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Abstract

We examine the me... holders among
S&P 500 firms with... that the most
valuable public firm... representation. In
contrast, in firms wi... ndent directors,
firm performance is significantly worse than in non-family firms. We also find that a moderate family
board presence provides substantial benefits to the firm. Additional tests suggest that families often
seek to minimize the presence of independent directors, while outside shareholders seek independent
director representation. These findings highlight the importance of independent directors in mitigating
conflicts between shareholder groups and imply that the interests of minority investors are best
protected when, through independent directors, they have power relative to family shareholders. We
argue that expanding the discussion beyond manager-shareholder conflicts to include conflicts
between shareholder groups provides a richer setting in which to explore corporate governance and
the balance of power in U.S. firms.

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