Do Managerial Entrenchment and High Free Cash Flow Always Have a Negative Impact?

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Presence of free cash flow and anti-takeover provisions are often symptomatic of agency problem in a firm. We argue that this relationship is likely to be mediated by motivations of the management. Extant family firm research suggests that the management in family firms are more likely to focus on long-term performance and are more likely to be motivated by the desire to build legacy and attain longevity. This study finds that whereas on average for a non-family firm, both free cash flow and anti-takeover provisions are negatively related to firm performance, the relationship flips in the case of family firms. We find that increased anti-takeover defenses and high free cash flow are related to superior performance in the case of family firms.

Keywords: family firm, agency problem, managerial entrenchment, free cash flow, anti-takeover provisions, legacy building

INTRODUCTION

The agency problem proposed by Jensen and Meckling (1976) cites a conflict of interest between managers and shareholders. In their widely cited paper, Jensen and Meckling (1976) suggest that managers or agents should act in the best interest of shareholders. However, managers may deviate from this responsibility and engage in self-serving behavior. This is referred to as agency problem, and corporate governance literature has extensively studied its implications on firm value. Agency problem is potentially expensive and hence leads to lower firm performance, high costs of capital, and so forth.

Two widely used proxies for agency problem are free cash flow (Lang, Stulz, and Walkling, 1991; Opler, Pinkowitz, Stulz, and Williamson, 1999; La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 2000; Chen, Hope, Li, and Wang, 2011) and existence of anti-takeover defenses (Masulis, Wang, and Xie, 2007; Bebchuck Cohen, and Ferrell, 2009; Cohen and Wang, 2013). The assumption is that slack resources as well as measures that protect the position of the incumbent managers will, on average, contribute to behaviors in line with the predictions of the agency theory of Jensen and Meckling (1976). In questioning this assumption, this paper provides evidence showing that slack resources (e.g., free cash flow) and managerial job security (anti-takeover defenses) do not necessarily lead to increased agency problem. The relationship is instead moderated by managerial motivation.

Using a sample of family firms, this study shows that in presence of the right motivation, slack resources such as free cash flow and job security coming from anti-takeover defenses can allow for an organization to plan for the long term and be less constrained by external factors such as potential financial market myopia.

Extant research suggests that family firms make strategic decisions with a desire to pass the business to the next generation (Gomez-Mejia, Cruz, Berrone, and De Castro, 2011; Hoffmann, Jaskiewicz, Wulf, and Combs, 2019). Thus, family firms typically maintain a longer-term orientation (Chua, Chrisman, and Sharma, 1999; Corbetta and Salvato, 2004; Miller and Le Breton-Miller, 2005; Bertrand and Schoar, 2006). We hypothesize that a publicly traded firm's management can take longer-term orientation more effectively if they are more entrenched. Thus, to the extent that the presence of anti-takeover provisions allows for more managerial entrenchment, in this case, it should allow for the manager to take longer-term orientation more effectively. Furthermore, with their interests aligned in the pursuit of long-term performance, family firm management are more likely to use slack resources such as free cash flows towards promoting the chances of the firm's longevity.

Our results support the above hypothesis. Consistent with Jensen and Meckling (1976), we find that existence of free cash flow and anti-takeover provisions are, on average, negatively related to firm performance. However, the relationship is positive for the sample of family firms. Thus, we find that in a family firm, higher free cash flow as well as greater levels of anti-takeover defenses are, on average, positively related to the firm's performance as measured by Tobin's Q.

This study makes two important contributions to the extant literature. First, it adds to the family firm literature by empirically demonstrating that for family firms, free cash flow and managerial entrenchment are potentially value enhancing rather than value destroying. Second, it contributes to the research methodology literature by questioning the unconditional use of free cash flow and managerial entrenchment as measures of agency problem. Agency problem is a product of managerial behavior. Therefore, although free cash flows and managerial entrenchment are, on average, value destroying, if managers are guided by long-term perspectives, these very factors can contribute to superior performance.

The remainder of this paper is organized in the following way. Section 2 develops the hypothesis. Section 3 explains the data used in the study and discusses the methodology. Section 4 presents summary statistics and describes the results. Sections 5 provides some robustness tests. Section 6 offers conclusions.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMET

The free cash flow hypothesis was developed by Jensen (1986, 1989, 1993) and it draws on the agency theory proposed by Jensen and Meckling (1976). Managers' self-serving decisions can involve undertaking projects that have no value to the firm or might even be value destroying (Jensen, 1986; Jensen and Meckling, 1976). Extant research provides strong evidence of the link between free cash flow and agency problem. Lang, Stulz, and Walkling (1991) show that managers are more likely to continue investing in negative net present value projects in the presence of free cash flow. High free cash flow is also shown to contribute to unnecessary acquisitions (Opler, Pinkowitz, Stulz, and Williamson, 1999; La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 2000) and increased expenditures deemed unnecessary to firm operation and value creation (Amihud and Lev, 1981; Jensen, 1986; Christie and Zimmerman, 1994; Rediker and Seth, 1995). Chen, Hope, Li, and Wang (2011) find that free cash flow potentially signals excessive investment and not necessarily investment efficiency.

Managers of firms with free cash flow are less dependent on outside funding. This allows them to avoid common checks from lenders and engage in activities that are not in line with their primary shareholders' wealth-maximizing goal. This self-serving behavior can have a negative impact on the stock returns of firms (Fairfield, Whisenant, and Yohn, 2003; Titman, Wei, and Xie, 2004) and lead to adverse firm performance (Dechow, Richardson, and Sloan, 2008). Kadioglu, Kilic, and Yilmaz (2017), using Tobin's Q as a measure of firm performance, find a significant and negative relationship between free cash flow and performance.

Managerial entrenchment is another factor that is widely understood to contribute towards managerial behavior in line with the predictions of the agency theory. To the extent that anti-takeover defenses contribute to entrenchment, their presence in a firm has been shown to exacerbate agency problem. For example, Masulis, Wang, and Xie (2007), Bebchuk, Cohen, and Ferrell (2009), and Cohen and Wang (2013), among others, find that the existence of anti-takeover provisions negatively affects firms' performance and shareholders' wealth. They attribute this relationship to increased entrenchment and more severe agency problem in the firm. Bebchuk, Cohen, and Ferrell (2009) employ six company charter provisions (poison pills, golden parachutes, limits to shareholder bylaw amendments, staggered boards, and supermajority requirements for mergers and charter amendments) to construct the entrenchment index (E-index). The E-index has been widely used in extant research to measure the quality of corporate governance in firms, and the results support a negative relationship between firm performance and higher level of entrenchment (El-Khatib, Fogel, and Jandik, 2015).

All the studies cited above suggest that both high level of free cash flow as well as managerial entrenchment, on average, lead to increased agency problem in a firm and thereby reduce its financial performance. The studies find that, on average, management is more likely to use their entrenched position and the availability of high free cash flow to indulge in self-serving behavior detrimental to firm value. However, agency problem is a product of misaligned principal-agent interests. Furthermore, slack resources such as free cash flow as well as entrenched, secured positions can be used by management for bad (destroy value) just as well as for good (create value). Therefore, the findings of the studies are not necessarily a comment on the effect of free cash flow and entrenchment. Rather, they suggest that, on average, managerial-shareholder interests are misaligned in publicly traded firms. Therefore, free cash flow and managerial entrenchment are more likely to be used in a manner so as to increase agency problem.

In order to substantiate the above assertion, it is necessary to demonstrate the effects of free cash flow and managerial entrenchment in firms where the ownership and managerial interests are more likely to be aligned. In our search for such firms, we turn our focus to family firm research.

There is an extensive literature on the influence of family control on corporate performance . However, limited attention has so far been dedicated to the interaction between family firm and commonly used measures of agency problems such as free-cash flow and managerial entrenchment, and their impact on firm performance. Proxies of agency problems such as free cash flows and managerial entrenchment rely on the underlying assumption that the interests of the principals (owners) and the agent (management) are misaligned. In such a situation, the agent is more likely to waste the free cash flow and misuse their entrenched position in a manner so as to hurt the interests of the principals. Extant research suggests that this assumption is not necessarily valid for family firms.

Studies such as Bertrand and Schoar (2006) and Jaskiewicz, Combs, and Rau (2015) find that family firms' managers are more likely to focus on the long-term performance of the firm and that their focus is more likely to take into account the desire to build legacy and longevity. Family firms are a relatively common ownership structure in the world (La Porta, Lopez-De-Silanes, and Shleifer, 1999; Claessens, Djankov, and Lang, 2000; Faccio and Lang, 2002). About half of publicly traded firms in the United States and close to one-third of S&P 500 firms are family firms (Anderson and Reeb, 2003; Villalonga and Amit, 2010). Family shareholders are the most common form of blockholders and are primarily undiversified. Consequently, they have a strong tendency to hold ownership and control of the firm considering that ownership transfers through generations (Burkart, Panunzi, and Shleifer, 2003; Bertrand and Schoar, 2006). Because families hold a significant ownership stake in the firm and this ownership stake is likely to be a significant part of their portfolio that they are hoping to transfer to the next generation in the family, they tend to make decisions based on the long-term performance of the firm. We argue that given the strong family control and the long-term objectives, resources such as free cash flow are more likely to be used in a manner so as to enhance firm value. Similarly, anti-takeover provisions would allow management to pursue those goals unfettered by risks of hostile market actions. This leads to our first hypothesis, whereby

H1: *Existence of anti-takeover provisions enhance family firm performance.*

We further hypothesize that if the existence of anti-takeover provisions in family firms are perceived as beneficial, market participants will react positively to the adoption of these measures.

H2: *Increase in adoption of anti-takeover provisions increases family firm value.*

Alternatively, it is also possible that family firms implement anti-takeover provisions for the sole purpose of maintaining ownership and control of the firm to benefit solely the family ownership. If so, in line with the assertions of Villalonga and Amit (2006, 2009) and Ali, Chen, and Radhakrishnan (2007), whereby concentrated controlling ownership in family firms can be a source of agency costs for minority shareholders, this can result in diminishing firm value.

Similarly, we present two hypotheses pertaining to the relationship between high free cash flow and family firm value:

H3: *The presence of free cash flow enhances family firm performance.*

H4: *An increase in free cash flow increases family firm value.*

DATA AND METHODOLOGY

The sample consists of S&P 500 constituents from 1993 through 2014. To identify family firms, we use the data available on Ron Anderson's website used in Anderson, Duru, and Reeb (2009) and Anderson, Reeb, and Zhao (2012).

Family firms are identified as those where family members hold a minimum stake of 5% (Shleifer and Vishny, 1986; Villalonga and Amit, 2006; Anderson, Reeb, and Zhao; 2012). We employ the same methodology and manually update the data using the ownership structure listed on Bloomberg. Miller, Le Breton-Miller, Lester, and Cannella (2007) point out that founder firms demonstrate different behaviors, and this can be a source of endogeneity and selection bias. To address this and in line with previous research, all founder firms were excluded from our data.

Financial data, including performance and free cash flow, are extracted from Compustat. Finally, we use Institutional Shareholder Services (ISS; formerly known as RiskMetrics) to retrieve governance data. We construct the E-index following Bebchuk, Cohen, and Ferrell (2009). As an alternate measure of entrenchment, we use the governance index (G-index) developed by Gompers, Ishii, and Metrick (2003). The G-index is constructed using 24 governance provisions and it has been widely used in extant research as a proxy for management entrenchment (cf. Masulis, Wang, and Xie, 2007; Bebchuk, Cohen, and Ferrell, 2009; Cohen and Wang 2013; Giné and Moussawi, 2017; Chen, King, and Li, 2018).

We use the following panel model to examine how managerial entrenchment, as measured by the existence of anti-takeover defenses, affects a firm's performance for both family and non-family firms (thereby testing H1):

$$Tobin's\ Q_{it} = \alpha + \beta_1 * Index_{it} + \beta_2 * Index_{it} * FamilyFirm_{it} + \beta_3 * FamilyFirm_{it} + \sum_{j=4}^{8} \beta_{jt} * C_{jt} + \varepsilon_{it}, \quad (1)$$

where the dependent variable Tobin's Qit is Tobin's Q for firm i at year t, which we use as a measure of firm performance. Indexit is the value of the E-index or the value of the G-index for firm i at year t. FamilyFirmit is a dummy variable that takes a value of one if firm i at year t is a family firm and zero otherwise. We use the interaction variable Indexit*FamilyFirmit to determine the impact of the E-index and the G-index on family firm performance. Specifically, β_1 captures the impact of the two governance indices on non-family firm performance. β_3 captures the impact of a family firm on performance. β_2 captures the incremental impact of the E-index and the G-index on a family firm's performance. Cjts are the control variables in our model and include return on assets (ROA), the natural log of total assets, a

dummy variable that measures if the firm is incorporated in the state of Delaware, the ratio of capital expenditures to total assets, and leverage, all of which are extracted from Compustat.

Tobin's Q is an extensively used measure since Morck, Shleifer, and Vishny (1988). Since their work, many studies have relied on this measure (e.g., Lang and Stultz, 1994; Mehran, 1995; Yermack, 1996; Kaplan and Zingales, 1997; Himmelberg, Hubbard, and Palia., 1999; Gompers, Ishii, and Metrick, 2003, 2010; Bebchuckand Cohen, 2005). Following Bebchuckand Cohen (2005)and Gompers, Ishii, and Metrick (2010), we use Tobin's Q as our dependent variable.

As our control variables, we include ROA (Bebchuck and Cohen, 2005), the natural log of total assets (Shin and Stulz, 2000; Anderson and Reeb, 2003; Bebchuck and Cohen, 2005; Gompers, Ishii, and Metrick, 2010), a dummy variable that measures if the firm is incorporated in the state of Delaware (Daines, 2001; Bebchuck and Cohen, 2005; Gompers, Ishii, and Metrick, 2010), the ratio of capital expenditures to total assets (Bebchuck and Cohen, 2005; Gompers, Ishii, and Metrick, 2010), and leverage (Anderson and Reeb, 2003; Bebchuck and Cohen , 2005; Gompers, Ishii, and Metrick, 2010). ROA is a measure of operating performance denoting the level of earnings generated by the invested capital (Epps and Cereola, 2008). Natural log of total assets is a measure of firm size. Delaware dummy is used as firms incorporated in the state of Delaware have higher valuations and a different level of Tobin's Qs (Daines, 2001). Ratio of capital expenditures to total assets measures the growth rate of the firm. Leverage is used to control for the firm's capital structure.

Leverage is calculated as

$$Leverage = \frac{Long\text{-}Term\ Debt + Debt\ in\ Current\ Liabilities}{Total\ Stockholders'\ Equity}.$$

We calculate free cash flow as outlined in Lehn and Poulsen (1989) as

Cash Flow = Operating Income – Tax – Interest – Preferred Dividend – Common Stock Dividend

We scale the cash flow by the book value of assets and sales to calculate two scaled measures for free cash flow (Lehn and Poulsen, 1989; McLaughlin, Safieddine, and Vasudevan, 1996; Gul and Tsui, 1997, 2001):

$$FCFAssetScale_t = \frac{Cash\ Flow_t}{Book\ Value\ of\ Asset_t}$$

and

$$FCFSaleScale_t = \frac{Cash\ Flow_t}{Sales_t}.$$

We use the following panel model to examine how free cash flow affects a firm's performance for both family and non-family firms (thereby testing H3):

$$Tobin's\ Q_{it} = \alpha + \beta_1 * FCF_{it} + \beta_2 * FCF_{it} * FamilyFirm_{it} + \beta_3 * FamilyFirm_{it} + \sum_{j=4}^{8} \beta_{jt} * C_{jt} + \varepsilon_{it}, \quad (2)$$

where FCF_{it} is a dummy variable that takes on a value of one if the free cash flow value for firm i at time t is in the top quartile of the free cash flow values in our sample. FCF_{it} takes a value of zero if the free cash flow value for firm i at time t is in the bottom quartile of the free cash flow values in our sample. As an alternate definition, we use median as a cut-off point. Thus, we define FCF_{it} as a dummy variable that takes a value of zero if the free cash flow value for firm i at time t is below the median of the free cash flow

values in our sample. Our results remain unchanged when this alternative measure is implemented. All of the other variables are as previously defined.

We employ the following panel model to explore how changes in anti-takeover provisions and the change in free cash flow affect the performance of family and non-family firms (thereby testing H2 and H4, respectively):

$$\Delta Tobin's\ Q_{it} = \alpha + \beta_1 * \Delta Index_{it} + \beta_2 * \Delta Index_{it} * FamilyFirm_{it} + \beta_3 * FamilyFirm_{it} + \sum_{j=4}^{8} \beta_{jt} * C_{jt} + \varepsilon_{it} \quad (3)$$

$$\Delta Tobin's\ Q_{it} = \alpha + \beta_1 * \Delta FCF_{it} + \beta_2 * \Delta FCF_{it} * FamilyFirm_{it} + \beta_3 * FamilyFirm_{it} + \sum_{j=4}^{8} \beta_{jt} * C_{jt} + \varepsilon_{it}, \quad (4)$$

where the dependent variable ΔTobin's Qit is defined as the change in Tobin's Q from time t-1 to t (Tobin's Qit – Tobin's Qit-1). Where Tobin's Qit is Tobin's Q for firm i in year t and Tobin's Qit-1 is Tobin's Q for firm i in year t-1. ΔIndexit is defined as the change in the E-index from year t-1 to t (Indexit – Indexit-1). Where Indexit is the value of the E-index or the value of the G-index for firm i at year t and Indexit-1 is the value of the E-index or the value of the G-index for firm i at year t-1 or previous year. ΔFCFit is a dummy variable that takes on a value of one if the change in free cash flow value (sales scaled or assets scaled) for firm i from year t-1 to year t (FCFit – FCFit-1) is above the median changes in free cash flow values in our sample from year t-1 to year t and zero otherwise. All of the other variables are as previously defined.

SUMMARY STATISTIC AND RESULTS

Table 1 provides the summary statistics. We identify 25.16% of the observations in our sample as family firms. For each firm in the sample, we calculate the E-index ranging from 0 to 6. Although the full sample contains 6,114 observations, we could not find a match for the E-index for 182 observations when we collected the data from RiskMetrics. Consequently, for the tests including the E-index variable, our sample is slightly smaller. The results in Table 5 remain qualitatively unchanged once we remove the observations with missing data on the E-index.

Table 2 presents the correlation matrix. It is worth noting that the variables Free Cash Flow – Sales Scaled and Free Cash Flow – Asset Scaled have a correlation of 0.5521. Similarly, the G-index and the E-index have a correlation of 0.7156. Even though we observe high correlation between Return on Assets and Free Cash Flow – Assets Scaled (0.7731) and between Market Value of Total Leverage and Assets (Natural Log), these pairs are included in the regressions since the variance inflation factors (VIFs) are estimated to be below 4.

Table 3 presents the results of the differences in means and medians. We find that family firms have a lower mean and median Tobin's Q compared to non-family firms. This is consistent with the findings of Holderness and Sheehan (1988). We divide our sample based on firms with a low (0–3) and high (4–6) E-index. We used the cutoff point of 3 for the E-index because the median E-index in our sample is 3. The results indicate that the low E-index firms in our sample have a higher mean and median Tobin's Q. We also divide our sample based on the G-index using the G-index median (median = 10) as the cutoff point. Consistent with our results with the E-index, we find that firms with a low G-index have a higher mean and median Tobin's Q. We also find that firms with above-median ROA have higher mean and median Tobin's Q. Furthermore, firms with below-median assets have higher mean and median Tobin's Q. Similarly, firms with capital expenditures below the median have higher mean and median Tobin's Q. Firms incorporated in the state of Delaware have higher mean and median Tobin's Q. Finally, firms with free cash flow below the median, both sales scaled and asset scaled, have higher mean and median Tobin's Q.

TABLE 1
DESCRIPTIVE STATISTICS

	Number of observations	Mean	Median	Standard deviation	Min	Max
Tobin's *Q*	6,114	1.9640	1.5632	1.2068	0.8293	7.4589
Family Firms	6,114	0.2516	0.0000	0.4339	0.0000	1.0000
Entrenchment Index	5,932	2.4704	3.0000	1.3755	0.0000	6.0000
Governance Index	4,279	9.7949	10.0000	2.5673	3.0000	16.0000
Free Cash Flow–Poulsen Sales Scaled	6,114	0.1172	0.0969	0.0923	–0.0972	0.4921
Free Cash Flow– Poulsen Asset Scaled	6,114	0.0876	0.0848	0.0544	–0.0579	0.2556
Return on Assets	6,114	0.1507	0.1441	0.0762	–0.0133	0.3906
Assets ($ millions)	6,114	8458.219	7840.783	3.8156	535.551	480658.771
Delaware Incorporated	6,114	0.0057	0.0000	0.0755	0.0000	1.0000
Capital Expenditure to Assets	6,114	0.0523	0.0426	0.0410	0.0000	0.2072
Market Value of Total Leverage	6,114	0.5112	0.2181	1.0538	0.0000	8.1917

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Market Value of Total Leverage	6,114	0.5112	0.2181	1.0538	0.0000	8.1917

Notes: This table presents the summary statistics for our sample. Tobin's Q is calculated as the market value of the firm to the book value of the firm. Family Firms is a dummy variable that takes a value of one if a firm is considered a family firm and zero otherwise. Entrenchment Index takes a value of 0–6 and is calculated using Bebchuk, Cohen, and Ferrell (2009). Governance Index takes a value of 0–24 and is calculated using Gompers, Ishii, and Metrick (2003). Free Cash Flow–Poulsen Sales Scaled is the ratio of free cash flow to sales. Free Cash Flow–Poulsen Asset Scaled is the ratio of free cash flow to the book value of assets. Delaware Incorporated is a dummy variable that takes a value of one if the firm is incorporated in the state of Delaware and zero otherwise.

TABLE 2
CORRELATION MATRIX

	Tobin's *Q*	Family firms	Entrenchment index	Governance index	FCF–sales scaled	FCF–asset scaled	Return on asset	Assets (natural log)	Delaware incorporated	Capital expenditure to assets	Market value of total leverage
Tobin's *Q*	1										
Family Firms	0.0645	1									
Entrenchment Index	–0.0884	–0.1398	1								
Governance Index	–0.1002	–0.1073	0.7156	1							
FCF–Poulsen Sales Scaled	0.1746	–0.0623	–0.0117	–0.019	1						
FCF–Poulsen Asset Scaled	0.5191	0.0592	0.0084	0.0033	0.5521	1					
Return on Asset	0.6518	0.0734	-0.0115	0.0278	0.2878	0.7731	1				
Assets (Natural Log)	–0.2277	–0.2153	–0.1783	–0.1105	0.094	–0.2812	–0.3032	1			
Delaware Incorporated	–0.0101	0.0557	–0.0507	–0.0344	–0.0177	–0.0217	–0.0015	0.0234	1		
Capital Expenditure to Assets	0.0447	0.0349	0.0588	0.0484	0.0915	0.3256	0.2937	–0.212	–0.016	1	
Market Value of Total Leverage	–0.2156	–0.1003	–0.0597	–0.1012	–0.0352	–0.2796	–0.262	0.4258	–0.0061	–0.1878	1

Note: This table reports the Pearson correlation coefficients between the variables used in our regressions.

TABLE 3
UNIVARIATE ANALYSIS

	Number of obs.	Tobin's *Q* Mean	Tobin's *Q* Median		Number of obs.	Tobin's *Q* Mean	Tobin's *Q* Median	*T*-test for mean	Wilcoxon test for median
Family Firm	1,538	1.9542	1.5252	Non-Family Firm	4,576	2.0856	1.6996	0.0020	0.0000
E-Index 0–3	4,525	2.0691	1.6104	E-Index 4–6	1,407	1.7173	1.4639	0.0000	0.0000
G-Index 0–10	1,740	2.1476	1.6191	G-Index 11–24	2,539	1.8719	1.5410	0.0000	0.0065
ROA below Median	3,057	1.4030	1.2206	ROA above Median	3,057	2.5664	2.1013	0.0000	0.0000
Assets below Median	3,057	2.2793	1.8170	Assets above Median	3,057	1.7026	1.3542	0.0000	0.0000
Delaware Incorporated	2,425	2.0645	1.5963	Other States Incorporated	3,689	1.8693	1.4988	0.0000	0.0000
Capital Expenditure to Assets below Median	3,057	2.0319	1.5633	Capital Expenditure to Assets above Median	3,057	1.9384	1.5603	0.0104	0.0153
Market Value of Total Leverage below Median	3,057	2.6818	2.2232	Market Value of Total Leverage above Median	3,057	1.3281	1.2199	0.0000	0.0000
Free Cash Flow–Poulsen Sales Scaled below Median	3,057	2.2482	1.7610	Free Cash Flow–Poulsen Sales Scaled above Median	3,057	1.7073	1.4375	0.0000	0.0000
Free Cash Flow–Poulsen Asset Scaled below Median	3,057	2.5042	2.0418	Free Cash Flow–Poulsen Asset Scaled above Median	3,057	1.4670	1.2576	0.0000	0.0000

Note: This table presents the results of the univariate analysis. We divide our sample into two subsets and test whether the mean and median of Tobin's Q have a meaningful difference for the two subsets.

Table 4 reports the results of the panel regression exploring the impact of entrenchment on Tobin's Q. Model (1) reports the effect of the E-index on Tobin's Q for all firms in the sample. Consistent with extant research, we find that higher E-index is associated with lower Tobin's Q. This suggests that a higher E-index has a negative impact on firm performance. Model (3) in Table 4 includes Family Firm dummy and the interaction term Family Firm * E-Index. The results for the E-index are consistent with Model (1). However, the interaction term is positively and significantly related to Tobin's Q. This suggests that although higher managerial entrenchment adversely impacts firm performance in general, the opposite holds true for family firms, whereby family firms with more entrenched management seem to demonstrate superior Tobin's Q.

We repeat the above analysis using the G-index instead of the E-index. The results are consistent with those reported in Table 4. We find that although higher levels of managerial entrenchment, as measured by both the E-index and the G-index, are associated with reduced firm performance for the average non-family firm, the opposite holds in the case of family firms. This finding lends support to H1, whereby higher entrenchment protects management from potential shortsightedness of the financial markets and thus allows management to make decisions with long-term performance as the focus.

Table 5 reports the results of the panel regression exploring the relationship between free cash flow and firm performance. In line with the existing literature, we find that higher free cash flow levels are associated with lower performance. Model (1) in Table 5 indicates that firms with high free cash flow (sales scaled) have lower Tobin's Q. Model (2) in Table 5 suggests that although non-family firms with high free cash flow (sales scaled) are negatively associated with firm performance, the relationship is opposite for family firms. Thus, family firms with high free cash flow (sales scaled) have higher performance.

We find similar results using an alternate measure of free cash flow (free cash flow – assets scaled). Thus, our results suggest that higher levels of free cash flow are associated with poor performance for non-family firms. However, family firms with higher levels of free cash flow demonstrate better performance. This finding lends support to H3.

Tables 6 and 7 report the results of panel regressions for change in level of free cash flow and its impact on firm performance. Table 6 reports the results of the panel regression showing how change in the E-index affects Tobin's Q. Model (1) reports the effect of change in the E-index on Tobin's Q for all firms. Consistent with the predictions of the agency theory, we find that change in E-index is negatively associated with change in Tobin's Q. Model (3) includes Family Firm and the interaction term Family Firm * ΔE-Index. The results are consistent with model (1) in that the change in E-index is negatively associated with change in Tobin's Q. However, the interaction term in model (3) is positively and significantly related to change in Tobin's Q. This implies that although an increase (decrease) in E-index is associated with a decrease (increase) in Tobin's Q, for family firms an increase (decrease) in E-index is associated with an increase (decrease) in Tobin's Q. This result lends support to H2. Even though an increase in adoption of anti-takeover measures is detrimental to the average firm's performance, the opposite is true for family firms. Increase in the adoption of anti-takeover measures in family firms are positively associated with Tobin's Q.

We find consistent results using the G-index instead of the E-index. Although an increase in entrenchment (as measured by the G-index) is found to be associated with a decrease in Tobin's Q for the average non-family firms, the opposite holds true in the case of family firms, whereby increase in entrenchment is also positively associated with increase in Tobin's Q for family firms.

TABLE 4
PANEL REGRESSION OF THE IMPACT OF E-INDEX AND FAMILY FIRM ON FIRM PERFORMANCE

	(1)	(2)	(3)
	Tobin's *Q*	Tobin's *Q*	Tobin's *Q*
E-Index	**–0.0821*** **		**–0.0952*** **
	(0.0000)		(0.0000)
Family Firm		–0.0383	**–0.1885*** **
		(0.2642)	(0.0025)
E-Index * Family Firm			**0.0467** **
			(0.0399)
Return on Assets	**9.4717*** **	**9.5659*** **	**9.4600*** **
	(0.0000)	(0.0000)	(0.0000)
Assets (Natural Log)	**–0.0690*** **	**–0.0624*** **	**–0.0728*** **
	(0.0000)	(0.0000)	(0.0000)
Delaware Incorporated	**0.0928*** **	**0.0805*** **	**0.0966*** **
	(0.0004)	(0.0023)	(0.0002)
Capital Expenditures to Assets	**–1.6341*** **	**–1.5626*** **	**–1.6436*** **
	(0.0000)	(0.0000)	(0.0000)
Market Value of Total Leverage	**–0.0192** **	**–0.0146**	**–0.0202** **
	(0.0471)	(0.1322)	(0.0369)
Constant	**1.4164*** **	**1.1469*** **	**1.4995*** **
	(0.0000)	(0.0000)	(0.0000)
Year Fixed Effects	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes
Observations	5,932	5,932	5,932
Adjusted *R*-squared	0.3892	0.3810	0.3901

Note: This table reports the summary results of the fixed effect panel regression for the impact of E-index and family firm on firm performance. Model (1) includes only the E-index among the independent variables. Model (2) includes only the family firm dummy among the independent variables. Model (3) includes the interaction term between the E-index and the family firm dummy. The E-index takes on a value of 0–6 and is calculated using Gompers, Ishii, and Metrick (2003). All other variables are as previously defined. Robust p-values are reported in parentheses. *** and ** denote significance at the 1% and 5% levels, respectively.

TABLE 5
PANEL REGRESSION OF THE IMPACT OF FREE CASH FLOW–POULSEN SALES SCALED AND FAMILY FIRM ON FIRM PERFORMANCE

	(1)	(2)	(3)
	Tobin's *Q*	Tobin's *Q*	Tobin's *Q*
Free Cash Flow–Poulsen Sales Scaled	**–0.1318****		**–0.1913*****
	(0.0196)		(0.0010)
Family Firm		**–0.0364***	**–0.2380*****
		(0.0885)	(0.0002)
FCF * Family Firm			**0.3200*****
			(0.0003)
Return on Assets	**9.0638*****	**9.5771*****	**9.0936*****
	(0.0000)	(0.0000)	(0.0000)
Assets (Natural Log)	**–0.1193*****	**–0.0621*****	**–0.1308*****
	(0.0000)	(0.0000)	(0.0000)
Delaware Incorporated	0.0598	0.0814***	0.0649
	(0.1618)	(0.0021)	(0.1283)
Capital Expenditures to Assets	**–1.0622****	**–1.5391*****	**–0.9569***
	(0.0396)	(0.0000)	(0.0634)
Market Value of Total Leverage	0.0050	–0.0146	0.0051
	(0.6720)	(0.1340)	(0.6615)
Constant	**1.8757*****	**1.1408*****	**2.0094*****
	(0.0000)	(0.0000)	(0.0000)
Year Fixed Effects	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes
Observations	3,057	3,057	3,057
Adjusted *R*-squared	0.3469	0.3815	0.3505

Note: This table reports the summary results of a fixed effect panel regression on the impact of free cash flow and family firm on firm performance. Model (1) includes only free cash flow (sales scaled) among the independent variables. Model (2) includes the interaction term between free cash flows (sales scaled) and the family firm dummy. Free cash flow (sales scaled) is calculated using Lehn and Poulsen (1989) and is divided by sales. All other variables are as previously defined. Robust p-values are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

TABLE 6
PANEL REGRESSION OF THE IMPACT OF CHANGE IN E-INDEX AND FAMILY FIRM ON CHANGE IN FIRM PERFORMANCE

	(1)	(2)	(3)
	ΔTobin's *Q*	ΔTobin's *Q*	ΔTobin's *Q*
ΔE-Index	**–0.0432****		**–0.0475****
	(0.0324)		(0.0195)
Family Firm		0.0181	0.0182
		(0.5429)	(0.5588)
ΔE-Index * Family Firm			**0.1050***
			(0.0654)
Return on Assets	**0.4520*****	**0.2890****	**0.4442*****
	(0.0035)	(0.0438)	(0.0041)
Assets (Natural Log)	0.0139	0.0169*	0.0146
	(0.1703)	(0.0764)	(0.1524)
Delaware Incorporated	–0.0212	–0.0363	–0.0270
	(0.8919)	(0.8100)	(0.8628)
Capital Expenditures to Assets	**–1.2283*****	**–1.2947*****	**–1.2189*****
	(0.0002)	(0.0000)	(0.0002)
Market Value of Total Leverage	–0.0051	0.0025	–0.0049
	(0.6195)	(0.7389)	(0.6308)
Constant	–0.1376	**–0.1737***	–0.1468
	(0.1699)	(0.0676)	(0.1475)
Year Fixed Effects	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes
Observations	5,932	5,932	5,932
Adjusted *R*-squared	0.0044	0.0040	0.0041

Note: This table reports the summary results of the fixed effect panel regression for the impact of change in E-index and family firm on change in firm performance. Model (1) includes only change in the E-index among the independent variables. Model (2) includes only the family firm dummy among the independent variables. Model (3) includes the interaction term between the change in the E-index as defined as ΔE-Indexit = E-Indexit – E-Indexit-1 where E-Indexit is the value of the E-index for firm i at year t and E-Indexit-1 is the value of the E-index for firm i at year t-1 or previous year and the family firm dummy. The change in the E-index takes on a value of –6 to 6 and is calculated using Gompers, Ishii, and Metrick (2003). All other variables are as previously defined. Robust p-values are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Consistent with H4, our results from model (3) in Table 7 indicate a positive and significant relation between increase in the level of free cash flow (sales scaled) with increase in Tobin's Q for family firms. The relationship is found to be, on average, negative for non-family firms.

Table 8 presents the results of a model exploring three-way interaction. Although the coefficients of E-Index and Free Cash Flow are found to be negative, the coefficients for all interaction terms, which include a pair of two-way interactions E-Index*Family Firm and FCF * Family Firm and a three-way interaction E-Index * FCF * Family Firm, are found to be positive. The results suggest that, on average, higher free cash flow and greater levels of entrenchment worsen agency problem, leading to lower firm performance. However, in a family firm, on average, higher free cash flow and greater level of entrenchment lead to superior firm performance.

ROBUSTNESS TESTS

We present two sets of robustness tests. We split our sample by date and by industry and run panel regressions to test the impact E-index and free cash flow (sales scaled) have on Tobin's Q for family firms and non-family firms.

Table 9 presents the results for the effect of E-index and family firm on Tobin's Q. Models (1) and (2) show our results using two subsamples. Model (1) includes only observations prior to the year 2000, and model (2) includes observations after 2000. The results remain robust and consistent with the results in Table 4. The E-index in both models is negatively associated with Tobin's Q, and the interaction term Family Firm * E-Index remains positively associated with Tobin's Q. In other words, existence of anti-takeover provisions is perceived as positive for family firms, and this holds before and after the year 2000.

Models (3) and (4) in Table 9 use two subsamples that are split based on industry. Model (3) uses observations that are considered high-tech firms. We identify a firm as a high-tech firm if its SIC code is 283, 357, 366, 367, 382, 384, or 737 (Kim, Pukthuanthong, and Walker, 2008; Pukthuanthong and Walker, 2008). Other firms are considered low-tech, and model (4) uses only these observations. It is worth noting that in our panel regression, we control for industry fixed effect as well as separating high-tech and low-tech industry firms. The results are robust and remain consistent across high-tech and low-tech industries. The E-index remains negatively associated with Tobin's Q, and the interaction term Family Firm * E-Index remains positively associated with Tobin's Q. Furthermore, the interaction term is significantly higher using a sample of high-tech firms relative to the sample of low-tech firms. The results suggest that family firms that are in the high-tech industry are perceived to benefit more from higher E-index. A possible explanation for this result could be that the high-tech sector is more sensitive to market sentiments. Therefore, stability achieved through entrenchment is more valuable.

Table 10 shows the results of tests for the impact of free cash flow and family firm on Tobin's Q. All results remain consistent. Model (1) includes observations prior to the year 2000, and model (2) includes observations after 2000. Similar to the results in Table 6, we find that free cash flow is negatively associated with Tobin's Q. However, the interaction term Family Firm * ΔFCF is positively and significantly associated with Tobin's Q. Models (3) and (4) represent the results for high-tech and low-tech firms, respectively. We find that all results remain consistent with our earlier findings. The interaction term Family Firm * FCF remains positive and significant. Interestingly, similar to the results in Table 9, the interaction term is significantly higher in model (3) relative to model (4). Thus, free cash flow in high-tech family firms seem to be perceived more beneficial compared to high-tech non-family firms.

TABLE 7
PANEL REGRESSION OF THE IMPACT OF CHANGE IN FREE CASH FLOW–POULSEN SALES SCALED AND FAMILY FIRM ON CHANGE IN FIRM PERFORMANCE

	(1)	(2)	(3)
	ΔTobin's *Q*	ΔTobin's *Q*	ΔTobin's *Q*
ΔFree Cash Flow–Poulsen Sales Scaled	**–0.1623*****		**–0.1907*****
	(0.0002)		(0.0000)
Family Firm		0.0130	–0.0532
		(0.7470)	(0.6016)
ΔFCF * Family Firm			**0.2123***
			(0.0854)
Return on Assets	0.3080	**0.4812****	0.3120
	(0.2793)	(0.0132)	(0.2730)
Assets (Natural Log)	0.0160	0.0169	0.0185

	(0.4236)	(0.1924)	(0.3577)
Delaware Incorporated	–0.0845	–0.0331	–0.0975
	(0.7627)	(0.8565)	(0.7275)
Capital Expenditures to Assets	**–1.7980*** **	**–1.1858*** **	**–1.8454*** **
	(0.0037)	(0.0044)	(0.0029)
Market Value of Total Leverage	–0.0017	–0.0021	–0.0021
	(0.8993)	(0.8276)	(0.8776)
Constant	–0.0817	–0.2046	–0.0965
	(0.6750)	(0.1088)	(0.6265)
Year Fixed Effects	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes
Observations	3,057	3,057	3,057
Adjusted *R*-squared	0.0104	0.0085	0.0095

Note: This table reports the summary results of a fixed effect panel regression on the impact of change in free cash flow and family firm on change in firm performance. Model (1) includes only change in free cash flow (sales scaled) among the independent variables. Model (2) includes only the family firm dummy among the independent variables. Model (3) includes the interaction term between change in free cash flow (sales scaled) and the family firm dummy. Free cash flow (sales scaled) is calculated using Lehn and Poulsen (1989) and is divided by sales. ΔFree Cash Flow or ΔFCFit is a dummy variable that takes on a value of one if the change in free cash flow value (sales scaled) for firm i from year t-1 to year t (FCFit – FCFit-1) is in the top quartile of changes in free cash flow values in our sample from year t-1 to year t. All other variables are as previously defined. Robust p-values are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

TABLE 8
PANEL REGRESSION OF THE IMPACT OF E-INDEX ANDFREE CASH FLOW, FOR FAMILY VERSUS NON-FAMILY FIRM ON FIRM PERFORMANCE

	(1)
	Tobin's *Q*
Family Firm	**–0.2291** **
	(0.0300)
E-Index	**–0.0843***
	(0.0000)
Free Cash Flow–Poulsen Sales Scaled	**–0.1663** **
	(0.0125)
E-Index * Family Firm	**0.0550***
	(0.0914)
FCF * Family Firm	**0.0698***
	(0.0689)
E-Index * FCF * Family Firm	**0.0012***
	(0.0808)
Return on Assets	**9.1490*** **
	(0.0000)
Assets (Natural Log)	**–0.1234*** **
	(0.0000)
Delaware Incorporated	0.0616
	(0.8713)
Capital Expenditures to Assets	**–1.8937*** **

	(0.0018)
Market Value of Total Leverage	0.0050
	(0.7433)
Constant	**2.2551*** **
	(0.0000)
Year Fixed Effects	Yes
Industry Fixed Effects	Yes
Observations	2,258
Adjusted *R*-squared	0.3428

Note: This table reports the summary results of the fixed effect panel regression for the impact of E-index and family firm on firm performance. The model includes the E-index, free cash flow, and the family firm dummy among the independent variables, as well as the interactions between the E-index and the family firm dummy, free cash flow and the family firm dummy, and E-index and free cash flow, and the family firm dummy. Robust *p*-values are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

TABLE 9
ROBUSTNESS TESTS FOR E-INDEX

	(1)	(2)	(3)	(4)
	1993–1999	2000–2014	High-tech firms	Low-tech firms
	Tobin's *Q*	Tobin's *Q*	Tobin's *Q*	Tobin's *Q*
E-Index	**–0.0435****	**–0.1266*****	**–0.1638*****	**–0.0555*****
	(0.0206)	0.0000	(0.0000)	(0.0000)
Family Firm	–0.0099	**–0.0181****	**–0.0061****	–0.0034
	(0.2955)	(0.0293)	(0.0250)	(0.4750)
E-Index * Family Firm	**0.0279****	**0.0442****	**0.2144***	**0.0029***
	(0.0414)	(0.0355)	(0.0708)	(0.0656)
Return on Assets	**11.0650*****	**8.7756*****	**10.6749*****	**8.8118*****
	0.0000	0.0000	(0.0000)	(0.0000)
Assets (Natural Log)	**–0.0768*****	**–0.1802*****	**–0.2058*****	**–0.0182****
	(0.0001)	0.0000	(0.0000)	(0.0491)
Delaware Incorporated	0.0121	**0.1451*****	0.1272	**0.0661*****
	(0.7726)	0.0000	(0.1753)	(0.0016)
Capital Expenditures to Assets	**–2.6321*****	–0.0324	**–5.3063*****	**–0.8753*****
	0.0000	(0.9482)	(0.0000)	(0.0024)
Market Value of Total Leverage	**–0.1026*****	–0.0044	**–1.4644*****	**–0.0189*****
	(0.0001)	(0.6759)	(0.0000)	(0.0062)
Constant	–0.158	**2.6668*****	**3.6110*****	**0.7761*****
	(0.4399)	0.0000	(0.0000)	(0.0000)
Year Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes
Observations	2,305	3,627	1,298	4,634
Adjusted *R*-squared	0.3743	0.418	0.3684	0.4885

Note: This table reports the summary results of the fixed effect panel regression for the impact of E-index and family firm on firm performance. Model (1) includes only observations for the period 1993–1999 inclusive. Model (2) includes only observations for the period 2000–2014 inclusive. Model (3) includes only observations for high-tech firms. (High-tech firms are firms classified with SIC codes 283, 357, 366, 367, 382, 384, and 737.) Model (4) includes only observations for low-tech firms. All other variables are as previously defined. Robust p-values are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

TABLE 10
ROBUSTNESS TESTS FOR FREE CASH FLOW–POULSEN SALES SCALED

	(1)	(2)	(3)	(4)
	1993–1999	2000–2014	High-tech firms	Low-tech firms
	Tobin's *Q*	Tobin's *Q*	Tobin's *Q*	Tobin's *Q*
Free Cash Flow–Poulsen Sales Scaled	**–0.0355***	**–0.1542****	**–0.5179*****	**–0.1892*****
	(0.0371)	(0.0270)	(0.0086)	(0.0000)
Family Firm	**–0.1110***	**–0.0913****	**–0.0697*****	**–0.0499****
	(0.0744)	(0.0233)	(0.0033)	(0.0487)
FCF * Family Firm	**0.3673****	**0.0840***	**0.5200****	**0.0757****
	(0.0149)	(0.0510)	(0.0134)	(0.0347)
Return on Assets	**10.0599*****	**8.4795*****	**11.4649*****	**7.7994*****
	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Assets (Natural Log)	**–0.0827****	**–0.2108*****	**–0.3145*****	**–0.0421*****
	(0.0279)	(0.0000)	(0.0000)	(0.0014)
Delaware Incorporated	–0.0633	**0.1206****	0.0046	0.0385
	(0.4107)	(0.0200)	(0.9758)	(0.1852)
Capital Expenditures to Assets	**–1.7431***	–0.5190	**–3.5984****	–0.3834
	(0.0642)	(0.4217)	(0.0378)	(0.2768)
Market Value of Total Leverage	**–0.1739****	0.0121	**–1.3452*****	–0.0052
	(0.0118)	(0.3173)	(0.0000)	(0.4659)
Constant	0.0487	**2.8534*****	**4.5595*****	**1.0649*****
	(0.8885)	(0.0000)	(0.0000)	(0.0000)
Year Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes
Observations	1,016	2,041	793	2,289
Adjusted *R*-squared	0.2952	0.3708	0.3698	0.4524

Note: This table reports the summary results of a fixed effect panel regression on the impact of free cash flow and family firm on firm performance. Model (1) includes only observations for the period 1993–1999 inclusive. Model (2) includes only observations for the period 2000–2014 inclusive. Model (3) includes only observations for high-tech firms. (High-tech firms are firms classified with SIC codes 283, 357, 366, 367, 382, 384, and 737.) Model (4) includes only observations for low-tech firms. All other variables are as previously defined. Robust p-values are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

CONCLUSION

This study contributes to the literature of corporate governance by attempting to answer how long-term management perspective affects corporate governance practices of a firm, and how this affects a firm's performance by focusing on agency conflict within the context of family firms. Specifically, we examine how family firms' performance differ from non-family firms in the presence of factors known to increase the severity of agency conflict. For this purpose, we use two measures that are widely known to increase the severity of agency conflict: the presence of anti-takeover provisions and free cash flows in the firm. We used the E-index and the G-index to measure the extent to which anti-takeover provisions are implemented in the firm. Additionally, we follow Lehn and Poulsen (1989) to calculate free cash flow and scaled it by

both assets and sales to account for the level of free cash flow in the firm. Our results are consistent with the existing literature in that the presence of anti-takeover provisions and free cash flow in firms is negatively associated with firm performance. However, within the context of family firms, our results consistently present the opposite impact. In particular, the presence of anti-takeover measures negatively impacts the performance of non-family firms and a sample of family and non-family firms. However, the presence of anti-takeover measures is positively associated with family firm performance. Moreover, we find that implementing additional anti-takeover provisions has a positive impact on family firm performance but has a negative impact on non-family firm performance. Our results remain robust when we use two widely used measures of anti-takeover provisions, the E-index and the G-index, and when we use two subsamples prior and post year 2000. Moreover, although our results remain unchanged for high-tech and low-tech firms, we find a stronger relationship between anti-takeover provisions and Tobin's Q for high-tech family firms, which suggests that market participants perceive the higher levels of free cash flow and higher levels of adopting anti-takeover provisions to be more beneficial to high-tech family firms, further highlighting the importance of management stability to pursue innovation.

We also use free cash flow as another factor known to magnify the severity of agency conflict. Our results are in line with the existing literature, and we find that the presence of free cash flow has a negative impact on performance for non-family firms and a sample of family firms and non-family firms. We also determine that although higher levels of free cash flow have a negative impact on firm performance for non-family firms, this impact is positive for family firms. Specifically, family firms with higher levels of free cash flow demonstrate a higher level of performance. Furthermore, we find that change in free cash flow is negatively associated with firm performance for a sample of family firms and non-family firms but is positively associated with firm performance for a sample of family firms. Our results are consistent for both measures of free cash flow employed here—namely, free cash flow sales scaled and free cash flow asset scaled and when we split our sample to prior– and post–year 2000 observations. Moreover, our results remain unchanged for high-tech and low-tech firms, but we find high-tech family firms are perceived to benefit more from free cash flow than are low-tech family firms.

Our study attempts to fill an important gap in the corporate governance literature which is the importance of long-term management perspective and how it can affect firms' corporate governance practices. Although many studies have focused on factors that can increase or decrease the severity of agency conflict, there needs to be more research on how long-term management perspective along with other factors can have an impact on the severity of agency conflict.

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