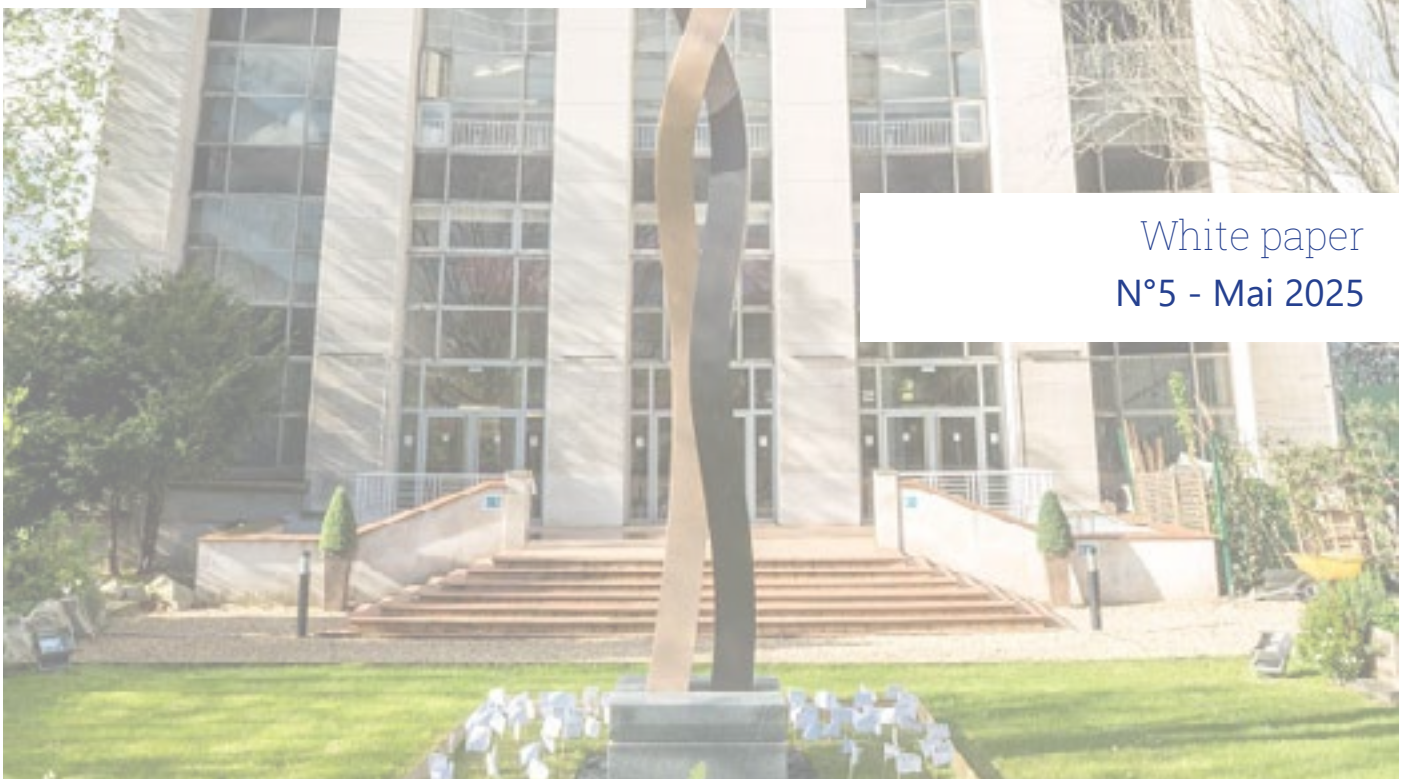




The prevalence of private family firms in Europe

Marcelo Ortiz

Universitat Pompeu Fabra; UPF -Barcelona School of Management;
and School of Economics.



White paper
N°5 - Mai 2025

The Prevalence of Private Family Firms in Europe *

Marcelo Ortiz [†]

Executive Summary

This report documents the prevalence and characteristics of family-controlled and family-managed firms across 24 European countries using a dataset of 2.1 million private firms.

We document significant cross-country variation in the prevalence of family control and management, influenced by legal traditions, inheritance tax policies, and institutional quality. On average, 74% of private firms are family-controlled (FC), yet only 58% are also family-managed (FCFM), with substantial heterogeneity across legal traditions. Civil law countries—especially those influenced by the French legal tradition—show the highest incidence of FCFM firms. In contrast, ex-Soviet and Scandinavian jurisdictions tend to separate family ownership from management, relying more heavily on external managers (FCEM).

We further explore the role of inheritance law and rule-of-law quality in shaping the distribution of FCFM firms. With few exceptions among French civil law countries, higher effective inheritance tax rates are negatively associated with family management, consistent with the hypothesis that expected succession costs discourage families from managerial involvement. Conversely, stronger legal environments correlate positively with the prevalence of family-managed firms, suggesting that well-functioning legal frameworks facilitate the prevalence of family involvement.

While FC firms are generally smaller in scale than their non-family counterparts, they exhibit comparable financial performance, as measured by return on assets (ROA). Notably, FCFM firms in German and Common law contexts outperform peers.

JEL Classification: G30, G32, L26, K22.

Keywords: Family firms, family management, private firms, corporate ownership, corporate control.

*This report was supported by the “Family Business and Long-Term Investment Chair” at Université Paris Dauphine-PSL as part of its white paper series. I am thankful to Edith Ginglinger and Farid Toubal for their helpful comments. I also acknowledge financial support from the Spanish Government through grants PID2023-147587NB-I00 and RYC2023-044281-I from the Ministry of Science and Innovation, as well as from the Severo Ochoa Program for Centers of Excellence in R&D (CEX2019-000915-S), funded by the Ministry of Science and Innovation.

[†](Corresponding author) Universitat Pompeu Fabra, Department of Economics and Business; UPF - Barcelona School of Management; and Barcelona School of Economics. Address: Ramon Trias Fargas 25-27, office: 20.1E66, 08005 Barcelona, Spain. Email: marcelo.ortizm@upf.edu.

1 Introduction

Family ownership is one of the most prevalent forms of corporate control worldwide. A significant proportion of firms—ranging from small businesses to large multinational enterprises—are either founded, owned, or controlled by families ([La Porta et al., 1999](#); [Villalonga and Amit, 2009](#)). Existing research has extensively documented the impact of family ownership on firm governance, investment strategies, and financial performance ([Faccio and Lang, 2002](#); [Franks et al., 2012](#)). However, most of these studies focus on publicly listed firms, leaving an important gap in understanding the role of family control in private firms, which represent the majority of businesses in most economies. This report addresses this gap by describing the prevalence of family involvement among European private firms.

The determinants of family ownership prevalence have been widely studied. One key explanation is the influence of legal and institutional frameworks. In civil law countries, characterized by weaker legal protections and reliance on concentrated ownership structures, family firms are more prevalent and persistent ([Aminadav and Papaioannou, 2020](#); [La Porta et al., 1999](#)). In contrast, common law countries provide stronger legal protections, fostering more dispersed ownership structures and facilitating the transition away from family control over time ([Faccio and Lang, 2002](#)).

Another explanation comes from firm-level governance dynamics. Family control is frequently associated with a long-term strategic orientation and tighter monitoring, attributes that may enhance firm stability and resilience ([Franks et al., 2012](#); [Lins et al., 2013](#)). Nevertheless, concentrated ownership may give rise to entrenchment, nepotism, and succession difficulties, potentially impairing firm performance in later generations ([Villalonga and Amit, 2006](#); [Bennedsen et al., 2007](#)). These trade-offs influence whether family ownership persists over time or transitions to professionalized management.

While the prevalence of family control in publicly listed firms has been extensively studied, far less is known about its role in private firms, primarily due to data limitations. Studying family governance in private firms offers critical insights into family involvement in corporate decision-making, particularly given their dominant presence in the real economy. Moreover, for firms that eventually go public, analyzing family control at earlier stages offers valuable

insights into the persistence and transition of family influence over the corporate life cycle. To address this gap, this report documents empirical patterns in the prevalence of family control across Europe, using a novel dataset of 2.1 million private firms in 24 countries as of 2023.

Our findings reveal significant cross-country variation in family firm prevalence. Family-controlled firms (FC) and family-controlled and family-managed firms (FCFM) represent a substantial share of private companies across Europe. However, their prevalence varies widely by country and legal tradition. On average, 74% of firms in the sample are family-controlled, and 58% are both family-controlled and managed. The distribution reveals clear clustering patterns based on legal origins: countries with German civil law and Common law systems tend to have lower rates of family control, whereas those with French civil law and ex-Soviet legal traditions exhibit the highest prevalence. Scandinavian countries, while having high levels of family control, rely more heavily on external management, with a relatively lower share of family-managed firms. These differences suggest that institutional and historical factors are key in shaping the persistence of family involvement in firm management.

Next, we explore the role of two legal institutions: inheritance laws and the rule of law. Inheritance tax rates vary across Europe, and while the correlation between effective tax rates and FCFM prevalence is weak in the full sample, excluding outliers such as France and Portugal reveals a negative relationship—higher inheritance taxes are associated with a lower prevalence of FCFM firms. This suggests that expected high taxation on business succession may incentivize families to transition away from management. Conversely, a strong rule of law appears positively correlated with the prevalence of FCFM firms. While weaker legal environments may encourage family ownership as a substitute for formal contract enforcement, they also introduce risks such as contracting uncertainty and expropriation, which can hinder long-term intergenerational control. As a result, families are more likely to retain both ownership and management in jurisdictions where legal protections offer stability and reduce external threats to corporate governance.

Finally, we explore whether the firms exhibit distinct characteristics in terms of size, age, and financial performance. Non-family-controlled firms (Non-FC) tend to be significantly larger, with average total assets more than twice those of family-controlled firms. Among

family-controlled firms, those with external management (FCEM) are larger than their family-managed counterparts, though the difference is modest. In terms of firm age, FCFM firms tend to be slightly older on average than FCEM firms, reflecting the tendency of families to maintain direct managerial influence in businesses intended for intergenerational succession. Performance, measured by return on assets (ROA), exhibits minimal variation across firm types, with FCFM firms slightly outperforming FCEM firms in certain legal environments, particularly in German and Common law contexts. These findings suggest that while family-controlled firms may be smaller in scale, their ability to sustain competitive financial performance indicates resilience in their business models, particularly in institutional contexts that support long-term stability.

The rest of the paper proceeds as follows. Section 2 reviews the theoretical and empirical literature on family ownership prevalence. Section 3 describes our dataset and methodology. Section 4 presents our empirical findings on family firm prevalence across legal origins, firm age, and financial performance. Section 5 concludes.

2 Family Ownership Prevalence: Theory and Evidence

A firm is typically considered a family firm when a family exercises significant influence over its strategic direction, governance, and management, often intending to sustain this control across generations. This influence is reflected in two dimensions: (i) the presence of family members in executive or directorial roles, and (ii) the family's ownership of a substantial equity stake.

Both dimensions evolve over time, leading to diverse forms of family firms. Managerial participation by family members often declines in later generations, as leadership transitions to professional managers or non-family executives (Bertrand and Schoar, 2006). In contrast, family ownership tends to remain stable due to mechanisms such as concentrated equity stakes, dual-class shares, or trusts, which help preserve the family's control across generations (Franks et al., 2012).

Recent literature has highlighted the prevalence of multi-family firms, wherein unrelated

families jointly hold control and occupy leadership position in the same firm ([Duran and Ortiz, 2020](#); [Chirico et al., 2022](#)). These firms typically emerge from businesses where the unrelated co-founders incorporate their family relatives into managerial roles or emerge through joint ventures between previously single-family-controlled firms.

2.1 Determinants of Family Firm Prevalence

2.1.1 Family-related Factors

Large business families are more likely to place members in key leadership positions. However, as families expand over generations, ownership often becomes diluted across numerous members, reducing the likelihood of sustaining unified control ([Bertrand et al., 2008](#)). Succession planning is a critical determinant of family ownership continuity, facilitating smooth intergenerational transitions when executed effectively ([Sharma et al., 2003](#)). Its effectiveness depends on the degree of management professionalization, the involvement of external advisors, and the next generation's willingness to assume leadership roles ([Pahnke et al., 2024](#); [Wennberg et al., 2011](#)).

2.1.2 Corporate Governance Factors

Family firms are frequently associated with a long-term strategic orientation and enhanced monitoring. Founding families often prioritize sustainable growth over short-term profits, fostering stability and resilience ([Franks et al., 2012](#); [Lins et al., 2013](#)). This long-term perspective is particularly beneficial in industries requiring substantial capital investments or continuous innovation ([Villalonga and Amit, 2010](#)). Additionally, concentrated ownership allows families to monitor management closely, mitigating agency costs linked to the separation of ownership and control ([La Porta et al., 1999](#)). Family-controlled firms consistently exhibit lower managerial expropriation levels and operational inefficiencies ([Aminadav and Papaioannou, 2020](#)).

Despite these governance benefits, family ownership also presents challenges. A key concern is entrenchment, where controlling families prioritize personal interests over those of minority shareholders ([Villalonga and Amit, 2006](#)). This issue is exacerbated by control-

enhancing mechanisms, such as dual-class shares and voting agreements, which disproportionately concentrate power ([Villalonga and Amit, 2009](#)). Additionally, nepotism and limited managerial talent can hinder firm performance, as leadership positions may be allocated based on family ties rather than merit ([Perez-Gonzalez, 2006](#); [Bennedsen et al., 2007](#); [Burkart et al., 2003](#)).

2.1.3 Legal Institutional Factors

The literature has largely focused on two legal determinants of the prevalence of family firms: inheritance law and the rule of law.

A significant barrier to the transgenerational transfer of family ownership is inheritance law ([Ortiz M., 2024](#)). Empirical evidence suggests that stringent inheritance regulations can reduce families' incentives to invest in and retain control of their firms ([Tsoutsoura, 2015](#); [Ellul et al., 2010](#)).

The role of the rule of law in the prevalence of family firms is complex. In weak rule-of-law environments, a family's social capital can act as an institutional substitute by relying on informal mechanisms to mitigate contracting inefficiencies ([Mueller and Philippon, 2011](#)). Additionally, weak legal enforcement suppresses the market for corporate control, reducing the potential profits families can obtain by selling their family firms ([Ortiz et al., 2021](#)). However, while a weak legal environment facilitates family firm prevalence, they simultaneously introduce significant risks that may constrain their expansion and intergenerational continuity. Legal uncertainty deters long-term investment and can lead to capital flight, as firm owners seek to safeguard assets in more stable jurisdictions. Moreover, the lack of well-defined legal mechanisms for succession planning increases the risk of intra-family disputes, potentially leading to inefficient firm fragmentation or dissolution ([Bertrand et al., 2008](#)). Consequently, while weak institutional environments may initially support the formation and persistence of family firms, they also introduce significant constraints that undermine their ability to grow, professionalize, and sustain intergenerational control.

2.2 Evidence on the Prevalence of Family Firms

Most empirical research on family firms has focused on publicly traded corporations, given the limited availability of ownership and managerial data for private firms. Seminal studies by [La Porta et al. \(1999\)](#), [Claessens et al. \(2000\)](#), and [Faccio and Lang \(2002\)](#) have documented the widespread prevalence of family-controlled firms across various regions.

[La Porta et al. \(1999\)](#) analyzed ownership structures in 27 countries and found that families or individuals control approximately 30% of large corporations. [Claessens et al. \(2000\)](#) extended this analysis to nine East Asian countries, reporting that about 37% of firms were family-controlled, often employing pyramidal structures. [Faccio and Lang \(2002\)](#) examined Western European firms in the late 1990s and found that 44% of publicly listed firms in the region were family-controlled, with particularly high concentrations in Italy, France, and Spain.

Subsequent studies, such as [Franks et al. \(2012\)](#), have reinforced these findings. Their research indicates that, as of 2006, approximately 40.8% of private firms and 29.8% of listed firms in Europe were family-controlled. More recent work by [Aminadav and Papaioannou \(2020\)](#) has employed broader datasets, confirming the enduring dominance of family ownership and highlighting its variations across firm sizes, industries, and institutional environments.

Few studies have documented the prevalence of family involvement beyond corporate control. [Villalonga and Amit \(2006\)](#) document that 37% of Fortune 500 firms listed in the U.S. are both controlled and managed by a family. Similarly, in [Amit et al. \(2015\)](#), this figure is 25% among Chinese listed firms, while [Crocchi et al. \(2012\)](#) document that 16% of the listed firms in Continental Europe have a family CEO.

3 Data

The empirical analysis relies on an extensive dataset from the Bureau van Dijk (BvD), specifically the 2023 disk release covering European firms. The dataset integrates comprehensive ownership, managerial, and financial information. We focus exclusively on private limited liability companies, explicitly excluding cooperatives, one-person firms, partnerships, and publicly quoted entities. Furthermore, financial firms (NACE primary codes between 6400 and

6900) are excluded due to their distinctive regulatory and operational structures.

Ownership data were extracted from BvD's Global Ultimate Owner (GUO) database. We exclude firms in Bulgaria, Greece, Hungary, Sweden, and Switzerland due to the low quality of their ownership data. Managerial information, including executives' and board members' names and roles, originates from BvD's manager database, also from 2023. We restrict our sample to managerial roles classified as directors (e.g., board members, presidents, chairpersons) and executives (e.g., CEOs, general managers, administrators). To ensure data accuracy, managerial entries without corresponding ownership records were removed. We standardized firm and individual names, removing special characters and professional titles (e.g., "Dr.", "GmbH", "BV") to improve surname-matching accuracy.

A firm is classified as controlled if a single global ultimate owner holds, directly or indirectly, at least 50% of the equity. If this controlling entity consists of individuals or another firm clearly associated with a family (e.g., eponymous firms), the focal firm is classified as family-controlled (FC). Finally, a firm qualifies as family-controlled and family-managed (FCFM) if, in addition to being family-controlled, at least one executive or board member shares the controlling family's surname; otherwise, the FC firm is classified as externally managed (FCEM).

Financial data are sourced from Bureau van Dijk's unconsolidated annual financial statements (2022 reporting year) to calculate firm-level characteristics, such as total assets and Return on Assets (ROA), computed as EBIT divided by total assets. Extreme observations beyond the 1st and 99th percentiles were excluded to minimize distortion.

4 Results

Prevalence of Family-Controlled and Family-Managed Firms

Table 3 presents the distribution of firms by country and ownership type. The sample includes 2.1 million firms, with the largest shares from the United Kingdom, Italy, Germany, and Romania. On average, 88% of the firms are controlled, 74% are family-controlled, and 58% are both family-controlled and family-managed. Naturally, the prevalence of family control

in our sample of small private firms is considerably higher than what previous studies have found for large firms. For example, [Aminadav and Papaioannou \(2020\)](#) report that only 16% of listed firms across 85 countries are family-controlled. Similarly, [Franks et al. \(2012\)](#) find that around 40% of the largest private firms in four European countries are family-controlled. These studies focus on large corporations and, accordingly, adopt more lenient definitions of control (20% and 25% of voting rights, respectively), which would typically yield higher prevalence rates. The fact that our estimates are higher despite relying on a more stringent definition underscores the pervasiveness of family control among private firms.

Figure 1 illustrates the prevalence of FC firms and FCFM firms across European countries. The horizontal axis represents the fraction of FC firms within each country, while the vertical axis shows the fraction of FC firms that are also family-managed (i.e., FCFM firms). Each marker's size corresponds proportionally to the number of firms from each country in the sample, providing a visual indication of country representation. Countries are color-coded by legal origin: German civil law, French civil law, Scandinavian civil law, ex-Soviet, and Common law.

The plot reveals clear clustering patterns associated with legal origins. German civil law and Common law countries generally exhibit a lower prevalence of FC firms, typically ranging between 50% and 70%. Notably, the Netherlands lies near the identity line—where all family-controlled firms are also family-managed—indicating that a substantial share of Dutch FC firms are family-managed.

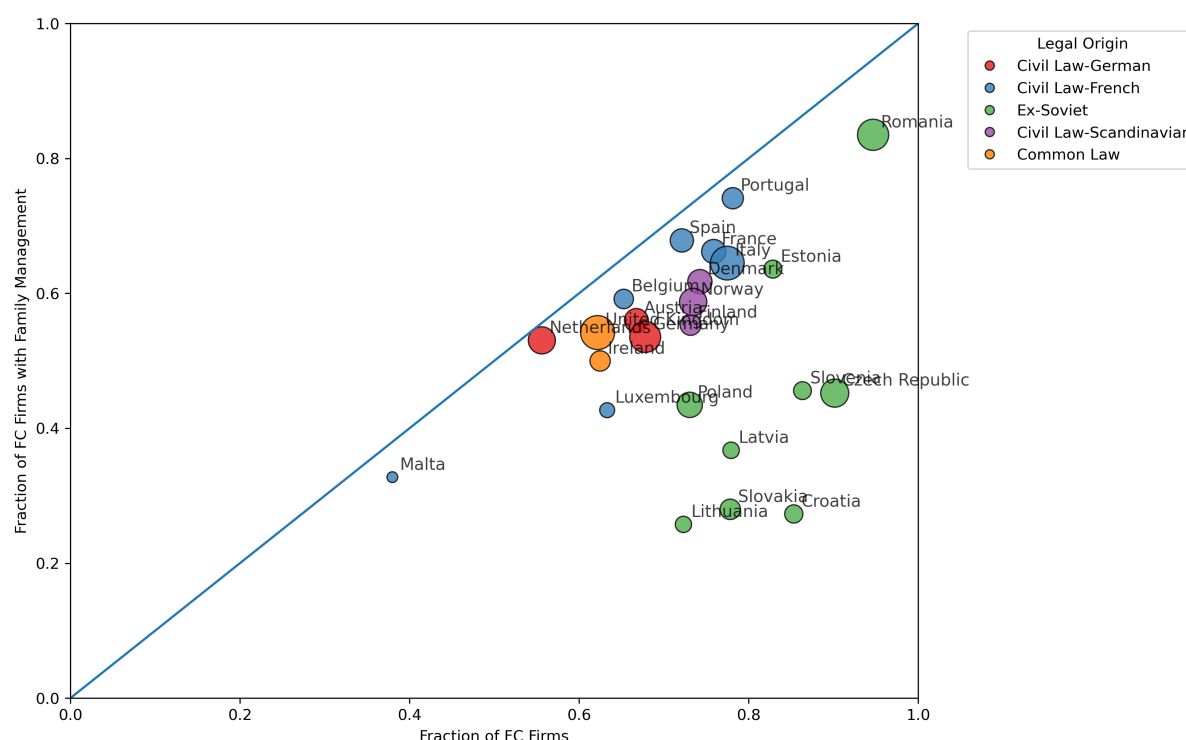
In Scandinavian civil law countries, approximately 70% to 80% of firms are FC. However, these countries demonstrate a lower proportion of family-managed firms, with around 60% of the firms being FCFM, suggesting significant reliance on external management.

Finally, French civil law and ex-Soviet countries display the highest prevalence of family control, with approximately 80% to 90% of firms being FC. Nonetheless, there is substantial variation in the extent of family management: ex-Soviet countries exhibit a significantly lower fraction of family-managed firms compared to their French civil law counterparts, where external management is relatively less prevalent.

Table 1: This table displays the prevalence of family firms across countries. A firm is classified as controlled if a global ultimate owner holds, directly or indirectly, at least 50% of the equity. If this controlling entity consists of individuals or a corporation clearly associated with a family (e.g., an eponymous controlling firm), the firm is classified as family-controlled (FC). Lastly, a firm is classified as family-controlled and managed (FCFM) if it is family-controlled and at least one member of the controlling family occupies an executive or directorial role.

Country	Num. Firms	Controlled	FC	FCFM
Austria	69,106	0.83	0.67	0.56
Belgium	26,465	0.84	0.65	0.59
Croatia	19,066	0.95	0.85	0.27
Czech Republic	143,534	0.97	0.90	0.45
Denmark	75,345	0.85	0.74	0.62
Estonia	18,048	0.92	0.83	0.64
Finland	38,280	0.90	0.73	0.55
France	72,862	0.87	0.76	0.66
Germany	219,655	0.87	0.68	0.54
Ireland	32,891	0.78	0.62	0.50
Italy	318,507	0.88	0.77	0.64
Latvia	11,254	0.90	0.78	0.37
Lithuania	10,532	0.89	0.72	0.26
Luxembourg	6,551	0.84	0.63	0.43
Malta	574	0.67	0.38	0.33
Netherlands	124,107	0.95	0.56	0.53
Norway	129,121	0.87	0.73	0.59
Poland	91,017	0.88	0.73	0.43
Portugal	40,593	0.88	0.78	0.74
Romania	226,625	0.97	0.95	0.84
Slovakia	33,344	0.89	0.78	0.28
Slovenia	17,156	0.93	0.86	0.46
Spain	62,335	0.84	0.72	0.68
United Kingdom	328,511	0.80	0.62	0.54
Total	2,115,479	0.88	0.74	0.58

Figure 1: This figure displays the prevalence of family control and management across countries. The marker's size is based on the number of firms in each country. The identity line, in blue, represents the case where all family-controlled firms are also family managed.



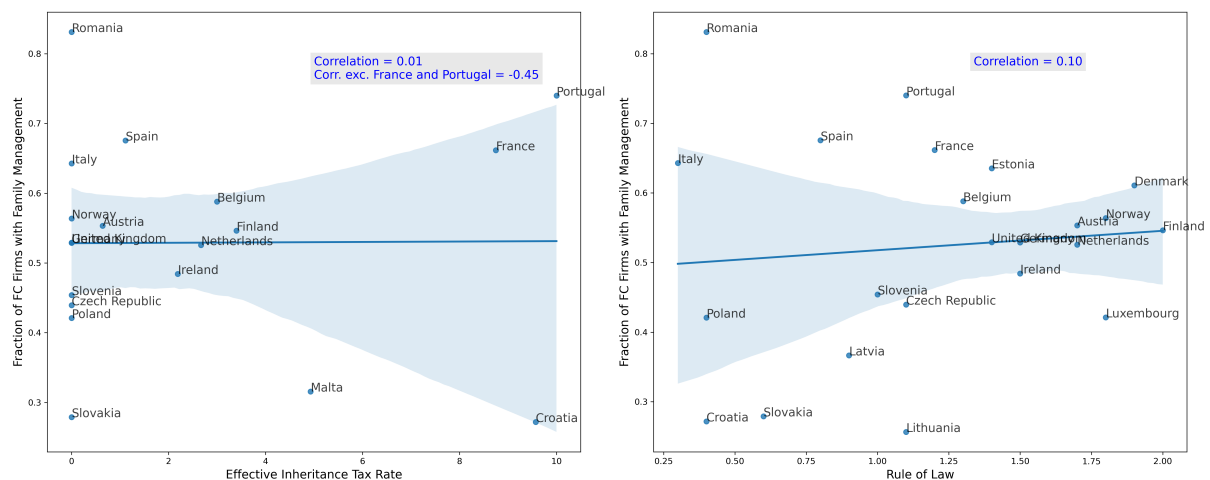
We next examine how the prevalence of family firms correlates with two key legal institutions: inheritance law and the rule of law. As discussed above, strict inheritance law increases the expected cost of intergenerational transference of corporate control. We explore this by collecting the effective tax rate for business assets from the 2023 KPMG Global Family Business Tax Monitor. These effective tax rates are based on the hypothetical inheritance of a firm with €8 million in assets and valued at €10 million to a single direct descendant. If a country is not covered by KPMG's report but has no inheritance tax according to EY's 2023 Worldwide Estate and Inheritance Tax Guide, we replace the missing value with a zero effective tax rate. Portugal, Croatia, and France have the highest effective rates, being 10%, 9.57%, and 8.75%, respectively. We also notice the lack of data in four ex-Soviet countries and Denmark.

As discussed above, weak rule-of-law environments can help family firms thrive by relying on informal governance and social capital. However, these settings also present risks such as political uncertainty, expropriation, and poor contract enforcement, which limit growth and

deter investment. We collected rule of law estimates from the World Bank for 2022 to explore this dimension.

In Figure 2, left panel, we plot the prevalence of FCFM firms across effective inheritance tax rates. The plot displays a correlation close to zero, arguably driven by the high prevalence of FCFM in France and Portugal, both being among the countries with the largest tax rates. Excluding these two countries, the correlation coefficient is strongly negative (-0.45), meaning that higher tax rates are associated with fewer FCFM firms. On the right panel of Figure 2, we plot the prevalence of FCFM firms across different levels of the rule of law. We find a small positive correlation (0.10), suggesting that the negative effects of weak legal environments—such as expropriation and contracting risk—offset any potential benefits for the prevalence of FCFM firms. In other words, families are more likely to retain both control and management roles in a context with a strong legal environment.

Figure 2: The prevalence of Family Management and Legal Institutional settings. Effective inheritance tax rates are sourced from KPMG's Global Family Business Tax Monitor. Rule of law estimates are from the World Bank.



Differences across firm types and legal origins

So far, we have analyzed the cross-country variation in the prevalence of various types of firms. Now, we will examine the differences among these firm types in terms of their size, age, and performance.

Table 3 provides descriptive statistics—mean and standard deviation—for total assets, firm

Table 2: Effective Inheritance Tax Rate and Rule of Law Index by Country. Effective Inheritance Tax Rates are based on 2023 KMPG's Global Family Business Tax Monitor. For countries not covered in this report but that do not have inheritance taxes for business assets according to 2023 EY's Worldwide Estate and Inheritance Tax Guide, we replace the missing value with a zero tax rate. Rule of Law estimates are from the World Bank Data as of 2022.

Country	Effective Inheritance Tax Rate	Rule of Law
Austria	0.64%	1.7
Belgium	3.00%	1.3
Croatia	9.57%	0.4
Czech Republic	0.00%	1.1
Denmark	-	1.9
Estonia	-	1.4
Finland	3.40%	2.0
France	8.75%	1.2
Germany	0.00%	1.5
Ireland	2.19%	1.5
Italy	0.00%	0.3
Latvia	-	0.9
Lithuania	-	1.1
Luxembourg	-	1.8
Malta	4.93%	-
Netherlands	2.67%	1.7
Norway	0.00%	1.8
Poland	0.00%	0.4
Portugal	10.00%	1.1
Romania	0.00%	0.4
Slovakia	0.00%	0.6
Slovenia	0.00%	1.0
Spain	1.11%	0.8
United Kingdom	0.00%	1.4

age, and Return on Assets (ROA) across different firm types. Non-FC firms are substantially larger, averaging €8.2 million in total assets, more than twice the size of FC firms. Among FC firms, those with external management (FCEM) average €3.7 million in total assets, whereas family-managed firms (FCFM) average slightly less at €2.6 million. Additionally, Non-FC firms display greater asset variability, reflecting higher heterogeneity within this group.

Differences in firm age across ownership types are relatively modest. Non-FC firms are marginally older, with an average age of 18.5 years, compared to 16.3 years for family-managed firms and 15.3 years for externally-managed family-controlled firms. The similar dispersion in ages across firm types suggests comparable longevity patterns, regardless of the ownership or

management structure.

In terms of performance, as measured by ROA, variations across firm types are minimal, with average returns narrowly ranging between 7% and 8%. The modest standard deviations further reinforce that operational efficiency at an aggregate level does not significantly differ based on ownership or managerial structure.

Table 3: Descriptive statistics across firm types

Firm Type	Total Assets (million €)		Firm Age		RoA	
	Mean	Std	Mean	Std	Mean	Std
FC with External Management (FCEM)	3.69	8.78	15.31	12.04	0.08	0.12
FC with Family Management (FCFM)	2.64	6.47	16.26	13.52	0.08	0.12
Non FC	8.22	15.19	18.47	15.38	0.07	0.13

Next, we examine how these patterns differ across institutional contexts. Figure 3 Panel A displays the average total assets, Panel B analyzes average firm age, and Panel C assesses average ROA, each complemented by their 95% confidence intervals.

Panel A confirms substantial differences in firm size across ownership and management structures. Non-FC firms consistently report larger total assets compared to family-controlled firms (both FCEM and FCFM) across all legal origins. Differences in size between FCEM and FCFM firms are modest, indicating an important overlap in their distributions. Additionally, FC firms in ex-Soviet and Scandinavian countries are marginally larger on average compared to the FC firms in other institutional contexts.

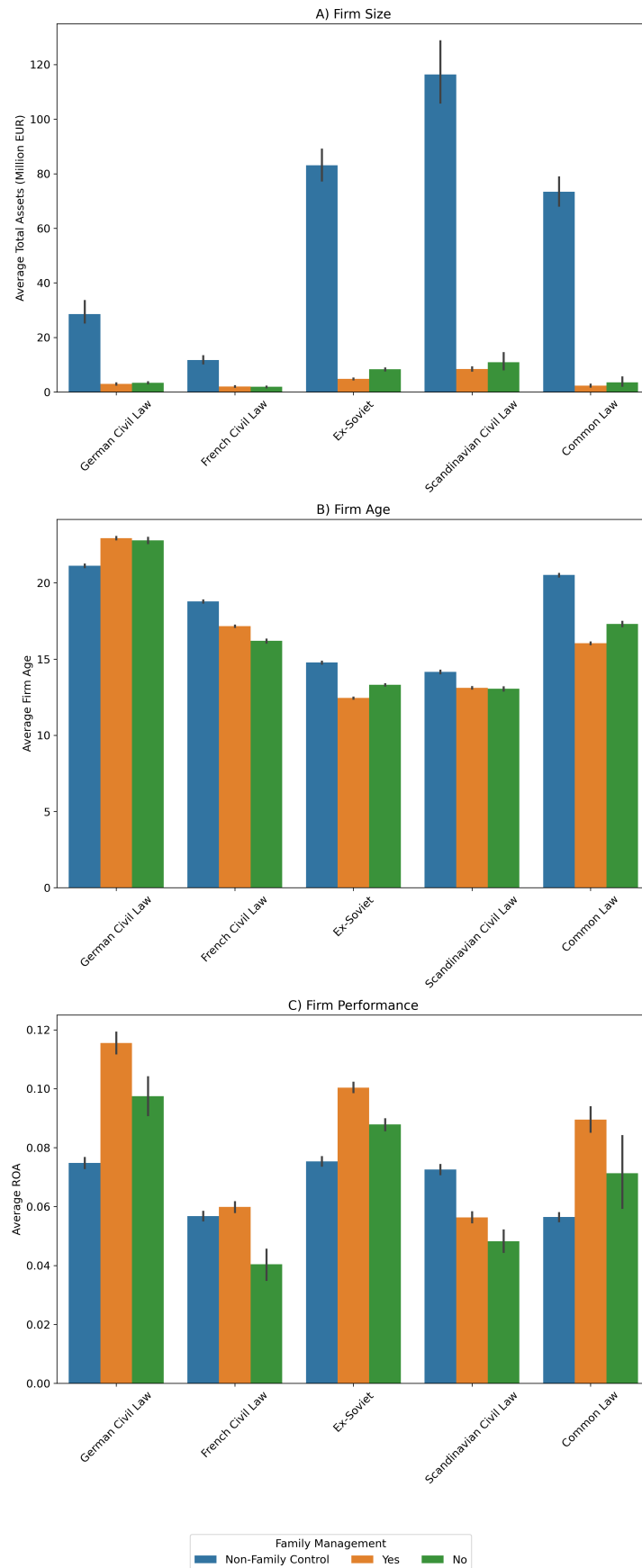
Panel B explores variations in firm age. All firm types are generally older in German civil law countries, followed by French civil and Common law countries. Notably, German civil law countries have, on average, the oldest FCEM and FCFM firms. In contrast, firms in ex-Soviet and Scandinavian countries are typically younger, with negligible age differences between ownership types within these contexts.

Panel C examines operational performance measured by ROA. Firms in German, ex-Soviet, and Common law contexts exhibit higher average operative performance compared to those in French and Scandinavian contexts. Regarding firm-type differences, FCFM firms generally outperform externally-managed firms (FCEM) and non-FC firms. Notably, FCFM firms

in German legal contexts stand out as the highest-performing group in the sample, closely followed by FCEM firms in the same context.

Overall, these findings suggest that family-controlled firms, particularly those family-managed, in German and Common Law contexts, tend to be smaller yet older and more profitable on average than other family-controlled firms operating in a different legal setting.

Figure 3: Firm's characteristics across legal origins and firm types



5 Conclusion

This report provides a comprehensive analysis of the prevalence and characteristics of family-controlled and family-managed firms across 24 European countries. Drawing on a unique dataset of 2.1 million private firms, our findings confirm that family control remains a dominant organizational structure in the private sector. However, the extent of family involvement in management varies markedly across legal systems and institutional environments.

We show that civil-law countries—particularly those influenced by the French legal tradition—exhibit the highest prevalence of family-managed firms. In contrast, Common law and Scandinavian jurisdictions tend to separate ownership and management, with greater reliance on external managers. These patterns underscore the importance of legal origin in shaping the governance structures of family firms.

Institutional factors play a central role in explaining cross-country variation. Higher effective inheritance tax rates are negatively associated with family managerial involvement, consistent with the notion that succession costs discourage intergenerational continuity in management. Conversely, stronger rule-of-law environments are positively associated with family management, likely because they mitigate risks related to expropriation, contractual enforcement, and political instability.

We also document meaningful differences in firm characteristics across governance types. Family-controlled firms are generally smaller than non-family firms, and externally managed family firms (FCEM) tend to be larger than their family-managed counterparts (FCFM). However, we find no substantial differences in financial performance across these groups. Notably, in German and Common law countries, family-controlled and managed firms outperform their peers, suggesting that the institutional environment may influence the effectiveness of family involvement.

Taken together, our results highlight the persistent role of families in the governance of private firms and the critical importance of legal and institutional frameworks in shaping both the form and performance of family involvement.

References

- Aminadav, G. and Papaioannou, E. (2020). Corporate control around the world. *The Journal of Finance*, 75(3):1191–1246.
- Amit, R., Ding, Y., Villalonga, B., and Zhang, H. (2015). The role of institutional development in the prevalence and performance of entrepreneur and family-controlled firms. *Journal of Corporate Finance*, 31:284–305.
- Bennedsen, M., Nielsen, K. M., Perez-Gonzalez, F., and Wolfenzon, D. (2007). Inside the Family Firm: The Role of Families in Succession Decisions and Performance*. *Quarterly Journal of Economics*, 122(2):647–691.
- Bertrand, M., Johnson, S., Samphantharak, K., and Schoar, A. (2008). Mixing family with business: A study of thai business groups and the families behind them. *Journal of Financial Economics*, 88(3):466–498.
- Bertrand, M. and Schoar, A. (2006). The role of family in family firms. *Journal of Economic Perspectives*, 20(2):73–96.
- Burkart, M., Panunzi, F., and Shleifer, A. (2003). Family firms. *The Journal of Finance*, 58(5):2167–2201.
- Chirico, F., Duane Ireland, R., Pittino, D., and Sanchez-Famoso, V. (2022). Radical innovation in (multi)family owned firms. *Journal of Business Venturing*, 37(3):106194.
- Claessens, S., Djankov, S., and Lang, L. H. P. (2000). The separation of ownership and control in east asian corporations. *Journal of Financial Economics*, 58(1–2):81–112. Citation Key: Claessens2000.
- Croci, E., Gonenc, H., and Ozkan, N. (2012). CEO compensation, family control, and institutional investors in Continental Europe. *Journal of Banking & Finance*, 36(12):3318–3335.
- Duran, P. and Ortiz, M. (2020). When more is better: Multifamily firms and firm performance. *Entrepreneurship: Theory and Practice*, 44(4):761–783.
- Ellul, A., Pagano, M., and Panunzi, F. (2010). Inheritance Law and Investment in Family Firms. *American Economic Review*, 100(5):2414–50.
- Faccio, M. and Lang, L. H. P. (2002). The ultimate ownership of western european corporations. *Journal of Financial Economics*, 65(3):365–395.
- Franks, J., Mayer, C., Volpin, P., and Wagner, H. F. (2012). The life cycle of family ownership: International evidence. *Review of Financial Studies*, 25(6):1675–1712.
- La Porta, R., Lopez-de silanes, F., and Shleifer, A. (1999). Corporate ownership around the world. *The Journal of Finance*, 54(2):471–517.

- Lins, K. V., Volpin, P., and Wagner, H. F. (2013). Does family control matter? international evidence from the 2008-2009 financial crisis. *Review of Financial Studies*, 26(10):2583–2619.
- Mueller, H. M. and Philippon, T. (2011). Family Firms and Labor Relations. *American Economic Journal: Macroeconomics*, 3(2):218–45.
- Ortiz, M., Carney, M., Duran, P., Braun, M., and Riutort, J. (2021). Inheritance tax, shareholder protection, and the market value of family firms: A cross-country analysis. *Global Strategy Journal*, 11(3):434–467.
- Ortiz M., M. (2024). *Inheritance Law*. Edward Elgar Publishing, Cheltenham, UK.
- Pahnke, A., Schlepphorst, S., and Schlömer-Laufen, N. (2024). Family business successions between desire and reality. *Journal of Business Venturing Insights*, 21:e00457.
- Perez-Gonzalez, F. (2006). Inherited control and firm performance. *American Economic Review*, 96(5):1559–1588.
- Sharma, P., Chrisman, J. J., and Chua, J. H. (2003). Succession Planning as Planned Behavior: Some Empirical Results. *Family Business Review*, 16(1):1–15.
- Tsoutsoura, M. (2015). The effect of succession taxes on family firm investment: Evidence from a natural experiment. *Journal of Finance*, 70(2):649–688.
- Villalonga, B. and Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics*, 80(2):385–417.
- Villalonga, B. and Amit, R. (2009). How are u.s. family firms controlled. *Review of Financial Studies*, 22(8):3047–3091.
- Villalonga, B. and Amit, R. (2010). Family control of firms and industries. *Financial Management*, 39(3):863–904. Citation Key: Villalonga2010 ISBN: 00463892.
- Wennberg, K., Wiklund, J., Hellerstedt, K., and Nordqvist, M. (2011). Implications of intra-family and external ownership transfer of family firms: short-term and long-term performance differences. *Strategic Entrepreneurship Journal*, 5(4):352–372.

Chaire entreprises familiales, et investissement de long terme

Pour en savoir plus sur [la chaire](#).

Une chaire accompagnée par la [Fondation Dauphine](#).

Université Paris Dauphine - PSL
Place du Mal de Lattre de Tassigny
75775 Paris cedex 16