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How Can Corporate Governance Moderate the Relationship between Private Benefits of Control and Firm Performance in the French Context?

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ABSTRACT

This study examines the relationship between private benefits of control (PBC) and firm performance in the French context, investigating the moderating role of corporate governance mechanisms. Using a sample of 87 French firms from the SBF250 index over the period 2008-2018, we measure private benefits through two distinct proxies: the volume of related-party transactions (PBC1) and excessive executive compensation (PBC2). Our baseline results confirm a significant negative relationship between both measures of private benefits and firm performance (proxied by ROA). Furthermore, we find that this negative relationship is attenuated by strong corporate governance. Specifically, a high degree of contestability between the first and second largest shareholders, a greater proportion of independent directors on the board, significant institutional ownership, and a smaller board size all serve as effective moderators, mitigating the performance-damaging effects of private benefit extraction. These findings underscore the critical importance of robust governance structures in protecting shareholder value in environments characterized by concentrated ownership.

Keywords: Private benefits of control, Corporate governance, Corporate performance, Capital structure.

INTRODUCTION

The prevalence of concentrated shareholding in global markets, particularly in France, has focused significant academic attention on the role and influence of controlling shareholders. The effect of these shareholders is often analyzed through the lens of private benefits of control (PBC), advantages extracted at the expense of minority shareholders. The impact of PBC on firm performance, however, remains a subject of debate, giving rise to two opposing theoretical perspectives.

On one hand, a substantial body of literature argues that controlling shareholders have both the incentive and the ability to divert corporate resources for private gain, a practice known as tunneling. This expropriation harms firm value and undermines minority investor confidence (La Porta et al., 1999; Claessens et al., 2000; Faccio & Lang, 2002). On the other hand, an alternative view posits that large blockholders, by virtue of their significant capital investment, have a strong incentive to monitor management and implement sound governance practices, as the resulting performance benefits will largely accrue to them (Shleifer & Vishny, 1997; Andres, 2008).

Corporate governance systems are fundamentally designed to resolve these agency conflicts. They establish procedures and safeguards to protect minority shareholders from expropriation and ensure that managers and controlling shareholders act in the best interest of the company. Key internal mechanisms, such as the board of

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directors' structure and the configuration of ownership, are critical levers for aligning interests and reducing agency costs.

The French context provides a particularly compelling setting for this investigation. France is characterized by a civil law tradition that offers weaker legal protection for minority investors compared to common law countries, coupled with a high concentration of ownership often maintained through pyramidal structures and dual-class shares (La Porta et al., 1999; Faccio & Lang, 2002). Consequently, the potential for extracting private benefits is notably high, with estimates suggesting they can exceed 28% of firm value (Nenova, 2003). While prior research has established a general negative link between PBC and performance (e.g., Lin et al., 2010), the question of how specific, internal corporate governance mechanisms can moderate this relationship in the unique French institutional environment remains underexplored.

This study aims to fill this gap by addressing two primary research questions: First, what is the nature of the relationship between private benefits of control and firm performance in France? Second, how do key internal governance mechanisms, such as board characteristics and ownership structure, moderate this relationship? By examining these questions, this paper contributes to a more nuanced understanding of how governance can be tailored to protect firm value in contexts of high ownership concentration.

The remainder of this paper is structured as follows. Section 2 reviews the relevant literature and develops testable hypotheses. Section 3 describes the data, sample, and empirical methodology. Section 4 presents the descriptive statistics and multivariate results. Finally, Section 5 concludes with a discussion of the findings, their implications, and suggestions for future research.

LITERATURE REVIEW

A review of theoretical and empirical literature reveals that corporate governance mechanisms are central to mitigating agency conflicts, particularly those arising from the separation of ownership and control. This section develops the theoretical framework for our study by examining the impact of key internal governance mechanisms, board characteristics, and ownership structure on the relationship between private benefits of control and firm value.

Board of Directors' Characteristics

The board of directors is the first line of defense in monitoring management and controlling shareholders. Its effectiveness is largely determined by its structural attributes.

Board Size

The effect of board size on firm performance is contested. Proponents of larger boards, drawing from resource dependence theory, argue that a greater number of directors brings a wider array of experiences, skills, and external linkages, enhancing strategic counsel and monitoring capabilities (Chen, 2007). Coles et al. (2008) further suggest that the optimal board size is contingent on firm complexity. Conversely, agency theorists contend that larger boards can become plagued by coordination problems, free-riding, and difficulties in reaching a consensus, ultimately diminishing their effectiveness and allowing dominant leaders or shareholders to exert control (Jensen, 1993; Lipton & Lorsch, 1992). In the context of controlling private benefits, a smaller, more cohesive board is likely more agile and effective at curbing opportunistic behavior. Therefore, we hypothesize:

H1.1: A smaller board size weakens the negative relationship between private benefits of control and firm performance.

Board Independence

The independence of the board is critical for objective oversight. Non-independent directors, often affiliated with the controlling coalition, may be reluctant to challenge management or oppose transactions that benefit insiders at the expense of the firm (Jensen, 1993). In contrast, independent directors are better positioned to provide unbiased judgment, protect shareholder interests, and hold management accountable. Empirical studies consistently link a higher proportion of independent directors to improved firm performance and better governance outcomes (Chen et al., 2011; Linck et al., 2008). Consequently, an independent board should be more effective in mitigating the extraction of private benefits.

H1.2: A higher proportion of independent directors on the board weakens the negative relationship between private benefits of control and firm performance.

The Audit Committee

As a specialized board sub-committee, the audit committee plays a vital role in governance by overseeing financial reporting, the audit process, and internal controls. Its establishment is a cornerstone recommendation of major governance codes worldwide (e.g., Cadbury, Vienot). By ensuring the integrity of financial information

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and resolving disputes between auditors and management, the audit committee directly reduces information asymmetry and limits the discretion of managers and controlling shareholders to engage in self-dealing (Proffitt, 2003). Thus, we posit:

The presence of an audit committee weakens the negative relationship between private benefits of control and firm performance.

Ownership Structure

The distribution of ownership and control rights is a fundamental governance mechanism that directly influences the incentives of key shareholders.

The Wedge between Cash Flow and Control Rights

A central agency problem in firms with concentrated ownership arises when the controlling shareholder's control rights (voting power) exceed their cash flow rights (ownership stake). This wedge, often created through pyramidal structures or dual-class shares, incentivizes expropriation, as the controlling shareholder bears only a fraction of the financial cost of their actions while reaping all the private benefits (Claessens et al., 2002; La Porta et al., 2002). Most empirical evidence confirms that a larger divergence between ownership and control is associated with lower firm valuation. However, some studies, such as Lin et al. (2010), suggest that under certain conditions, a high deviation might align incentives by making the controller's dominance so absolute that their fortune is inextricably linked to the firm's long-term survival. Testing this contingent effect, we hypothesize:

H2.1: The ratio of deviation between cash flow and control rights moderates the negative relationship between private benefits of control and firm performance.

Cash Flow Rights of the Controlling Shareholder

According to the incentive alignment argument (Jensen & Meckling, 1976), a high ownership stake aligns the interests of the controlling shareholder with those of minority shareholders. When the controller holds a significant share of cash flow rights, they internalize a greater portion of the value destruction caused by expropriation, thus reducing their incentive to tunnel resources (La Porta et al., 2002). Yeh et al. (2001) found that high cash flow ownership is an effective tool to reduce conflicts between controlling and minority shareholders.

H2.2: A higher proportion of cash flow rights held by the controlling shareholder weakens the negative relationship between private benefits of control and firm performance.

Contestability of Control

Contestability refers to the presence of other large shareholders who can monitor and counterbalance the power of the largest controlling shareholder. This creates a "balance of power" that can limit the extraction of private benefits. Gutiérrez and Pombo (2009), in a study of Colombian firms, found that contestability helps limit the diversion of company resources. When the power gap between the first and second largest shareholders is small, no single shareholder can easily impose self-serving policies without scrutiny, leading to more decisions that benefit all shareholders.

H2.3: A stronger contestability of control (a smaller power gap between the first and second shareholders) weakens the negative relationship between private benefits of control and firm performance.

Institutional Ownership

Institutional investors, due to their substantial resources and expertise, are theorized to play a significant monitoring role. With large blockholdings, they have both the motivation and the ability to oversee management and oppose detrimental policies (Agrawal and Knoeber, 1996). Active institutional investors can reduce agency costs and improve firm performance (Cornett et al., 2008; McConnell and Servaes, 1990). Therefore, we expect them to be particularly effective in curbing the consumption of private benefits by insiders.

H2.4: A higher level of institutional ownership weakens the negative relationship between private benefits of control and firm performance.

DATA AND RESEARCH DESIGN

This section outlines the empirical strategy employed to test the hypothesized relationships. We detail the sample selection process, variable construction, and the specification of our econometric models.

Sample Selection and Data Sources

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Our initial sample consists of all French firms listed on the SBF250 index from 2008 to 2018. The SBF250 index encompasses the 250 largest listed companies in France across all sectors, providing a comprehensive representation of the French equity market. We excluded firms from the financial and regulated utility sectors due to their unique regulatory environments and accounting standards, which could distort the analysis. Furthermore, firms with missing data for critical variables, namely stock ownership, CEO compensation, related-party transactions, and key financial statement items, were omitted.

The final dataset is an unbalanced panel of 87 firms, yielding 957 firm-year observations. All data were manually collected from the annual reference documents available on the website of the French Financial Markets Authority (AMF). When these documents were unavailable, the relevant data were sourced from annual reports.

The French context is particularly salient for this study for two primary reasons. First, France exemplifies a civil law country with a governance structure characterized by high ownership concentration, often maintained through pyramidal schemes and dual-class shares, and a legal environment that provides relatively weaker protection for minority investors (La Porta et al., 1999; Faccio & Lang, 2002). This environment creates a fertile ground for the extraction of private benefits. Second, the magnitude of private benefits in France is notably high, with estimates suggesting they can exceed 28% of firm value, a figure that surpasses many other developed economies (Nenova, 2003).

Variable Measurement

Dependent Variable

- Firm Performance (ROA): We measure firm performance using Return on Assets (ROA), calculated as the ratio of operating income to total assets. This accounting-based measure effectively captures how efficiently a firm utilizes its assets to generate profits and is widely used in corporate governance research (e.g., Lin et al., 2010).

Independent Variables: Private Benefits of Control (PBC)

We employ two distinct, directly observable proxies to capture the multifaceted nature of private benefits:

- PBC1 (Related-Party Transactions): Following Le Maux (2004) and Dahya et al. (2008), we measure PBC1 as the total value of related-party transactions disclosed by the firm, scaled by its total assets. This proxy captures tunneling and self-dealing activities between the firm and its controlling shareholders or their affiliates.
- PBC2 (Excessive Executive Compensation): To capture pecuniary benefits, we calculate excessive compensation following Belanes et al. (2011) and Djebali et al. (2012). First, we compute the average total compensation for CEOs within each industry-year. PBC2 is then defined as the difference between a firm's CEO total compensation and this industry-year average, scaled by total assets. A positive value indicates compensation in excess of the industry norm, potentially reflecting extraction of private benefits.

Moderating Variables

The moderating variables represent our corporate governance mechanisms:

- Board Size (SBORD): The total number of directors serving on the board.
- Board Independence (IBORD): The ratio of independent directors to the total number of board members.
- Audit Committee (AUDIT): A dummy variable that equals 1 if the firm has an audit committee, and 0 otherwise.
- Contestability of Control (CONT): The difference between the ownership percentages of the first and second largest shareholders. A smaller value indicates higher contestability.
- Institutional Ownership (INST): A dummy variable that equals 1 if the largest shareholder is an institutional investor, and 0 otherwise.
- Ownership Concentration (CONC): The percentage of cash flow rights held by the largest ultimate shareholder.
- Deviation of Control from Ownership (DECC): The ratio of the controlling shareholder's control rights (voting rights) to their cash flow rights (ownership rights). A value greater than 1 indicates a wedge between control and ownership.

Control Variables

We include several firm-level variables to control for other determinants of performance:

- Firm Size (SIZE): The natural logarithm of total assets.

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- Leverage (DEBT): The ratio of total debt to total assets. We also include its square term ($DEBT^2$) to account for potential non-linear effects of debt on profitability (Berger & Di Patti, 2006).
- Growth Opportunities (Q): Measured as the market value of assets (market value of equity + book value of debt) divided by the book value of assets.

Table 1 provides a summary of all variables, their symbols, and measurements.

Table 1. Variable Definitions.

Variable Category	Variable Name	Symbol	Measurement
Dependent	Firm Performance	ROA	Operating Income / Total Assets
Independent	Private Benefits 1	PBC1	Related-Party Transactions / Total Assets
	Private Benefits 2	PBC2	(CEO Compensation - Industry Mean Compensation) / Total Assets
Moderators	Board Size	SBORD	Number of directors on the board
	Board Independence	IBORD	% of Independent Directors
	Audit Committee	AUDIT	Dummy = 1 if audit committee exists
	Contestability	CONT	Ownership % of 1st Shareholder - Ownership % of 2nd Shareholder
	Institutional Owner	INST	Dummy = 1 if largest shareholder is an institution
	Ownership Concentration	CONC	% of Cash Flow Rights held by largest shareholder
	Control-Ownership Wedge	DECC	Control Rights / Cash Flow Rights of largest shareholder
Controls	Firm Size	SIZE	Natural Log of Total Assets
	Leverage	DEBT	Total Debt / Total Assets
	Leverage Squared	DEBT2	(Total Debt / Total Assets)^2
	Growth Opportunities	Q	(Market Value of Equity + Book Value of Debt) / Book Value of Assets

Empirical Models

To test our hypotheses, we estimate the following two regression models using panel data methodology. The panel approach controls for unobserved time-invariant firm heterogeneity and provides more robust estimates than cross-sectional analysis (Baltagi, 1995).

Model 1: The Direct Effect

This model estimates the baseline relationship between private benefits of control and firm performance, controlling for other firm characteristics.

$$\mathbf{ROA}_{it} = \beta_0 + \beta_1 \mathbf{PBC}_{it} + \beta_2 \mathbf{SIZE}_{it} + \beta_3 \mathbf{Q}_{it} + \beta_4 \mathbf{DEBT}_{it} + \beta_5 \mathbf{DEBT2}_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Model 2: The Moderating Effect

This model introduces the interaction between PBC and each governance moderator (MOD) to test whether governance attenuates the negative impact of PBC on performance.

$$\mathbf{ROA}_{it} = \beta_0 + \beta_1 \mathbf{PBC}_{it} + \beta_2 \mathbf{MOD}_{it} + \beta_3 (\mathbf{PBC}_{it} \times \mathbf{MOD}_{it}) + \beta_4 \mathbf{SIZE}_{it} + \beta_5 \mathbf{Q}_{it} + \beta_6 \mathbf{DEBT}_{it} + \beta_7 \mathbf{DEBT2}_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

Where:

- i and t denote firm and year, respectively.
- μ_i represents firm-fixed effects, which control for all time-invariant firm characteristics.
- λ_t represents year-fixed effects, which control for macroeconomic shocks common to all firms in a given year.
- ε_{it} is the idiosyncratic error term.

We employ a fixed effects (FE) estimation approach, as the Hausman test conclusively rejected the null hypothesis that the unique errors are uncorrelated with the regressors ($p < 0.01$). To address potential heteroscedasticity and autocorrelation in the panel data, we report standard errors clustered at the firm level.

EMPIRICAL RESULTS AND ANALYSIS

This section presents the empirical findings of our study. We begin with descriptive statistics and correlation analysis, followed by a discussion of the regression results for both the direct and moderating effects.

Descriptive Statistics

Table 2 reports the descriptive statistics for the main quantitative variables used in our analysis. The final unbalanced panel consists of 957 firm-year observations.

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Table 2. Descriptive Statistics of Quantitative Variables.

Variables	Obs.	Mean	Std. dev.	Min	Max
ROA	957	0.051	0.058	-0.27	0.726
PBC1	957	0.002	0.015	0	0.400
PBC1*	957	19.417	125	0	150644
PBC2	957	0.002	0.007	4.45e-07	0.080
PBC2*	957	1125	256	-1238.11	12656
DECC	957	0.887	0.163	0.498	1.581
CONC	957	41.415	23.102	0.498	99.58
CONT	957	24.568	24.619	0.9	74.619
SBORD	957	11,750	3.93	3	24
IBORD	957	0.474	0.224	0	1
Q	957	1.820	3.472	.010	49.408
SIZE	957	21.707	2.161	16.194	27.318
DEBT	957	0.221	0.165	0	0.872

Note: ROA: return on assets, PBC1: related party transactions, PBC1*: related party transactions divided by total assets, PBC2: Excessive executive compensation, PBC2*: Excessive executive compensation divided by total assets, DECC: deviation between ownership and control, CONC: the proportion of capital held by the controlling shareholder control, CONT: The contestability of control, SBORD: the size of the board; IBORD: the independence of the board, SIZE: Natural logarithm of total asset, DEDT: leverage, Q: growth opportunities.

The average Return on Assets (ROA) is 5.1%, indicating the typical profitability level of firms in our sample. The two proxies for private benefits of control are positively skewed, as evidenced by their low means relative to their maximum values. This suggests that while most firms have low levels of extracted benefits, a few exhibit significant expropriation. The average board has approximately 12 members, nearly half of whom (47.4%) are independent directors, a figure that reflects the growing adoption of governance best practices. The high average ownership concentration (CONC = 41.4%) and the significant power gap between the first and second shareholders (CONT = 24.6%) confirm the highly concentrated nature of ownership in French listed firms.

Table 3. Descriptive Statistics of Qualitative Variables.

Variable	Value	Frequency	Percentage
AUDIT	0	368	38.45%
	1	589	61.55%
INST	0	882	92.16%
	1	75	7.84%

As shown in Table 3, an audit committee is present in 61.55% of the observations. A dominant institutional investor is the largest shareholder in only 7.84% of the sample, underscoring that family or state control is more common in the French context.

Multivariate Analysis

The Direct Relationship between Private Benefits and Performance

Table 4 presents the results of estimating Model 1, which examines the direct impact of private benefits of control on firm performance (ROA), using firm and year fixed effects with clustered standard errors.

Table 4. The Direct Effect of Private Benefits of Control on ROA.

Variable	(1) ROA (PBC1)	(2) ROA (PBC2)
PBC1	-7.818***	-
	(0.000)	
PBC2	-	-12.151***
		(0.000)
SIZE	-0.008*	-0.009***
	(0.063)	(0.000)
Q	0.001	-0.0001
	(0.720)	(0.510)
DEBT	0.035	-0.909*
	(0.529)	(0.053)
$DEBT^2$	0.006	0.004
	(0.442)	(0.594)
Constant	0.259**	0.215**

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	(0.038)	(0.033)
R-squared	0.380	0.453

Note: p-values in parentheses; * p<0.10, ** p<0.05, *** p<0.01.

The results are consistent and highly significant across both measures of private benefits. The coefficients for PBC1 and PBC2 are -7.818 and -12.151, respectively, and are significant at the 1% level. This provides strong evidence that the extraction of private benefits, whether through related-party transactions or excessive compensation, is detrimental to firm performance, thus confirming our central premise. The control variable SIZE shows a significant negative relationship with ROA, supporting the view that larger firms may face greater agency costs and inefficiencies.

The Moderating Role of Corporate Governance

Tables 5 and 6 present the results of estimating Model 2, which introduces the interaction terms between PBC and the corporate governance moderators. The key variables of interest are these interaction terms, whose coefficients indicate whether the governance mechanism weakens (a positive coefficient) or strengthens the negative PBC-ROA relationship.

Table 5. Moderating Effects on the PBC1-ROA Relationship.

Variable	Coef.	z-stat	p-value
PBC1	-1.370*	-1.92	0.055
PBC1 × SBORD	-1.370*	-1.92	0.055
PBC1 × IBORD	19.643***	8.85	0.000
PBC1 × AUDIT	0.617	0.81	0.418
PBC1 × DECC	-18.918	-1.48	0.138
PBC1 × CONC	-0.003	-0.32	0.752
PBC1 × CONT	0.020**	2.37	0.018
PBC1 × INST	0.996***	3.76	0.000
Controls	Yes		
Observations	957		
R-squared	0.403		

Note: * p<0.10, ** p<0.05, *** p<0.01. Control variables (SIZE, Q, DEBT, $DEBT^2$) are included but not reported for brevity.

Table 6. Moderating Effects on the PBC2-ROA Relationship.

Variable	Coef.	z-stat	p-value
PBC2	-61.845**	-2.25	0.025
PBC2 × SBORD	-61.845**	-2.25	0.025
PBC2 × IBORD	67.908***	15.50	0.000
PBC2 × AUDIT	0.634	0.36	0.721
PBC2 × DECC	-4.075***	-2.63	0.009
PBC2 × CONC	0.003	0.21	0.831
PBC2 × CONT	0.064***	3.40	0.001
PBC2 × INST	2.670***	3.75	0.000
Controls	Yes		
Observations	957		
R-squared	0.294		

Note: * p<0.10, ** p<0.05, *** p<0.01. Control variables (SIZE, Q, DEBT, $DEBT^2$) are included but not reported for brevity.

The results provide strong support for the moderating role of several governance mechanisms:

- Board Independence (IBORD): The interaction term PBC × IBORD is positive and highly significant (at the 1% level) in both tables. This indicates that a higher proportion of independent directors effectively weakens the negative impact of private benefits on firm performance, confirming hypothesis H1.2. Independent directors appear to provide a crucial check on expropriation.
- Contestability of Control (CONT): The coefficient for PBC × CONT is positive and significant. Since CONT measures the *power gap*, a positive coefficient means that a *smaller gap* (i.e., higher contestability) mitigates the negative effect of PBC. This supports hypothesis H2.3, highlighting that the presence of a strong second shareholder disciplines the largest owner.

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- Institutional Ownership (INST): The positive and significant coefficient for PBC × INST across both models confirms hypothesis H2.4. When the largest shareholder is an institutional investor, the firm is better protected from the performance-damaging effects of private benefit consumption.
- Board Size (SBORD): The interaction PBC × SBORD is negative and significant. This suggests that a larger board size *exacerbates* the negative effect of PBC on ROA. Therefore, our finding supports hypothesis H1.1, that a *smaller* board size is more effective in curbing private benefits.
- Conversely, some hypotheses are not supported by the data:
- H1.3 (Audit Committee) and H2.2 (Ownership Concentration) are not supported, as their interaction terms are statistically insignificant.
- H2.1 (Deviation of Control): The results are mixed and counterintuitive. The significant negative coefficient for PBC2×DECC suggests that a larger wedge *strengthens* the negative impact of PBC, contradicting our hypothesis. The result for PBC1 is insignificant. This aligns more with the traditional entrenchment effect (Claessens et al., 2002) than the alignment effect suggested by Lin et al. (2010).

CONCLUSION

This study set out to investigate the dual role of private benefits of control (PBC) and corporate governance in shaping firm performance within the distinctive context of the French market. Our analysis of 87 French firms from the SBF250 index over the period 2008-2018 yields two primary sets of conclusions.

First, we establish a robust and significant negative relationship between private benefits of control and firm performance (proxied by ROA). This finding holds true across two distinct, observable measures of PBC: the volume of related-party transactions (PBC1) and excessive executive compensation (PBC2). This result strongly supports the "tunneling" view of corporate ownership, confirming that the extraction of private resources by controlling shareholders comes at a direct cost to overall firm value and minority shareholders.

Second, and more centrally, our findings demonstrate that effective corporate governance can act as a powerful moderating force. The negative impact of private benefits on performance is significantly attenuated by specific governance mechanisms. Specifically, our results confirm that the deleterious effect of private benefits on firm performance can be effectively mitigated by a confluence of specific governance mechanisms. We find that a smaller, more cohesive board of directors is more effective at monitoring and curbing expropriation than a larger, potentially fragmented one. Furthermore, a higher proportion of independent directors on the board provides a critical layer of objective oversight, essential for protecting minority shareholder interests. The analysis also reveals that a strong contestability of control, where the power gap between the first and second largest shareholders is narrow, creates a healthy balance of power that disciplines the dominant owner and limits their discretion to extract private benefits. Finally, the presence of a dominant institutional investor as the largest shareholder introduces a level of professional and resourceful monitoring that serves to mitigate the associated value destruction. Conversely, the presence of an audit committee, the concentration of ownership, and the deviation between control and cash-flow rights did not show statistically significant moderating effects in our models. The non-significant result for the audit committee may be attributable to its recent mandatory introduction in France during our sample period, suggesting its effectiveness may evolve.

IMPLICATIONS

Our findings offer clear practical implications. For investors and regulators, the results underscore that fostering governance structures that promote board independence, contestable control, and institutional oversight is critical for protecting firm value in environments with concentrated ownership. For French firms, this study highlights that adhering to governance best practices is not merely a matter of regulatory compliance but a strategic imperative for enhancing performance and securing investor confidence.

LIMITATIONS AND AVENUES FOR FUTURE RESEARCH

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Despite its contributions, this study is subject to several limitations that also point toward fruitful future research. First, the sample is limited to large, listed French firms (SBF250), which may limit the generalizability of the findings to smaller, unlisted enterprises. Second, while related-party transactions and excessive compensation are valuable, directly observable proxies, they may not capture the full spectrum of non-pecuniary private benefits.

Future research could build upon this work in several ways. Expanding the analysis to include small and medium-sized enterprises (SMEs) would provide a more comprehensive view of the French corporate landscape. Incorporating alternative methodologies, such as case studies or qualitative interviews, could yield deeper insights into the channels of expropriation. Furthermore, exploring the role of external governance mechanisms, such as market for corporate control or media scrutiny, in conjunction with internal mechanisms, would offer a more holistic understanding of the governance ecosystem. Finally, a cross-country comparative study including other civil law countries with high ownership concentration could help disentangle the effects of specific national institutions from more universal governance principles.

In summary, this research affirms the pernicious effect of private benefits of control on firm value and, more importantly, identifies key governance tools that can effectively shield performance from their negative impact. It reinforces the paramount importance of robust and well-designed corporate governance in aligning the interests of controlling and minority shareholders for the sustainable creation of value.

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