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A Study of Agency Costs in Filipino Family Firms

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Abstract: This study aims to provide an empirical basis for determining whether Filipino family businesses are able to mitigate their agency costs. In accomplishing this, we analyzed and compared the behavior of costs in family and non-family controlled listed Filipino firms from 1999-2009 using a panel data analysis. We used the concept of sticky costs in determining symmetry of cost behavior. We find that the average family-controlled firm displays a symmetric cost behavior with fluctuations in demand conditions while the non-family firm shows otherwise. Our result shows that family businesses do not exhibit sticky cost behavior which allows us to surmise that they are able to mitigate their agency costs.

Key Words: Agency costs; family business; sticky costs