

# **Valuing family-owned Enterprises: A principal-agent Perspective**

Bachelor Thesis

in

Corporate Finance

at

**Swiss Banking Institute**

**University Zurich**

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Submission deadline: August 3<sup>rd</sup>, 2007

# **Executive Summary**

## **Executive Summary – Introduction**

This paper focuses on the relationship between entrepreneurs and their family-owned enterprises in a practical and theoretical way. It also explores the performance of family-owned enterprises and detects possible lacks in the current scientific landscape on family-owned enterprises.

In general, this paper gives a brief overview about family business combined with a focus on valuation from a principal-agent perspective.

## **Executive Summary – Use of this paper**

Although family business is a major part of the economy, still it is not represented adequate enough in economic science.

The use of this paper is that it gives a review in family business and debunks deficits in this subject.

From the beginning the focus was on the practical use of this information, so they can be represented in valuation of family business.

## **Executive Summary – Problem**

The main problem is that science on family business has no clear definition of family-owned enterprises. Out of this several problems result.

Another main problem is that family-owned enterprises do not publish their annual reports. Therefore accurate trends in statistic terms are hard to predict.

## **Executive Summary – Approaches**

In this paper different approaches and theoretical papers are combined with practical methods to form an entity. Literature on family business definitions and performance are combined with DCF & multiples calculations. Further interviews are made to give the reader an insight on the practical use of this paper.

## **Executive Summary – Recommendations**

1. Clearer definition of family-owned enterprises

- For example divided in three groups, like quoted, unquoted and small and mid-sized enterprises.
  - Therefore better and more precise prediction and information on family business performance.
  - Senseless comparison between *all* family-owned enterprises, the problem of general definitions.
2. Strategies how family-owned enterprises can reach a better performance.
    - Long-term perspective can be a value driver.
  3. Strong dependence on entrepreneurs is a value destroyer.