463	0.570	-0.964
	(1.265)	(0.555)	(0.418)	(0.480)	(0.695)
Size	1.093***	0.470***	0.062	-0.543***	-0.973***
	(0.205)	(0.109)	(0.127)	(0.144)	(0.191)
Age	-0.061	-0.063	-0.114	-0.681**	-0.584
	(0.567)	(0.240)	(0.229)	(0.272)	(0.644)
Leverage	-0.044	-0.041**	-0.020	0.001	0.041
	(0.029)	(0.017)	(0.016)	(0.016)	(0.028)
Market-to-Book	0.161	0.105	0.088	0.236	0.302
	(0.288)	(0.150)	(0.117)	(0.191)	(0.320)
Change in PPE	0.085**	0.111***	0.184***	0.229***	0.286***
	(0.034)	(0.036)	(0.036)	(0.040)	(0.038)
Return on assets	0.220**	0.129***	0.002	-0.114***	-0.194**
	(0.112)	(0.047)	(0.048)	(0.040)	(0.086)
Sales Growth	0.238***	0.274***	0.364***	0.537***	0.615***
	(0.022)	(0.037)	(0.041)	(0.048)	(0.043)
Cash	-0.096***	-0.043**	-0.026	-0.025*	0.024
	(0.036)	(0.019)	(0.024)	(0.014)	(0.040)
Employee Intensity	480.942***	306.055***	174.145**	169.843	226.870
	(82.146)	(70.883)	(76.508)	(104.825)	(155.014)
Observations	1,906	1,906	1,906	1,906	1,906
Industry FE	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES

Appendix 2: Baseline on companies surviving until 2019

The first two columns of the Table use random effect and the last six columns random effect logit panel regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Ownership variables are dummy variables taking the value of 1 if a firm belongs to a specific owner category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing		Lay-off 0-5%		Lay-off 5-10%		Lay-off 10% or more	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Blockholder	0.353 (0.867)		0.111 (0.147)		-0.239 (0.218)		0.022 (0.247)	
Founding Family		2.372*** (0.913)		0.335** (0.146)		-0.395* (0.240)		-0.294 (0.268)
Size	0.837*** (0.218)	0.778*** (0.214)	0.078 (0.049)	0.070 (0.049)	-0.037 (0.086)	-0.024 (0.087)	-0.132 (0.114)	-0.129 (0.113)
Age	0.221 (0.422)	0.155 (0.432)	0.047 (0.073)	0.042 (0.075)	0.200 (0.122)	0.201* (0.119)	-0.026 (0.125)	-0.015 (0.126)
Leverage	0.005 (0.024)	0.013 (0.023)	0.013*** (0.004)	0.014*** (0.004)	0.001 (0.006)	-0.001 (0.006)	0.012* (0.007)	0.011 (0.007)
Market-to-Book	0.178 (0.264)	0.211 (0.263)	-0.098** (0.047)	-0.097** (0.046)	-0.024 (0.086)	-0.023 (0.087)	-0.064 (0.087)	-0.069 (0.089)
Change in PPE	0.101*** (0.036)	0.098*** (0.035)	-0.010* (0.005)	-0.010* (0.005)	-0.008 (0.007)	-0.008 (0.007)	-0.063*** (0.015)	-0.064*** (0.015)
Return on assets	0.001 (0.093)	-0.014 (0.093)	0.020 (0.013)	0.018 (0.013)	-0.034* (0.018)	-0.033* (0.018)	-0.038** (0.019)	-0.036* (0.019)
Sales Growth	0.042 (0.050)	0.044 (0.049)	-0.026*** (0.008)	-0.026*** (0.008)	-0.048*** (0.012)	-0.048*** (0.012)	-0.048*** (0.016)	-0.048*** (0.015)
Cash	-0.059 (0.041)	-0.062 (0.042)	-0.008 (0.007)	-0.009 (0.007)	-0.008 (0.012)	-0.007 (0.012)	0.015 (0.011)	0.015 (0.011)
Employee Intensity	2.149 (2.080)	2.094 (2.044)	-0.015 (0.265)	-0.004 (0.269)	-0.936** (0.421)	-0.955** (0.422)	-0.895 (0.608)	-0.883 (0.605)
Observations	527	527	1,528	1,528	1,502	1,502	1,502	1,502
R-squared	0.208	0.220						
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES

Appendix 3: Founding Family and Private Investor

The first column of the Table uses an OLS regression and columns 2 to 4 logit regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Ownership variables are dummy variables taking the value of 1 if a firm belongs to a specific owner category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm-year clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing (1)	Lay-off 0-5% (2)	Lay-off 5-10% (3)	Lay-off 10% or more (4)
Founding Family	3.915** (1.595)	0.239 (0.212)	-0.327 (0.312)	-0.754** (0.331)
Size	1.155** (0.462)	0.098 (0.068)	-0.155 (0.124)	-0.262 (0.170)
Age	0.539 (0.612)	0.095 (0.105)	0.280 (0.207)	-0.192 (0.191)
Leverage	-0.017 (0.033)	0.012** (0.005)	0.008 (0.008)	0.012 (0.009)
Market-to-Book	0.604 (0.406)	-0.097* (0.059)	-0.034 (0.114)	-0.167 (0.150)
Change in PPE	0.065 (0.063)	-0.010* (0.005)	-0.009 (0.006)	-0.025 (0.021)
Return on assets	-0.376** (0.152)	-0.019 (0.015)	0.006 (0.022)	0.010 (0.025)
Sales Growth	0.185** (0.071)	-0.024** (0.009)	-0.041*** (0.014)	-0.074*** (0.018)
Cash	-0.100* (0.054)	-0.018** (0.009)	-0.020 (0.016)	0.020 (0.013)
Employee Intensity	384.792 (312.626)	12.080 (34.012)	-59.404 (59.167)	-144.214 (91.897)
Observations	347	951	951	951
R-squared	0.267			
Industry FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES

Appendix 4: Random effect panel regression

The first two columns of the Table use random effect and the last six columns random effect logit panel regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Ownership variables are dummy variables taking the value of 1 if a firm belongs to a specific owner category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 1% - 99% levels. Firm clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing		Lay-off 0-5%		Lay-off 5-10%		Lay-off 10% or more	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Blockholder	1.092 (0.851)		0.219 (0.147)	-0.256 (0.218)			-0.292 (0.240)	
Founding Family		1.824** (0.911)			0.202 (0.148)	-0.423* (0.223)		-0.453* (0.267)
Size	1.129*** (0.324)	1.060*** (0.304)	0.105** (0.051)	-0.060 (0.100)	0.097** (0.049)	-0.050 (0.102)	-0.193* (0.105)	-0.185* (0.105)
Age	0.439 (0.419)	0.449 (0.425)	0.062 (0.063)	0.117 (0.104)	0.063 (0.062)	0.113 (0.103)	-0.062 (0.109)	-0.066 (0.112)
Leverage	-0.017 (0.024)	-0.013 (0.024)	0.008* (0.004)	0.000 (0.005)	0.008** (0.004)	-0.001 (0.006)	0.013* (0.007)	0.012* (0.007)
Market-to-Book	0.312 (0.338)	0.312 (0.341)	-0.089** (0.045)	-0.080 (0.089)	-0.090** (0.044)	-0.081 (0.090)	-0.126 (0.081)	-0.123 (0.081)
Change in PPE	0.081* (0.041)	0.081* (0.041)	-0.010** (0.004)	-0.010* (0.006)	-0.010** (0.004)	-0.010* (0.006)	-0.039** (0.016)	-0.039** (0.016)
Return on assets	-0.097 (0.104)	-0.098 (0.104)	-0.002 (0.012)	-0.031** (0.015)	-0.003 (0.012)	-0.029* (0.015)	-0.021 (0.018)	-0.020 (0.018)
Sales Growth	0.122** (0.050)	0.122** (0.051)	-0.017*** (0.005)	-0.027** (0.011)	-0.017*** (0.005)	-0.027** (0.011)	-0.061*** (0.016)	-0.061*** (0.016)
Cash	-0.093** (0.040)	-0.092** (0.039)	-0.007 (0.007)	-0.007 (0.009)	-0.007 (0.007)	-0.007 (0.009)	0.023** (0.009)	0.023** (0.009)
Employee Intensity	320.008* (182.338)	323.855* (180.068)	12.334 (24.213)	-33.555 (42.144)	13.547 (24.214)	-37.539 (42.521)	-113.725** (52.991)	-115.015** (54.278)
Observations	708	708	1,906	1,906	1,906	1,906	1,906	1,906
Number of firms	147	147	161	161	161	161	161	161
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES

Appendix 5: Baseline with variables winsorised at the 2.5%-97.5% levels

The first two columns of the Table use random effect and the last six columns random effect logit panel regression models. The sample consists of 161 firms and 2,012 firm-year observations from 2003 to 2019. Ownership variables are dummy variables taking the value of 1 if a firm belongs to a specific owner category, and 0 otherwise. Control variables consist of firm size and age, leverage (in %), Market-to-Book, change in PPE, Return on Assets (in %), sales growth (in %), cash (in %) and employee intensity. All specifications include industry and year fixed effects. All ratios are winsorised at the 2.5% - 97.5% levels. Firm clustered standard errors are in parentheses. ***, ** and * denote significance levels of 1%, 5% and 10%, respectively.

	Workforce downsizing		Lay-off 0-5%		Lay-off 5-10%		Lay-off 10% or more	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Blockholder	0.739 (0.782)		0.204 (0.132)		-0.307* (0.184)		-0.263 (0.198)	
Founding Family		1.989** (0.844)		0.192 (0.127)		-0.402* (0.207)		-0.377* (0.221)
Size	1.355*** (0.444)	1.315*** (0.439)	0.114** (0.045)	0.106** (0.044)	-0.036 (0.073)	-0.023 (0.074)	-0.165* (0.089)	-0.154* (0.089)
Age	0.642 (0.515)	0.628 (0.512)	0.059 (0.064)	0.059 (0.064)	0.141 (0.099)	0.137 (0.098)	-0.064 (0.104)	-0.066 (0.104)
Leverage	-0.011 (0.030)	-0.008 (0.030)	0.008** (0.004)	0.008** (0.004)	0.002 (0.005)	0.001 (0.005)	0.011* (0.006)	0.010 (0.006)
Market-to-Book	0.153 (0.624)	0.170 (0.632)	-0.104** (0.045)	-0.105** (0.045)	-0.098 (0.081)	-0.097 (0.081)	-0.120 (0.084)	-0.117 (0.085)
Change in PPE	0.158** (0.066)	0.155** (0.065)	-0.018*** (0.004)	-0.018*** (0.004)	-0.020*** (0.007)	-0.020*** (0.007)	-0.053*** (0.013)	-0.053*** (0.013)
Return on assets	-0.093 (0.142)	-0.107 (0.145)	0.006 (0.012)	0.005 (0.012)	-0.031* (0.016)	-0.028* (0.016)	-0.024 (0.019)	-0.022 (0.020)
Sales Growth	0.114 (0.070)	0.116* (0.070)	-0.020*** (0.006)	-0.020*** (0.006)	-0.034*** (0.011)	-0.035*** (0.011)	-0.070*** (0.013)	-0.070*** (0.013)
Cash	-0.082 (0.054)	-0.081 (0.053)	-0.008 (0.006)	-0.008 (0.006)	-0.008 (0.010)	-0.008 (0.010)	0.019** (0.009)	0.019** (0.009)
Employee Intensity	5.350** (2.561)	5.498** (2.555)	0.175 (0.253)	0.182 (0.254)	-0.262 (0.368)	-0.290 (0.371)	-1.124** (0.457)	-1.122** (0.453)
Observations	708	708	1,906	1,906	1,906	1,906	1,906	1,906
R-squared	0.177	0.182						
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES