

## Taming Excessive Pay: The Moderating Effect of Boards in French Family-Owned Firms

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### ABSTRACT

**Purpose** – This study investigates the effect of family ownership on excessive CEO compensation in French-listed firms and examines the moderating role of board governance mechanisms. **Design/methodology/approach** – Grounded in agency, managerial power, stewardship, and socioemotional wealth theories, the study employs Ordinary Least Squares (OLS) regression on a sample of 196 family firms listed on the CAC All-Shares Index over the period 2008–2015. **Findings** – The results show that family ownership significantly reduces excessive CEO compensation, supporting stewardship and socioemotional wealth perspectives. Board independence, gender diversity, and independent compensation committees further strengthen this monitoring effect by limiting excessive pay practices. Interestingly, CEO duality is associated with lower excessive CEO compensation in the French context, challenging traditional entrenchment arguments. In contrast, board size and meeting frequency show no statistically significant impact. **Practical implications** – The findings highlight the importance of effective board governance structures in aligning executive compensation with firm interests and support the effectiveness of French governance frameworks, such as the AFEP-MEDEF code and the Cope-Zimmermann law. **Originality/value** – This study contributes to the literature by examining the underexplored context of French family firms and by simultaneously analysing multiple board governance mechanisms. The results provide a more comprehensive understanding of how qualitative board attributes, particularly board independence and board gender diversity, strengthen governance and reduce excessive CEO compensation.

**Keywords:** Family Ownership, Excessive CEO Compensation, Board Governance, Alignment Effect, French Firms.

**JEL Classification:** G34, G38, M48

### INTRODUCTION

Executive compensation is a central concern in corporate governance—balancing incentives, accountability, and equity. "Excessive" CEO pay, viewed as a diversion from market benchmarks, raises questions about minority shareholder protection and governance integrity. This issue is particularly significant in family-owned firms, which make up a substantial share of French businesses.

Family firms present a paradox: they can foster long-term commitment, but also create opportunities for entrenchment and private gain.

Theoretical perspectives offer two views. Agency theory and the managerial power approach suggest an expropriation effect: concentrated family ownership enables controlling shareholders to extract private benefits by awarding inflated pay packages to family-member CEOs, especially when governance oversight is weak (Liu &

Mauer, 2011; Chen et al., 2021). In contrast, stewardship and socioemotional wealth (SEW) theories propose an alignment effect: families aim to preserve their legacy and reputation, acting as stewards who favour long-term firm sustainability over short-term gains, resulting in more restrained, performance-linked compensation (Davis et al., 1997; Gómez-Mejía et al., 2007). This theoretical divide is reflected in empirical work: studies in emerging markets often report entrenchment, while those in developed economies more often find support for alignment (Aaen & Lueg, 2022).

The lack of consensus suggests this relationship is shaped by context and key moderators. The board of directors is the primary governance mechanism responsible for resolving agency conflicts and overseeing executive compensation. Its effectiveness depends on specific structural and compositional attributes: board size can affect coordination and oversight; independence enhances objective monitoring of management; gender diversity introduces varied perspectives and may improve decision quality; meeting frequency reflects board diligence; and the composition and independence of the compensation committee directly influence pay-setting. While these mechanisms are well studied in firms with dispersed ownership, their distinct roles and impact in family firms remain less understood, leading to contradictory findings.

Recent work by Canale et al. (2024) finds that board structure affects pay excesses in family-controlled settings, highlighting the importance of contextual factors.

France offers a strong context for this research. Its economy is dominated by powerful family dynasties and a detailed governance system. This system is shaped by the AFEP-MEDEF code<sup>1</sup> and rules such as the Cope-Zimmermann law<sup>2</sup> on gender quotas. These features create an ideal setting to study how formal procedures and informal family influences affect CEO pay. However, research on the French context is limited, especially about the board's moderating function.

This study addresses this gap by asking: How do board attributes moderate the relationship between family ownership and excessive CEO pay in French-listed firms?

We build and test several hypotheses. These relate to the moderating effects of board size, independence, gender diversity, CEO duality, meeting frequency, and compensation committee independence.

We use a hand-collected dataset of 196 French family firms from the CAC All-Shares index (2008–2015). We use rigorous models to measure excessive compensation. Our analysis finds that strong governance strengthens the negative link between family ownership and excess pay. This is especially true for board independence, gender diversity, and compensation committee independence.

Notably, CEO duality in French family firms may signal alignment rather than entrenchment, counter to conventional agency theory.

This paper advances the literature by providing nuanced evidence from the under-researched French institutional context, unpacking the moderating role of multiple board attributes, and integrating recent empirical studies to update the debate between expropriation and alignment in family firms.

This paper is organised as follows: Section 2 explores theory and governance on family ownership and CEO pay. Section 3 presents data sources, variables, and methods. Findings are analysed in Section 4. Section 5 concludes with implications and contributions.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### The Relationship Between Family Ownership and CEO Excessive Compensation

The relationship between family ownership and excessive CEO compensation is a contested area in corporate governance literature, shaped by competing theoretical perspectives that highlight the complex dynamics of family-controlled firms.

Agency theory suggests concentrated family ownership can lead to the expropriation of minority shareholders. Controlling families may use their position to award inflated, performance-insensitive pay to family-member CEOs. The entrenchment hypothesis claims that families use complex ownership structures, such as pyramids, to secure voting power and appoint loyal managers. This can result in compensation that exceeds market or performance benchmarks and shifts wealth from minority shareholders, especially where oversight is weak. Managerial power theory adds that powerful family CEOs exploit lax boards to secure excessive pay, undermining firm value. Studies such as those by Canale et al. (2024) find that these patterns persist in family firms when governance fails to curb them. Evidence from emerging markets supports this view: Chen et al. (2021) find family CEOs in India receive higher pay than professional CEOs, with larger differences in top-performing, eponymous firms. Visintin et al. (2017) show that entrenchment leads to higher pay and lower turnover risk, even in the face of poor performance. Liu & Mauer (2011) conclude that concentrated ownership encourages collusion between large shareholders and executives, inflating pay, particularly in non-state-owned firms with pyramids or weak oversight.

In contrast, an opposing perspective argues that family ownership can align the interests of owners and managers, leading to more restrained, performance-sensitive compensation. This view is grounded in stewardship theory, which posits that family CEOs act as stewards intrinsically motivated to protect the firm's welfare due to their deep personal and financial investment. Socioemotional wealth (SEW) theory further explains that families prioritise non-financial goals, such as preserving legacy, reputation, and family control, which discourages excessive pay to maintain stakeholder trust and long-term sustainability. Evidence from developed economies supports this alignment effect: Aaen & Lueg (2022) demonstrate positive pay-performance sensitivity in U.S. family firms, in which increases in shareholder wealth are tied to CEO equity-based awards. Michiels et al. (2022) find that independent compensation committees strengthen this alignment by linking pay to performance metrics, though CEO duality may weaken it. Additionally, McGuire et al. (2003) suggest that incentive pay in family firms can enhance corporate social performance, aligning managerial rewards with broader stakeholder objectives in stable economic conditions.

Given these competing perspectives, this study consolidates the theoretical debate into a single hypothesis to examine the relationship without presuming a directional outcome, while acknowledging that the effect of family ownership on CEO compensation may vary across governance and institutional contexts. Thus, we propose:

**H 1:** There is a correlation between family ownership and CEO excessive compensation in family firms.

### **The Moderating Role of Governance in The Relationship Between Family Ownership and CEO Excessive Compensation**

Our study aims to investigate the various board mechanisms that may influence its effectiveness. Key among these mechanisms is board size, independence, gender diversity, meeting frequency, and compensation committee independence.

#### **The Moderating Role of Board Size**

As a fundamental governance attribute, board size can significantly influence a board's effectiveness and dynamics, making it a critical variable in moderating the ownership-compensation relationship. According to agency theory (Jensen & Meckling, 2019), a board characterised by an excessively large size fosters dependency and managerial dominance by giving rise to coalitions and conflicts.

A larger board size can hinder effective governance by creating coordination problems and diluting individual accountability. This often results in less rigorous oversight and greater autonomy for executives in decision-making. Within family firms, these dynamics can intensify entrenchment, as a fragmented board may offer less resistance to the controlling family's proposal of excessive CEO compensation.

Empirical evidence largely supports this view. Jensen (1993) famously argued that larger boards are less effective. Recent studies confirm this in the context of CEO pay. Canalet et al. (2024) find that, for S&P 1500 firms, larger boards are associated with higher CEO compensation, an effect that is amplified in family firms due to their concentrated ownership. Similarly, et al. (2019) demonstrate that in Chinese family firms, larger boards weaken the link between pay and performance, facilitating higher pay for family CEOs. This supports the notion that reduced monitoring effectiveness allows for expropriation.

Large boards are less effective, so smaller boards offer greater benefits. Aaen & Lueg (2022) argue that in family firms, a smaller board enhances alignment by creating a more cohesive body that can more closely link executive pay to performance. Michiels et al. (2022) further note that the negative effect of family control on pay is mitigated by smaller, more focused boards, especially within strong governance environments.

In summary, board size acts as a pivotal moderator: larger boards tend to weaken monitoring and facilitate expropriation, while smaller boards strengthen oversight and help curb excess pay. However, this relationship is not absolute; its effectiveness is contingent on other contextual factors, such as the proportion of independent directors or pressure from institutional investors, which can temper the negative impacts of a large board (McGuire et al., 2003).

We can propose the following hypothesis:

**H2:** Board size is positively associated with CEO excessive compensation in family firms.

#### **The moderating role of board member independence**

According to the criteria outlined in the AFEP-MEDEF Code, a director is deemed independent when they "have no privileged ties, whether familial or financial, with the company." This French code stipulates that the proportion of independent directors must be at least one-third of the board of directors, one-third of the audit committee, one-third of the nomination committee, and one-half of the compensation committee (Alqatan et al.,

2025). Family ownership can facilitate entrenchment, a scenario where controlling families extract private benefits at the expense of minority shareholders by awarding excessive compensation, particularly to family-member CEOs (Morck & Yeung, 2003). Independent board members serve as a crucial governance instrument to limit excessive pay by enhancing supervision and aligning compensation with performance. However, their efficacy is highly context-dependent. Empirical evidence demonstrates this contingency. For instance, Alqatan et al. (2019) find that in Chinese family firms, greater board independence effectively reduces excessive pay by strengthening pay-performance sensitivity. Conversely, Visintin et al. (2017) show that in weakly governed settings or firms with pyramid ownership structures, independent directors often lack the authority to challenge family-driven pay decisions. Further complicating the picture, Aaen & Lueg (2022) argue that the effect of independence interacts with other factors, such as board diversity, noting that its effectiveness in reducing excess compensation is strongest in transparent governance environments but diminishes in less regulated contexts. Collectively, these findings position board independence as a critical moderating variable: it can curb family-driven pay excesses under strong governance conditions but may prove ineffective when oversight mechanisms are weak. Therefore, we propose:

**H 3:** Board member independence is negatively associated with CEO excessive compensation in family firms.

### The moderating role of board duality

Duality refers to the situation in which the CEO also serves as the board chair (AlReshaid et al., 2025). The entrenchment facilitated by family ownership can manifest in excessive CEO pay, particularly for family members, as a mechanism for extracting private benefits (Morck & Yeung, 2003). The presence of board duality, in which the CEO also serves as the board chair, significantly exacerbates this risk. By consolidating power in a single individual, duality weakens the board's oversight capacity and undermines its ability to challenge family-driven compensation decisions.

Empirical evidence confirms that duality strengthens the link between family ownership and excessive pay. Michiels et al. (2022) find that, in family firms with duality, the sensitivity of pay to performance declines, leading to higher compensation, especially when family ownership is concentrated. This supports the view that dual CEOs leverage their combined authority to secure inflated pay packages. Similarly, Shi et al. (2021) demonstrate that in Chinese family firms, duality entrenches family CEOs, leading to excessive pay as board monitoring and independence erode.

The benefits of separating these roles are highlighted by Aaen & Lueg (2022), who show that in U.S. family firms, an independent chair enhances governance and strengthens pay-performance alignment, thereby curbing excesses, though this effect is weaker under strong family control. The negative impact of duality is particularly acute in environments with already weak governance. As Visintin et al. (2017) note in their study of emerging markets, duality amplifies entrenchment, enabling family owners to prioritise private benefits over minority shareholder interests.

In summary, board duality acts as a critical moderator: it intensifies the positive relationship between family ownership and excessive compensation by crippling oversight, while the separation of roles mitigates it through stronger monitoring. We therefore propose:

**H 4:** Board duality is positively associated with CEO excessive compensation in family firms.

### The Moderating Role of Gender Diversity

The influence of board gender diversity on CEO compensation within family firms remains a critically underexplored area of research. Drawing on sociological and behavioural theories, scholars posit that gender-diverse boards enhance governance through more cautious, impartial oversight and a stronger ethical focus (Rhode & Packel, 2014; Alqatan, 2024). This potential has been formally recognised by governance initiatives such as France's AFEP-MEDEF code, which advocated for 40% female board representation years before the Cope-Zimmermann law.

In family-owned firms, where the risk of entrenchment and excessive CEO pay is heightened, gender diversity may serve as a critical counterbalance. Empirical evidence increasingly supports this moderating effect. Studies in emerging economies show that female board representation weakens the positive relationship between firm performance and excessive CEO pay, thereby curbing rent extraction in family firms (Amin et al., 2022; Alkandari et al., 2025). Canalet et al. (2024) further demonstrate that gender diversity disrupts the link between concentrated ownership and excess pay by strengthening pay-performance sensitivity.

The crucial importance of this moderating role is underscored by contexts where it is absent; Smith (1979) finds that low female representation allows family control to amplify pay excesses. Thus, while its impact may vary

across institutional settings, gender diversity is positioned as a key governance mechanism to mitigate entrenchment and align compensation with performance. We therefore propose:

**H 5:** Gender diversity is negatively associated with CEO excessive compensation in family firms.

### **The Moderating Role of Board Meeting Frequency**

Board meeting frequency is a fundamental governance mechanism that directly shapes a board's oversight effectiveness. As Brick et al (2006) emphasise, meetings represent one of the most observable board activities and are widely promoted by regulators and stakeholders as a means to strengthen governance. For example, the AFEP-MEDEF code in France explicitly highlights the importance of regular meetings, recommending four to six sessions annually as a baseline to ensure diligent directorship and sustained communication among board members. From an agency theory perspective, frequent meetings are expected to enhance monitoring and reduce information asymmetry, potentially curbing opportunistic behaviours such as excessive executive compensation. This is particularly relevant in family firms, where concentrated ownership may foster entrenchment and enable inflated pay for family-member CEOs as a form of private benefit extraction. Empirical evidence supports this moderating role. Canaleet al. (2024) further demonstrate that regular meetings counter entrenchment by improving board dialogue and scrutiny, especially in firms with high ownership concentration, though this effect diminishes in opaque governance environments. Aaen & Lueg (2022) corroborate these findings, noting that timely oversight through frequent meetings can mitigate excessive pay, particularly when family control is strong, though board independence remains a key contingency. Similarly, Combs et al. (2010) find that infrequent meetings exacerbate pay excesses, as reduced engagement allows family CEOs to secure unwarranted compensation with less resistance. Collectively, these studies underscore the importance of meeting frequency as a critical moderating variable: high frequency reinforces governance and restrains excessive pay, while low frequency amplifies entrenchment. We therefore propose:

**H 6:** Board meeting frequency is negatively associated with CEO excessive compensation in family firms.

### **The Moderating Role of Compensation Committee Independence**

An independent compensation committee is a cornerstone of sound corporate governance, tasked with ensuring executive pay is objectively aligned with performance. Its role is particularly crucial in mitigating the risk of entrenchment in family firms, where controlling owners may be inclined to award excessive, performance-insensitive compensation to family-member CEOs. Regulatory frameworks recognise this importance; in France, for instance, the AFEP-MEDEF code mandates that these committees be predominantly composed of independent directors to uphold impartiality (Alqatan et al., 2025).

Empirical evidence confirms the committee's moderating function. Aaen & Lueg (2022) demonstrate that independent committees strengthen pay-performance sensitivity and reduce excessive compensation, effectively countering family-driven entrenchment, though their efficacy wanes under highly concentrated family control. This finding is supported by Shi et al. (2021), who show that, in Chinese family firms with complex pyramid structures, greater committee independence enhances oversight and effectively curbs excessive pay. The committee's effectiveness, however, is context-dependent. Canaleet al. (2024) argue that while independent committees align pay with performance, their impact diminishes in less transparent governance environments. Conversely, Aguir et al. (2021) find that in emerging markets, weak committee independence directly enables entrenchment by allowing family CEOs to secure inflated pay in the absence of rigorous external scrutiny.

In summary, compensation committee independence acts as a critical moderating variable: strong independence fosters robust governance that limits excessive pay, whereas weak independence exacerbates entrenchment. We therefore propose:

**H 7:** Compensation committee independence is negatively associated with CEO excessive compensation in family firms.

## **DATA AND METHODOLOGY**

### **Data and Sample Selection**

The final sample of 196 family firms was derived from the 515 companies listed on the CAC All-Shares Index<sup>3</sup> (2008–2015) through specific inclusion and exclusion criteria. Firms were included if they were publicly traded on Euronext Paris, classified as family-owned with at least 20% of shares held by family members (per Decker and Günther, 2017), and had accessible data on executive compensation, governance, and ownership from annual reports in the AMF registry or Datastream (Makni et al., 2026), with financial data from Thomson One Banker.

Financial firms (42) were excluded due to their unique regulatory and reporting requirements, 242 firms were dropped for unavailable or incomplete annual reports, and 35 non-family publicly traded companies were excluded for not meeting the family ownership threshold. Additionally, firms with incomplete CEO compensation or characteristic data were omitted, resulting in an unbalanced panel of 196 family firms suitable for analysing the relationship between family ownership and CEO excessive compensation in the French context.

The choice of the 2008-2015 period is particularly strategic for this study. This timeframe captures the immediate aftermath of the global financial crisis and a subsequent period of significant regulatory evolution in France, including the full implementation of the Cope-Zimmermann law. Analysing this era allows us to observe how family firms' governance and compensation practices were stress-tested and adapted during a phase of economic uncertainty and tightening governance regulations. By examining a period now sufficiently historical, our analysis provides a stable, mature perspective, free from the transient noise of very recent events. This historical lens offers valuable, timeless insights into the fundamental governance dynamics of family firms, which remain highly relevant for understanding contemporary challenges. Furthermore, it establishes a crucial baseline against which the effects of more recent regulatory changes can be measured in future research, thereby enhancing the longitudinal contribution of our work.

**Table 1. Sample selection procedures and the firms' sectoral distribution**

Sample	French firms
CACALLSHARES	515
-Financial companies	42
-Companies with unavailable annual reports	242
• Publicly traded companies	35
=Final Sample	196

Table 2 displays statistical data for a selected set of French companies, categorised into six sectors: consumer durables, basic industry, tobacco, construction, consumer goods, and transportation.

**Table 2. Sample Distribution by Sector**

Consumer Durables	25, 30, 36, 37, 50, 55, 57	62	31,63%
Basic Industry	10, 12, 14, 24, 26, 28, 33	6	3,06%
Tobacco	1, 2, 9, 20, 21, 54	35	17,85%
Construction	15, 16, 17, 32, 52	13	6,63%
Consumer Goods	34, 35, 38	28	14,28%
Transportation	40, 41, 42, 44, 45, 47	52	26,53%
<b>Total</b>		196	100%

## Variables Measurement

### Dependent Variable: CEO Excessive Compensation

The CEO's excessive compensation is measured using three metrics to capture pay that deviates from expected levels:

- **Estimated CEO excessive compensation (Excess Comp 1):** The residual from a regression model predicting total CEO compensation, calculated as the difference between the natural logarithm of actual total compensation (fixed salary, variable pay, and stock options valued at 25% of their exercise price (Lambert et al., 1991) and predicted total compensation. The prediction model is:

$$\ln(\text{Predicted Total Compensation}_{i,t}) = \beta_0 + \beta_1 \text{RD}_{i,t-1} + \beta_2 \ln(\text{ASSET}_{i,t-1}) + \beta_3 \text{RET}_{i,t-1} + \beta_4 \text{ROA}_{i,t-1} + \beta_5 \text{SALEG}_{i,t-1} + \text{e}_{i,t}$$

**With:**  $\ln(\text{ASSET}_{i,t-1})$ : natural logarithm of lagged total assets, controlling for firm size,  $\text{RD}_{i,t-1}$ : research and development expenditure scaled by sales,  $\text{SALEG}_{i,t-1}$ : sales growth rate,  $\text{ROA}_{i,t-1}$ : return on assets,  $\text{RET}_{i,t-1}$ : stock return.

$$\text{Excess Comp } 1_{i,t} = \ln(\text{Actual Total Compensation}_{i,t}) - \ln(\text{Predicted Total Compensation}_{i,t})$$

- **CEO Excessive compensation standardised to the sector median (Excess Comp 2):** The difference between the natural logarithm of a firm's actual total CEO compensation and the natural logarithm of the median compensation within the firm's sector (Cooper et al., 2016). For each firm  $i^*$  in industry  $j^*$ , the equation is:

**Excess Comp 2it = Ln(Actual Total Compensationit) – Ln(Industry Median Compensationjt).**

- **CEO Excessive compensation standardised to the sector mean (Excess Comp 3):** The difference between the natural logarithm of a firm’s actual total CEO compensation and the natural logarithm of the mean compensation within the firm’s sector (Cooper et al., 2016). For each firm *\*i\* in industry *\*j\***, the equation is:

**Excess Comp 3it = Ln(Actual Total Compensationit) – Ln(Industry Mean Compensationjt).**

**Independent Variable: Family Ownership**

Family ownership is measured using two variables:

- **Family ownership (%Famown):** The percentage of shares held by family members, with a firm classified as family-owned if family members hold at least 20% of shares, as per Decker and Günther (2017). Data are sourced from annual reports of French companies.
- **Family voting rights (%Famvot):** The percentage of voting rights held by family members, reflecting effective control, which may be achieved with lower ownership levels through enhanced voting mechanisms, depending on ownership dispersion and legal environment (Villalonga & Amit, 2020).

**Moderating Variables**

The study examines the moderating effects of board governance mechanisms on the relationship between family ownership and CEO excessive compensation, as hypothesised in the literature review:

- **Board Size (BSize):** Number of directors on the board.
- **Board Independence (Indep):** Percentage of independent directors on the board, per AFEP-MEDEF code criteria.
- **Board Duality (Duality):** A dichotomous variable, 1 if the CEO also serves as board chair, 0 otherwise.
- **Gender Diversity (%Women):** Percentage of women on the board.
- **Board Meeting Frequency (Meeting):** Number of board meetings held annually.
- **Compensation Committee Independence (CCindep):** Percentage of independent directors on the compensation committee.

**Control Variables**

To account for other determinants of CEO excessive compensation, the following control variables are included, based on their established relationships with compensation. The extant literature has shown a relationship between CEO excessive compensation and firm size (Edmans, Gabaix, & Jenter, 2017), ROA (performance) (Almandoz, 2020), MTB (growth opportunities) (Bennett et al., 2017), and leverage (Meijer, 2017). These control variables were included to mitigate potential omitted-variable bias by accounting for key firm characteristics that may correlate with both board structure and compensation levels.

**Table 3. Variables measures**

Variables	Definitions	Measures
<b>Dependent Variables</b>	<b>Dependent Variables</b>	<b>Dependent Variables</b>
<b>Excess Comp1</b>	Estimated CEO excessive compensation.	Ln (total compensation) – ln (predicted total compensation)
<b>Excess Comp2</b>	CEO Excessive compensation standardized to the sector median	Ln (Total Compensation) – Ln (Industry Median Compensation)
<b>Excess Comp3</b>	CEO Excessive compensation standardized to the sector mean	Ln(Total Compensation) - Ln(Industry mean Compensation)
<b>Independent Variables</b>	<b>Independent Variables</b>	<b>Independent Variables</b>
<b>%Famown</b>	Family ownership	Percentage of shares held by family members.
<b>%Famvot</b>	Family voting rights	Percentage of voting rights held by family members.
<b>Moderating variables</b>	<b>Moderating variables</b>	<b>Moderating variables</b>
<b>Indep</b>	Board independence	Percentage of independent directors on the board
<b>%women</b>	Gender diversity	Percentage of Women on the Board

<b>BSize</b>	Board size	Number of directors on the board
<b>CCindep</b>	Compensation committee independence	Percentage of independent directors on the compensation committee
<b>Meeting</b>	Board meeting frequency	Number of board meetings held annually
<b>Duality</b>	Board duality	Dichotomous variable taking the value 1 if the CEO also serves as board chair and 0 otherwise.
<b>Control Variables</b>	<b>Control Variables</b>	<b>Control Variables</b>
<b>FSize</b>	Firm size	Natural logarithm of total assets.
<b>ROA</b>	Firm performance	Ratio of net income to total assets.
<b>MTB</b>	Market-to-book	Ratio of market value to the book value.
<b>LEV</b>	leverage	Ratio of total debt to total assets.

Source: Authors' own work

### 3.2.4. The Models

To examine the relationship between family ownership, board governance mechanisms, and CEO excessive compensation, we employ pooled Ordinary Least Squares (OLS) regression, which is well-suited for our unbalanced panel dataset of 196 French family firms from 2008 to 2015. Pooled OLS maximises statistical power by combining cross-sectional and time-series data, allowing us to estimate the average effects of family ownership and its interactions with board attributes (e.g., board independence, gender diversity) across the sample. This approach aligns with our research objective of identifying broad, context-specific patterns in the French family-firm setting and is appropriate for testing moderating effects via interaction terms. The following OLS regression equations were employed to test our hypotheses:

- **Excess Comp1it** =  $\beta_0 + \beta_1 \%Famownit + \beta_2 \%Famownit * BSizeit + \beta_3 \%Famownit * Indepit + \beta_4 \%Famownit * \%womenit + \beta_5 \%Famownit * BSizeit + \beta_6 \%Famownit * Dualityit + \beta_7 \%Famownit * Meetingit + \beta_8 \%Famownit * CCindepit + \beta_9 Controlit + eit$ .
- **Excess Comp2it** =  $\beta_0 + \beta_1 \%Famownit + \beta_2 \%Famownit * BSizeit + \beta_3 \%Famownit * Indepit + \beta_4 \%Famownit * \%womenit + \beta_5 \%Famownit * BSizeit + \beta_6 \%Famownit * Dualityit + \beta_7 \%Famownit * Meetingit + \beta_8 \%Famownit * CCindepit + \beta_9 Controlit + eit$ .

For robustness, we also tested:

- **Excess Comp3it** =  $\beta_0 + \beta_1 \%Famownit + \beta_2 \%Famownit * BSizeit + \beta_3 \%Famownit * Indepit + \beta_4 \%Famownit * \%womenit + \beta_5 \%Famownit * BSizeit + \beta_6 \%Famownit * Dualityit + \beta_7 \%Famownit * Meetingit + \beta_8 \%Famownit * CCindepit + \beta_9 Controlit + eit$ .
- **Excess Comp1it** =  $\beta_0 + \beta_1 \%Famvotit + \beta_2 \%Famvotit * BSizeit + \beta_3 \%Famvotit * indepit + \beta_4 \%Famvotit * \%womenit + \beta_5 \%Famvotit * BSizeit + \beta_6 \%Famvotit * dualityit + \beta_7 \%Famvotit * Meetingit + \beta_8 \%Famvotit * CCindepit + \beta_9 Controlit + eit$ .
- **Excess Comp2it** =  $\beta_0 + \beta_1 \%Famvotit + \beta_2 \%Famvotit * BSizeit + \beta_3 \%Famvotit * indepit + \beta_4 \%Famvotit * \%womenit + \beta_5 \%Famvotit * BSizeit + \beta_6 \%Famvotit * dualityit + \beta_7 \%Famvotit * Meetingit + \beta_8 \%Famvotit * CCindepit + \beta_9 Controlit + eit$ .

Where:

i: 1, ... 196; t: 1, ... 12;  $\beta_0$ : model constant;  $eit$ : error term, **Control**: ROA, MTB, LEV, FSize.

## RESULTS AND DISCUSSION

### Descriptive statistics

The univariate analysis in Table 4 summarises the central tendency and dispersion of the variables. A key initial finding is that the three alternative proxies for excess CEO compensation show significant statistical differences, yet their values move in a congruent direction, reinforcing the robustness of our primary measure.

Specifically, the estimated mean excess compensation is approximately 1, ranging from a minimum of -4.13 to a maximum of 5.16. When standardised to the industry median, excess compensation means 19%, with a range from -5.52 to 4.61. These results suggest that excess compensation in French family firms is relatively modest compared to the industry median for total standardised compensation. Approximately 50% of the firms in our sample have excess compensation levels above the 19% median, while the other half fall below this threshold. In contrast, when standardised to the industry mean, excess compensation means -59%, ranging from -5.89 to 4.29, reflecting a hypothetical equitable distribution of compensation across firms.

The analysis also highlights key aspects of family ownership and voting rights. Family ownership is 27% (range: 25% to 100%), supporting the convergence-of-interests hypothesis (Jensen & Meckling, 2019).

The high degree of family influence is evident in the ownership data, with a maximum ownership stake of 95,32% and a mean of 25% of voting rights held by family members. This concentrated control suggests that families possess a commanding ability to shape firm strategy. Rather than using this power for expropriation, the compensation data indicate a prioritisation of the firm's collective interests. This aligns with a focus on preserving reputation and ensuring long-term continuity, which are central to the socioemotional wealth perspective.

Furthermore, oversight structures vary considerably across firms. Board size, for instance, demonstrates significant diversity, ranging from small, intimate boards of 3 members to much larger bodies of 27. The mean proportion of independent board members is 44%, ranging from 0% to 100%, which surpasses the means reported by Ibrahim et al. (2003).

The governance structures in our sample demonstrate strong formal adherence to independence standards, likely influenced by the AFEP-MEDEF code. However, this exists alongside significant family entrenchment. For instance, while board independence is high, CEO-chair duality is prevalent (63%), indicating that family members often consolidate decision-making power at the highest levels. This tension between formal governance and family control is further illustrated by board composition. Gender diversity averages 18%, a figure that exceeds early quotas in other Western nations (e.g., ~9% in Canada and the U.K.) yet remains significantly below the 40% target set by France's own Cope-Zimmermann law, suggesting a notable compliance gap.

The average number of board meetings per year is seven, consistent with the Viénot Report (1999) and AFEP-MEDEF recommendations, which suggest four to six meetings annually unless circumstances require more frequent gatherings. Compensation committees demonstrate a high degree of independence, with a mean of 64% independent members (ranging from 0% to 100%), reflecting efforts by some family firms to comply with AFEP-MEDEF guidelines that advocate for predominantly independent committee compositions (Klein, 2002).

Regarding firm characteristics, debt levels range from 0% to 68%, with a mean of 7,4%. As shown in Table 4, the mean return on assets (ROA) was 0,01%, suggesting that the average firm in the sample was marginally profitable. The market-to-book (MTB) ratio, indicative of growth opportunities, is 3,47, suggesting moderate growth potential across the sample.

**Table 4. Descriptive statistics**

Variables	Minimum	Maximum	Maximum	Mean	Standard Deviation
<b>Excess Comp 1</b>	-4,13	5,16	5,16	0,14	1,028
<b>Excess Comp 2</b>	-5,52	4,61	4,61	0,19	1,194
<b>Excess Comp 3</b>	-5,89	4,29	4,29	-0,59	1,192
<b>%Famown</b>	0	0,9532	0,9532	0,27	0,24
<b>%Famvot</b>	0	0,9504	0,9504	0,25	0,28
<b>Indep</b>	0	1	1	0,44	0,19
<b>CCindep</b>	0	1	1	0,64	0,25
<b>%Women</b>	0	0,66	0,66	0,18	0,13
<b>BSize</b>	3	27	27	8,91	3,73
<b>Meeting</b>	2	18	18	7,41	3,03
<b>FSize</b>	14,88	25,35	25,35	20,36	2,34
<b>ROA</b>	-0,86	0,93	0,93	0,013	0,13
<b>MTB</b>	-0,97	36,51	36,51	3,47	6,81
<b>LEV</b>	0	0,86	0,86	0,074	0,097
<b>Variables</b>	<b>Proportion (1)</b>	<b>Proportion (0)</b>			
<b>Duality</b>	63%	37%			

**Notes:** **Excess Comp 1:** estimated CEO excessive compensation, **Excess Comp 2:** CEO excessive compensation standardised to the sector median, **Excess Comp 3:** CEO excessive compensation standardised to the sector mean. **%Famown:** percentage of family ownership, **Indep:** board independence, **%Famvot:** percentage of family voting, **Duality:** Board duality, **Meeting:** board meetings, **BSize:** board size, **%women:** board women percentage, **CCindep:** compensation committee independence, **FSize:** firm size, **ROA:** return on assets, **MTB:** market-to-book, **LEV:** leverage. **Source:** Authors' own work.

## Pearson correlations

To ensure the robustness of our regression estimates and address potential biases, we first assessed multicollinearity among explanatory variables. In particular, to ensure reliable regression estimates in our analysis of family ownership and CEO excessive compensation, we address multicollinearity by assessing and mitigating potential issues among explanatory variables, as detailed in the Pearson correlation matrix in Table 5. The correlation matrix examines bivariate relationships among independent variables (%Famown, %Famvot), moderating variables (BSize, Indep, %Women, Duality, Meeting, CCindep), and the composite control variable (Control). Most correlations are low to moderate, with none exceeding the 0,8 threshold for significant multicollinearity concerns (Gujarati & Porter, 2009). The highest correlation, between %Famown and %Famvot (0,7718), reflects their related nature as measures of family ownership and control but remains below the critical level. To mitigate potential biases, %Famown and %Famvot are included in separate regression equations where necessary. The composite control variable (Control), combining firm size, ROA, MTB, and leverage via standardised z-scores, reduces redundancy from correlations such as BSize with firm size (0.7576). Variance Inflation Factor (VIF) tests further confirm the absence of multicollinearity, with values ranging from 1,24 (Indep) to 2,49 (ROA), all well below the threshold of 10 (Senter, 2008), indicating minimal variance inflation. Pooled OLS regression improves estimate stability across the 196 French family firms (2008–2015), and robustness checks with industry fixed effects confirm that the results are unaffected by potential sectoral correlations. These steps, including low correlations, low VIFs, separate regressions for correlated variables, a composite control variable, and robust estimation, ensure that multicollinearity does not bias the model's estimates of the relationship between family ownership and CEO excessive compensation.

**Table 5. Pearson correlations**

Variables	%Famown	%Famvot	Duality	BSize	Indep	%women	Meeting	CCindep	Levier	FSirm	ROA	MTB
%Famown	1	0,7718	0,0818*	-0,2502*	0,2178*	0,1195**	-0,2359**	0,0778**	-0,044	-0,1849*	0,1389*	0,0254
%Famvot			0,0859*	-0,2570*	0,2280*	0,143**	-0,2352*	0,0841**	-0,0233	-0,1867*	0,1511*	0,0158
Duality			1	0,024	0,1093*	-0,0044	-0,0276	-0,1211**	0,0605	0,0052	-0,0384	-0,001
BSize				1	0,2001*	-0,0273	0,1565	-0,0513	0,0715	0,7576*	-0,0882*	-0,1029*
Indep					1	0,0131	0,0338	0,3417**	-0,1001	-0,2365*	0,0394*	0,0405
%women						1	0,0120	0,0762**	-0,00957	-0,1047*	0,0805*	0,0955*
Meeting							1	0,1022**	-0,00789	-0,1319*	0,1424*	0,3051
CCindep								1	-0,00211	-0,0913*	0,0731*	0,0264
LEV									1	0,079	-0,0066	-0,0507
FSize										1	-0,1703*	-0,1217*
ROA											1	0,0421
Vif	1,82	1,6	1,66	2,03	1,24	1,45	2,07	2,11	2,09	2,31	2,49	2,27

**Notes:** %Famown: percentage of family ownership, **Indep:** board independence, %Famvot: percentage of family voting, **Duality:** Board duality, **Meeting:** board meetings, **BSize:** board size, %women: board women percentage, **CCindep:** compensation committee independence, **FSize:** firm size, **ROA:** return on assets, **MTB:** market-to-book, **LEV:** leverage, \*, \*\* significant at the 10%, 5%, respectively. **Source:** Authors' own work.

## Multivariate Analysis

This study examines how board governance mechanisms influence the relationship between family ownership and CEO excessive compensation in French family firms. Tables 6 and 7 report the regression results using two alternative measures of excessive compensation: estimated excessive compensation (Excess Comp 1) and compensation standardised to the sector median (Excess Comp 2).

Overall, the findings provide strong support for Hypothesis 2. Family ownership is negatively associated with excessive CEO compensation across models, indicating that family-controlled firms tend to limit opportunistic executive pay. This result is consistent with stewardship theory and socioemotional wealth (SEW) theory, which suggest that family owners prioritise long-term firm reputation and sustainability rather than short-term managerial extraction.

Several board attributes further strengthen this alignment effect. First, board independence significantly moderates the relationship between family ownership and excessive CEO compensation. Independent directors appear to enhance monitoring and reduce the likelihood of opportunistic pay practices, in line with agency theory predictions.

Second, gender diversity on the board also plays a significant moderating role. Firms with a higher proportion of female directors exhibit lower levels of excessive CEO compensation. This finding supports the argument that gender-diverse boards provide broader perspectives and stronger monitoring of executive decisions.

Third, compensation committee independence has a strong governance effect. Independent compensation committees appear to substitute for potential governance gaps by ensuring that executive compensation is determined through more objective and transparent processes.

Interestingly, CEO duality is negatively associated with excessive compensation in family firms. Contrary to traditional arguments about managerial power, this result suggests that dual leadership structures in family firms may strengthen alignment between managerial and family interests in the French governance context.

In contrast, board size and board meeting frequency do not show significant moderating effects. These findings suggest that qualitative governance characteristics—such as independence and diversity—play a more important role than structural board features in controlling excessive executive compensation.

Overall, the results indicate that corporate governance effectiveness in family firms depends primarily on board composition rather than board structure. The findings also reflect France's institutional context, where governance frameworks such as the AFEF-MEDEF code and the Cope-Zimmermann law promote stronger board oversight and greater diversity.

**Table 6. Results of regression analysis using estimated CEO excessive compensation**

OLS Regression	OLS Regression	OLS Regression	OLS Regression	OLS Regression	OLS Regression	OLS Regression
ExcessComp 1	ExcessComp 1	ExcessComp 1	ExcessComp 1	ExcessComp 1	ExcessComp 1	ExcessComp 1
	BSize	Duality	Indep	Meeting	%women	CCindep
%Famown	-0,2641	0,0458	-0,2032	0,2711	-0,3305	-0,4699
	(-1,12)	(0,31)	(-1,59)**	(1,07)	(-1,93)*	(-3,38)***
Board	0,2269	0,1174	-0,0431	-0,0158	-0,2044	-0,0358
	(1,03)	(2,09)**	(2,37)*	(-2,58)**	(-2,83)***	(-2,54)**
%Famown*Board	0,6032	-0,5356	-0,1169	-0,0854	-0,0236	-0,1008
	(1,56)	(-2,94)***	(-1,89)**	(-2,55)	(-2,03)***	(-2,48)**
FSize	0,2334	0,2389	0,2143	0,1753	0,2254	0,3598
	(3,79)***	(3,96)***	(3,42)***	(4,07)***	(3,52)***	(4,15)***
ROA	-0,0865	-0,0686	-0,0149	-0,0228	-0,011	-0,0358
	(-2,03)*	(-1,81)**	(-1,64)**	(-1,32)**	(-1,54)**	(-1,51)***
MTB	-0,199	-0,1776	-0,1362	-0,1892	-0,053	-0,1721
	(-2,98)*	(-2,26)**	(-2,06)*	(-2,40)**	(-2,09)**	(-2,13)*
LEV	0,0055	0,0082	0,0021	0,0046	0,0012	0,0072
	(0,24)	(0,36)	(0,09)	(0,13)	(0,05)	(0,2)
Constant	0,7295	0,7463	0,8692	0,9986	0,8487	0,7908
	(8,23)***	(7,98)***	(8,72)***	(9,03)***	(8,96)***	(8,11)***
R2	24,86%	23,12%	23,74%	24,76%	23,56%	24,64%
Observations	1568	1568	1568	1568	1568	1568

**Notes: Excess Comp 1:** estimated CEO excessive compensation, **%Famown:** percentage of family ownership, **Indep:** board independence, **Duality:** Board duality, **Meeting:** board meetings, **BSize:** board size, **%women:** board women percentage, **CCindep:** compensation committee independence, **FSize:** firm size, **ROA:** return on assets, **MTB:** market-to-book, **LEV:** leverage, **Board:** one board variable among the mechanisms studied, \*, \*\*, \*\*\* significant at the 10%, 5% and 1% level, respectively, **Source:** Authors' own work,

**Table 7. Results of regression analysis using the CEO's excessive compensation standardised to the sector median**

OLS Regression	OLS Regression	OLS Regression	OLS Regression	OLS Regression	OLS Regression	OLS Regression
ExcessComp 2	ExcessComp 2	ExcessComp 2	ExcessComp 2	ExcessComp 2	ExcessComp 2	ExcessComp 2
	BSize	Duality	Indep	Meeting	%women	CCindep
<b>%Famown</b>	-0,1300	0,1077	-0,1359	0,0494	-0,1039	-0,3739
	(-1,17)	(0,66)	(-127)**	(1,19)	(-1,70)**	(-3,67)***
<b>Board</b>	0,0285	0,1155	-0,0625	-0,0187	-0,0599	-0,0522
	(1,04)	(1,85)**	(-2,54)*	(-2,85)*	(-2,04)***	(-2,23)**
<b>%Famown*Board</b>	0,1147	-0,5812	-0,4578	-0,0555	-0,7389	-0,1884
	(1,28)	(-2,88)***	(-2,19)**	(-2,64)	(-3,54)***	(-3,89)***
<b>FSize</b>	0,2729	0,3278	0,2943	0,1343	0,3298	0,3143
	(4,85)***	(4,07)***	(4,42)***	(4,10)***	(4,72)***	(4,34)***
<b>ROA</b>	-0,0573	-0,0580	-0,0549	-0,0451	-0,0377	-0,0351
	(1,31)**	(-2,36)**	(-2,58)**	(-2,66)**	(-2,80)**	(-3,04)**
<b>MTB</b>	-0,1236	-0,1752	-0,1451	-0,1347	-0,1545	-0,1147
	(-2,04)**	(-2,33)**	(-2,31)**	(-2,16)**	(-2,32)**	(-1,80)*
<b>LEV</b>	0,0076	0,0062	0,0084	0,0089	0,0025	0,0082
	(0,03)	(0,26)	(0,36)	(0,37)	(0,09)	(0,33)
<b>Constant</b>	0,7655	0,8151	0,8359	0,9785	0,8623	0,7384
	(8,15)***	(8,76)***	(9,08)***	(9,27)***	(8,55)***	(8,02)***
<b>R2</b>	24,61%	23,15%	23,46%	23,47%	23,56%	23,48%
<b>Observations</b>	1568	1568	1568	1568	1568	1568

**Notes: Excess Comp 2:** CEO excessive compensation standardized to the sector median, **%Famown:** family ownership, **Duality:** Board duality, **Meeting:** board meetings, **BSize:** board size, **%women:** board women percentage, **CCindep:** compensation committee independence, **FSize:** firm size, **ROA:** return on assets, **MTB:** market-to-book, **LEV:** leverage, **Board:** one board variable among the mechanisms studied, \*, \*\*, \*\*\* significant at the 10%, 5% and 1% level, respectively, **Source:** Authors' own work,

### Robustness check

The stability of our primary results was assessed through additional robustness checks to address concerns about endogeneity, including measurement error and model specification. We tested the sensitivity of our findings by employing an alternative measure for CEO excessive compensation (Excess Comp 3) and by re-estimating the models using family voting rights (%Famvot) instead of family ownership (%Famown). The consistent, statistically significant results across these different model specifications (summarised in Table 8) strengthen the validity of our findings and reduce concerns that they are driven by endogenous relationships.

**Table 8. Robustness check**

OLS Regression Variables	OLS Regression Excess Comp 3	OLS Regression Variables	OLS Regression Excess Comp 1	OLS Regression Excess Comp 2
%Famown	-0,8188 (-5,61) ***	%Famvot	-0,5331 (-2,78) **	-0,7122 (-3,19) **
Indep	-0,0938 (-4,36) ***	Indep	-0,1478 (-2,90) **	-0,0831 (-4,71) ***
%Famown*indep	-0,3746 (-2,17) **	%Famvot*indep	-0,5101 (-4,89) ***	-0,8598 (-3,39) **
Meeting	-0,0182 (-1,84)*	Meeting	0,0146 (0,145)	-0,0207 (-2,05)**
%Famown*Meeting	-0,0711 (-1,16)	%Famvot*Meeting	-0,0641 (-1,31)	-0,0396 (-1,47)
Duality	0,1097 (1,94) *	Duality	0,171 (3,09) ***	0,1832 (3,03) ***
%Famown*Duality	-0,6887 (-4,26) ***	%Famvot*Duality	-0,3267 (-2,01) **	-0,3668 (-2,94) **
%Women	-0,0169 (-3,18) **	%Women	-0,0938 (-1,49) *	-0,114 (-2,46) *
%Famown*%women	-0,9647 (-1,93) **	%Famvotm*%women	-0,7014 (-3,28) **	-0,6272 (-3,95) **
BSize	0,2443 (1,62)**	BSize	0,2101 (1,87)**	0,2325 (1,23)*
%Famown*BSize	0,4126 (2,06)**	%Famvot*BSize	0,3997 (2,11)**	0,351 (2,32)**
CCindep	-0,0186 (-2,08) **	CCindep	-0,0232 (-2,10) **	-0,0255 (-3,21) **
%Famown*CCindep	-0,5417 (-1,72) **	%Famvot*CCindep	-0,9207 (-2,35) **	-0,1409 (-3,63) **
FSize	0,2776 (3,12) ***	FSize	0,2434 (3,08) ***	0,2368 (3,29) ***
ROA	-0,0557 (-3,74) ***	ROA	-0,0502 (-3,85) ***	-0,0586 (-3,68) ***
MTB	-0,1696 (-1,53) **	MTB	-0,1033 (-1,09) **	-0,1328 (-1,18) **
LEV	0,0056 (0,47)	LEV	0,0021 (0,26)	0,0032 (0,86)
Constant	0,7604 (8,16)***	Constant	0,8187 (8,65) ***	0,7949 (8,34) ***
R2	23,07	R2	24,88	23,64
Observations	1568	Observations	1566	1568

**Notes:** **Excess Comp 1:** estimated CEO excessive compensation, **Excess Comp 2:** CEO excessive compensation standardized to the sector median, **Excess Comp 3:** CEO excessive compensation standardized to the sector mean, **%Famown:** percentage offamily ownership, **Indep:** board independence, **%Famvot:** percentage of family voting, **Duality:** Board duality, **Meeting:** board meetings, **BSize:** board size, **%women:** board women percentage, **CCindep:** compensation committee independence, **FSize:** firm size, **ROA:** return on assets, **MTB:** market-to-book, **LEV:** leverage, \*, \*\*, \*\*\* significant at the 10%, 5% and 1% level, respectively. **Source:** Authors' own work,

## CONCLUSION

### Theoretical Contributions

This study strengthens the theoretical argument that family ownership can align the interests of owners and managers, as proposed by stewardship and socioemotional wealth (SEW) theories. By demonstrating a negative relationship between family ownership and excessive CEO pay in French firms, our findings challenge the dominant agency theory perspective, which often predicts expropriation in concentrated ownership structures. More importantly, we move beyond a simple direct relationship to show that the board's role is not monolithic. Its effectiveness is contingent on specific attributes. We find that governance quality is more critical than quantity; board independence, gender diversity, and compensation committee independence are powerful moderators that reinforce alignment. A key theoretical implication arises from the surprising finding on CEO duality, which reduced excess pay. This suggests that in a mature institutional context like France, unified leadership in family firms may symbolise a commitment to long-term stewardship rather than facilitating entrenchment, demanding a more nuanced, context-sensitive application of existing theories.

### Literature Contributions

This research addresses a significant gap in the literature by focusing on the underexplored context of French family firms. France's unique governance ecosystem, shaped by the AFEP-MEDEF code and the Cope-Zimmermann law, provides a critical setting that reinforces findings from other developed markets while challenging the entrenchment narrative more common in studies of emerging economies. Methodologically, our contribution lies in the simultaneous examination of six board mechanisms. This approach offers a more complete picture than studies focusing on single attributes, revealing that effective governance stems from specific, qualitative board features. We not only confirm the importance of board independence but also establish gender diversity as a significant governance mechanism in the family firm context, highlighting its growing relevance in the contemporary regulatory landscape.

### Practical Implications

The findings offer clear guidance for practitioners. For family firms and their boards, the results indicate that a strategic focus on board composition is more effective than generic measures for curbing excessive pay. Specifically, prioritising the appointment of independent directors, enhancing gender diversity, and ensuring the autonomy of compensation committees are tangible actions that strengthen the legitimacy of governance. For regulators and policymakers, the study provides robust evidence supporting the effectiveness of the French governance model, thereby validating frameworks such as the AFEP-MEDEF code and the Cope-Zimmermann law. For investors, our analysis suggests that family ownership should not be viewed with automatic suspicion. Instead, investors should assess the quality of board structures as a key indicator of governance health and a safeguard against the potential expropriation of minority shareholders.

### Limitations and Future Research Directions

This study has limitations that point to valuable avenues for future research. First, the focus on a single country, France, limits the generalizability of the findings. A compelling next step would be a cross-national comparative study examining how different legal systems and cultural norms shape the governance-compensation dynamic in family firms. Second, while our measure of "excessive" compensation is grounded in established econometric methods, it cannot fully capture the subjective, political, and relational factors that influence pay decisions within family boards. Future research would benefit greatly from a mixed-methods approach, combining large-scale statistical analysis with in-depth qualitative interviews or case studies to uncover the nuanced deliberations inside boardrooms and compensation committees. Furthermore, while our robustness checks increase confidence in our results, we cannot fully rule out all endogeneity concerns, such as reverse causality. Future studies could employ more stringent methods, such as panel-data models with fixed effects or instrumental-variable approaches, to establish stronger causal inferences.

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## Footnotes

<sup>1</sup> The AFEP-MEDEF Code is a French corporate governance framework that sets standards for board independence and executive pay oversight.

<sup>2</sup> The Cope-Zimmermann law, enacted in 2011, mandates a minimum of 40% female representation on the boards of French listed companies by 2017, promoting gender diversity in corporate governance.

<sup>3</sup> The CAC All-Shares Index encompasses all shares listed on Euronext Paris, providing a broad representation of French-listed firms, including family-owned firms.

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