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# Are Founders Special? Evidence from Productivity Residuals from post-war Japan

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## **Abstract**

*A surprisingly large fraction of Japanese listed firms are controlled by founders and their heirs. We use a panel dataset containing substantially all firms listed on the four largest exchanges in Japan between 1949 and 1970, and estimate total factor productivity for these firms conditional on their ownership and control structure. In particular, we are interested in examining if founders, and their designated heirs, possess special qualities that manifest in higher TFP numbers. We find that both founders and their heirs display higher TFP relative to non-family firms. In particular, during the bubble period of the late 1980s, we find that the capital investment-TFP link is strongest for founders and their heirs vis-à-vis non-family firms.*

**KEYWORDS:** PRODUCTIVITY, CORPORATE GOVERNANCE, FAMILY BUSINESS, JAPAN.

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