

## The Relationship among Family Business, Corporate Governance, and Firm Performance: An Empirical Assessment in the Tourism Sector

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### ABSTRACT

Tourism has been the subject of great attention of policy makers. The centrality of the sector derives from multiple factors including the high number of subjects employed within the supply chain the contribution to developing nations' economic growth and the environmental implications of establishing new productive activities. Under this scenario family holdings play a central role as the main types of organisations active in the sector. In this sense an understanding of these companies' financial performance cannot disregard the understanding of the governance mechanisms that characterize the same given the potential divergence between "family" and "business" objectives. The research aims to encourage the development of new empirical evidence about this business model providing specific contributions regarding the role of family members in companies' decision making mechanisms. For our purposes an empirical analysis based on the evaluation of 343 Italian hotels was built.

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### 1. INTRODUCTION

The past few years have seen increasing attention paid by policymakers to tourism industries (Meo et al.2020;Alola et al.2020). The centrality of these industries has been highlighted by tourism's central role in countries such as Italy France and the United Kingdom (Giaccio et al.2018;Bagnaresi et al.2019). An increasing number of reports underlined that investments in the cultural sector could represent enablers on citizens' wellbeing (Newell and Seabrook2006;Palmi et al.2016). Thus the comprehension of the dynamics related to economic systems development based on tourism enterprises represents an exciting issue for policymakers and NGOs (Rosato et al.2021;Mubangizi and Mwesigwa2019).

Italy represents one of the leading European countries characterized by a high degree of tourism attractiveness. In 2019 the tourism sector represented 13% of the Italian GDP for over 40 billion Euros (Bartoloni2020). Furthermore the disruptive impacts caused by COVID-19 on the tourism industry confirm the high degree of dependency on the sector. The topic's centrality within the Italian context is related to the high number of family firms involved in tourism activities (Peters2005). In particular a survey conducted by the Bank of Italy highlights that a significant number of hotels are managed by family firms (Banca d'Italia2018) . In this sense the sector is characterized by firms organized according to the Italian "modello padronale" representing a business model characterized by several criticisms. In particular several authors discussed the main strengths and weakness related to the adoption of this organizational model (Pellicelli2016;Illy2019; Di Cagno et al.2002 ). Prior studies on family businesses reveal different findings in terms of organizational implications related to family members' involvement. Furthermore other studies reveal the existence of externalities related to the existence of non-family shareholders within organizations. Thus scholars agreed about the opportunity to in-depth analyze family firms' characteristics (Harris and Ozdemir2020).

The paper aims consist of the evaluation of the determinants that impact on financial performance in Tourism and Hospitality (Venkatraman and Ramanujam1986). In particular the analysis evaluates the impact of the family's ownership on financial performance. The choice to focus the analysis on family firms is due to their central role in the tourism sector (Getz and Carlsen2005). Furthermore prior studies underlined their peculiarities that are typically oriented to maximizing the family's interests (Sciascia et al.2014;Cucculelli and Storai2015). For our purposes we analyzed a sample of 343 Italian hotels that exceed an overall number of 50 employees during the fiscal year 2019. In particular we focused our analysis on the managerial implications related to ownership and governance's dynamics.

The contributions of the paper are several. Firstly we will identify the main strengths and weakness related to adopting a business model based on the involvement of family members within the organizations. In particular our findings will be useful for organizations and policymakers due to the prominence of this form of business model within the European context (Venturelli et al.2020). Furthermore our implications will be significant for the advance of the scientific knowledge about the relationship between family business and tourism development. Despite a vast number of academics analyzed financial performance in tourism organizations only a limited number of studies have been conducted about the moderating role covered by family members.

The paper is structured as follows: Section2consists of a literature review on the analysis of financial performance in the tourism sector. Section3introduces the theme of the family business in tourism organization Section4describes the results collected within the paper while Section5consists of the concluding remarks.

## 2. LITERATURE REVIEW

### 2.1. Family Business in Management Research

During the last few years academics have paid specific attention to the family business field (Colli 2003;Caputo et al.2018). The relevance of the topic is connected to the peculiarities of these type of organizations. In contrast to other forms of organizations such as public companies and MNEs family businesses are characterized by a high degree of control made by owners (Venturelli et al.2020;DeMassiset al.2013;Sciascia et al.2014). The strategies adopted are directly influenced by the expectative of the family about the future of the organizations. In particular their business models usually integrate practices that the owner families need and desire(Brenes et al.2009). Thus the traditional framework used by management scholars to analyze organizations cannot evaluate in a reliable way the needs of family organizations to operate through paradigms characterized by the integration of "business" and "family" purposes.

The involvement of the family members within the organization can be analyzed through different perspectives. Family members can influence business strategies both as shareholders and through their governance involvement (Aguilera and Crespi-Cladera2012;Lozano et al.2016). In particular several studies analyzed the different implications of family members' role within the organizations (Azila-Gbetteor et al.2018). Furthermore other studies have shown the existence of conflicts between family and non-family members (Sakawa and Watanabel 2019;Caputo et al.2018). In this sense the comprehension of the internal dynamics that impact family business financial performance requires an in-depth analysis of the corporate governance mechanisms. On the point academics paid specific attention to different dynamics such as the generational turnover the involvement of external members within the board of directors and the pressures made by society on organizations' strategies (Mahto et al.2020;Martinez Jimenez 2009;Casillas et al.2019).

However despite the existence of specific research about the misalignment between corporate governance and ownership structure in family organizations many studies found a correlation between the two aspects due to family members' orientation to be part of the governance structure (Nordqvist et al.2014). This evidence is related to the heterogeneity of the family business. Despite the proliferation of studies about the family business there are different definitions of a family business. In particular the main characteristics used by academics to classify a firm as "family business" are different due to the use of alternative proxies such as the percentage of family members involved within the board the percentage of shares achieved by a family and the explicit reference within the brand of a family name (McGuire et al.2012;Lude and Prüg12018;De Massis et al.2013).

Regarding the moderating role of family members on organizations a vast number of empirical studies have been conducted over the years. A study conducted on a sample of 369 Spanish firms reveals that family involvement reduces the risk of business failure (Revilla et al.2016). Another interesting perspective was provided in a study conducted on a sample of 684 Spanish and Portuguese. The study reveals that the involvement of family members impact on financial performance (Stanley et al.2019). Furthermore an empirical study reveals that family members' involvement is higher during the financial crisis than during period characterized by an adequate remuneration of the investments (Casillas et al.2019). However they integrate analysis of the main findings collected within the paper suggesting that entrepreneurial orientation represents factors that impact firms. In particular this evidence is relevant within the Italian context where family members

are usually involved in the decision making processes (Pellicelli2016). Furthermore this evidence is underlined within the Mediterranean and Italian tourism sector (Santarelli and Lotti2005;Bagnaresi et al.2019).

## 2.2. *Financial Performance in Tourism Organizations*

Numerous studies in the literature have identified the dimensions to be used to measure business performance in the tourist accommodation sector. In particular three dimensions are identified: financial or economic operational or competitive and organizational or social. The financial dimension is based on mainly accounting data such as operating profitability indicators (Yeung and Lau2005) sales profitability (Garrig ós-Simón et al.2005) and equity profitability (Kang et al.2010). The operating dimension concerns the company's success with its customers and is mainly measured by the employment rate (Kim and Kim2005) the average price per room or turnover on the number of rooms sold (Chung2000). Finally the organizational dimension considers the satisfaction of the various corporate stakeholders particularly property and employees (Bagnaresi et al.2019).

The theme of the determinants of performance in hotel companies assumes a specific relevance in scholars and economic operators' dual perspective for the combination of three different reasons. First the need to understand the particularities of hotel companies' specific performance has been reflected in the growing importance that has taken in recent years the tourism sector accommodation for the different world economies (Rosato et al.2021). This has resulted in a renewed commitment to analyze the competitive dynamics of the sector and encourage processes of dissemination of best practices associated with the management of such realities that can increase the managerial rate. Secondly this need is reflected in the recognized economic and management specificities of hotel businesses. It is in fact a capital intensive business with fixed production capacity (Newell and Seabrook2006). Also demand assumes increasing levels of interpretative complexity in the function of the varying requirements and the tourists' differentiated behaviors to which it joins the importance that variable exogenous and not controllable from the system of the offer assume in influencing its course in time (Song and Li2008; Brida and Riso2010).

Moreover the specific business's capital-intensive nature is associated with the acknowledged importance of human resources especially those engaged in front-office activities in the construction and concrete delivery of the guest experience (Jolliffe and Farnsworth2003;Kusluvan et al.2010). Finally the need for reflection on the determinants of performance in the hotel sector is reflected in the specific importance that the destination on which insists the Hotel takes in determining its competitiveness (Zhou et al.2015;Brent Ritchie and Crouch2004). The competitiveness of hotels is strongly influenced by the level of attractiveness of the specific destination. The choice of the specific tourist accommodation shall be made for different demand segments only after the destination has been chosen (Sharma et al.2018). This means that the hotel company is called in the first instance to collaborate with all the different actors of the destination to increase its attractiveness and at a later time to compete with the other structures of the destination to acquire the clientele that All together they helped acquire for the specific destination. This is a specific form of "co-opetition" typical of the tourist-receptive sector (Sainaghi2004; Rosato et al.2021).

## 3. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

The relationship between corporate governance and firms' financial performance has been analyzed in depth by academics. Since the preliminary reflections made by Berle and Means in 1932 academics have discussed the effects related to the separation between ownership and management (Van den Berghe and Carchon2003;Shapiro2005). The need to analyze this phenomenon is related to the complexities related to the comprehension of the procedures used by owners to control their organizations. In this sense several studies have been conducted to identify possible implications related to the impacts related to identifying operational paradigms useful for organizations to control and manage their financial performance.

The Agency theory represents one of the main theoretical frameworks used by academics to analyze the impacts caused by the involvement of family members within organizations. Building on prior studies (Besanko et al.2000;Fama and Jensen1983 2019) Van den Berghe and Carchon describes the Agency theory as a paradigm used "to analyze the problems that can arise in any cooperative exchange when one party (the "principal") contracts with another (the "agent") to make decisions on behalf of the principal". In particular the authors connected the theory to the family business's specific field which represents a theoretical debate characterized by a high degree of asymmetric information between family and non-family members. In this sense family members' involvement within the decision-making processes can represent a barrier toward implementing strategies based on the needs to sustain the organizations' development. Family members can impact financial performance by implementing strategies based on protecting and sustaining family interests (Brenes et al.2009).

According to this evidence the paper aims to evaluate the moderating role covered by family members on the financial performance achieved by tourism organizations. In particular following the methodological

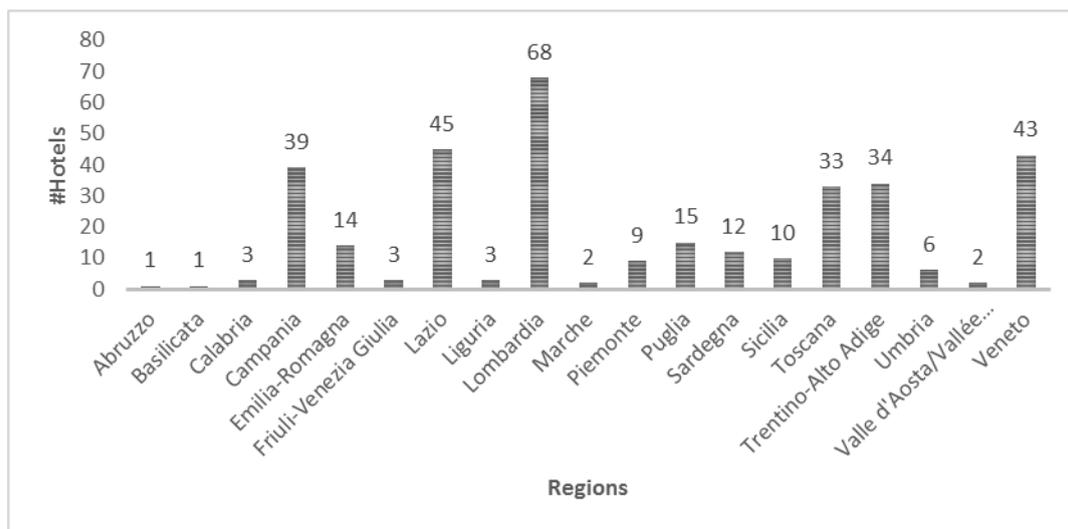
approach used in prior studies about corporate governance (Venturelli et al.2020;De Massis et al.2013) we conducted an analysis based on the separate evaluation of the impacts related to the involvement of family members within the corporate governance and the role of ownership structures. In detail we will address the following research questions:

- RQ1: What are the contributions of family members on Hotels’ performance?
- RQ2: What are the relationship between ownership’s concentration and Hotels’ performance?
- RQ3: What are the relationship between the family’s ownership and Hotels’ performance?
- RQ4: What are the impacts related to the inclusion of family members within the BoDs?

#### 4. SAMPLING AND METHODS

The analysis was conducted on a set of multidimensional indicators to evaluate the different impacts caused by a family member on firms performance. The choice to adopt different indicators follows as evidenced in prior studies about value creation (Caputo et al.2014;Rai2016). In particular the research consists of an empirical analysis conducted on a sample of 343 Italian Hotel (Figure1). The 343 Hotel represents the entire population of Hotels with more than 50 employees included in the AIDA database that has published financial statements in 2019. The choice to include only the Hotel with more than 50 employees has been driven by the exigence to analyze a sample of comparable firms. Thus the exclusion of microenterprises avoids the risks related to the analysis of non-comparable data.

**Figure 1.** Sample description. Regional-level analysis. Source: Our elaboration on data extracted from AIDA BvD.



The analysis has been conducted through a quantitative approach based on OLS regressions (Pandikasala et al.2020;Saif Ul Islam et al.2020). The OLS represents one of the leading research methods adopted by accounting scholars to test a hypothesis based on the combination of factors (Leone et al.2019;Stone and Rasp1991). The empirical model was built by Saif Ul Islamwas using a dependent variable with independent and control variables based on firms’ characteristics. In detail the independent variables represent organizational factors while control variables have been used to avoid the risks of non-reliability.

$$\text{Financial performance}_i = \text{organizational factors}_i + \text{control variables}_i + e$$

The analysis was conducted through the use of several dependent variables (Table1).

The choice to operate through the analysis of different indicators is related to evaluating different dimensions of financial performance (Van Looy and Shafagatova2016). In particular we used financial indicators and rating released by external providers. Furthermore the choice has also been driven by the exigence to avoid the risks related to the analysis of indicators influenced by firms’ size. In this sense the ratio analysis represents a more effective research method than the traditional analysis of moving (Nissim and Penman 2001;Pizzi et al.2020).

**Table 1.** Dependent variables description.

Var.	Description	Expected Sign
ROE	ROE is equal to a fiscal year net income (after preferred stock dividends, before ordinary stock dividends), divided by total equity (excluding preferred shares)	+
ROA	ROA is equal to fiscal year net income (after preferred stock dividends, before ordinary stock dividends), divided by the total asset (excluding preferred shares)	+
FALCON	FALCON measures the ability to meet future obligations	-
CRIF	CRIF gives each company a score of 1000 to 1, where 1000 indicates the most stable companies and one the most vulnerable.	+
VADIS	VADIS measures the propensity for a company to be bankrupt within the next 18 months.	-

The dependent variables used within the study were extracted from AIDA which represents one of the leading database used by academics to evaluate financial and non financial performance of Italian organizations. In detail we extracted from the database a set of ratios to evaluate through alternative lens the performance of the 343 organizations. In fact despite the similarities between financial ratios prior studies agreed about the need to conduct different analysis in studies about the relationship between financial performance and organizations' characteristics (Pizzi et al.2020).

According to this evidence we considered the following variables (Table1).

The organization factors used in the study are related to the ownership structure (Table2) . According to prior studies on family firms we considered the majority of shareholders' characteristics (Venturelli et al.2020;Stanley et al.2019). In particular we assigned 1 in the presence of firms controlled by family while 0 if not (FAMILY\_FIRMS). Furthermore we considered the percentage of shares owned by the main shareholder as a proxy of control (%SHARES). However to evaluate the different impacts of family and non-family firms a variable (FAMILY\_POWER) based on the product between FAMILY FIRMS and %SHARES has been included. Finally we considered the effects related to the involvement of family members within the Board of Directors. Thus we assigned a value equal to 1 for firms with family members on BoD and 0 if not. Similarly to FAMILY\_POWER we included in the analysis a variable that considers the combination of family involvement and BoD (FAMILY\_BOARD).

**Table 2.** Variables analysis.

Variable	Mean	Std. Dev.	Min	Max	Source
<i>Dependent Variables</i>					
ROE	11.27	25.10	-149.65	125.66	AIDA BvD
ROA	2.85	28.81	-341.62	77.19	AIDA BvD
FALCON	4.24	1.92	1	10	AIDA BvD
CRIF	634.92	142.82	196	832	AIDA BvD
VADIS	3.20	1.725	1	9	AIDA BvD
<i>Independent Variables</i>					
Family firms	0.33	0.47	0	1	AIDA BvD
% Shares	80.42	27.09	0	100	AIDA BvD
Family_power	31.16	39.69	0	100	Our elaboration
Family_board	0.31	0.46	0	1	Our elaboration
<i>Control Variables</i>					
SIZE	9.52	1.31	5.67	13.75	AIDA BvD
EQUITY	8.10	1.96	2.02	12.96	AIDA BvD
EMPLOYEES	4.55	0.61	3.91	7.16	AIDA BvD
D/E	2.41	8.95	-1.76	133.29	AIDA BvD

Finally we included three control variables in our empirical model to consider the effects of firms' characteristics. In this sense we included the natural logarithm of the total asset (SIZE) the natural logarithm of the average number of employees involved within the organizations during the observed fiscal year (EMPLOYEES) and the ratio between total debts and equity (D/E). The need to consider different variables is related to avoiding the misalignment caused by different organizations within our sample (Venturelli et al. 2020;Pizzi et al.2020). Furthermore the inclusion of the D/E supports the analysis of the effects related to different financing methods (Di Cagno et al.2002). Finally the use of a the D/E favors the mitigation of the endogeneity's risk which represent one of the main criticisms in corporate governance studies (Li2016).

## 5. RESULTS

A correlation analysis (Table3) was conducted (Lennox et al.2012). The analysis reveals the absence of relationship higher than 0.600 between the observed variables. In this sense following prior studies in accounting heteroscedasticity has been excluded. Also the correlation analysis provides first insights about the observed sample. In detail we found that FAMILY\_POWER and FAMILY\_BOARD impact differently on the dependent variables. In particular an insight was founded as regards ROE and ROA. Although management scholars usually adopt the two variables to evaluate financial performance our results underline the exigence to evaluate the specific information related to the two financial ratios adequately. Specifically ROE considers firms' equity while ROA considers the total asset representing the sum of equity and external funds. On a hand the divergent findings suggest that FAMILY\_POWER represents an enabler for achieving financial performance in firms with a high degree of financial independence. On the other hand firms with a low degree of financial independency are negatively influenced by FAMILY\_POWER. Thus following as evidenced in prior studies about Italian economic systems family members' involvement within the organizations is typically characterized by firms with a high degree of share-concentration (Di Cagno et al.2002).

**Table 3.** Correlation analysis.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) ROE	1.000													
(2) ROA	0.552	1.000												
(3) FALCON	0.356	0.415	1.000											
(4) CRIF	0.510	0.569	0.712	1.000										
(5) VADIS	-0.423	-0.314	-0.693	-0.560	1.000									
(6) VPI	-0.423	-0.314	-0.693	-0.560	1.000	1.000								
(7) SIZE	-0.073	-0.100	0.356	0.205	-0.362	-0.362	1.000							
(8) EQUITY	0.124	0.093	0.679	0.402	-0.639	-0.639	0.854	1.000						
(9) EMPLOYEES	0.051	0.108	0.242	0.237	-0.413	-0.413	0.660	0.612	1.000					
(10) D/E	-0.450	-0.268	-0.467	-0.279	0.414	0.414	0.077	-0.338	-0.116	1.000				
(11) FAMILY FIRMS	-0.076	-0.073	-0.298	-0.212	0.291	0.291	-0.413	-0.446	-0.352	0.161	1.000			
(12) %SHARES	0.210	-0.105	-0.032	-0.081	0.076	0.076	-0.081	-0.082	-0.100	-0.097	-0.132	1.000		
(13) FAMILY_POWER	0.080	-0.085	-0.314	-0.223	0.254	0.254	-0.452	-0.455	-0.344	0.071	0.914	0.134	1.000	
(14) FAMILY_BOARD	0.090	0.008	-0.191	-0.089	0.080	0.080	-0.322	-0.290	-0.248	0.071	0.830	-0.107	0.760	1.000

Finally five regressions (Table4) were conducted in order to evaluate the different implications related to the involvement of family members in tourism enterprises. The results provide interesting insights into the role covered by family members within organizations. In particular despite the fact that the Italian context is characterized by a high degree of interlinkages between firms' ownership and corporate governance (Catuogno et al.2018;Di Cagno et al.2002;Pellicelli2016) the data reveals the existence of differences caused by the different roles covered by family members in the organization. Also despite the dependent variables used within the study regarding financial ratios characterized by different focus the results reveal similarities and differences.

The analysis highlights that FAMILY\_FIRMS negatively impacts ROE ( $\beta = 46.264$ ) and positively on VADIS ( $\beta = 2.092$ ). The two results underline that family firms that operate in the tourism sector are more exposed to the risks of financial default than nonfamily firms.

The analysis of the ROE shown that Italian firms that operate in the tourism sector are undercapitalized. As evidenced in prior studies this evidence confirms the relationship between family firms orientation toward external funding (Lappalainen and Niskanen 2013). In fact family business are more oriented to finance their investments through their internal resources. Thus the risks of financial default is higher due to the lack of orientation toward alternative financial mechanisms such as factoring and leasing.

Although the concept of bankruptcy's risks requires an in-depth analysis of different dynamics (Pizzi et al.2020) this evidence is confirmed by the score assigned to VADIS. In fact despite the fact that the analyses of the traditional financial ratios could be useful proxies to evaluate the financial dynamics of an organizations the concept of financial distress requires a holistic approach based on a set of multidimensional indicators (Pizzi et al.2020). An example that underline this evidence is represented by the exclusion from the ROE of the external funds. In this sense the similarities between the two indicators do not represent an obvious relationship.

The results related to the variable FAMILY\_POWER suggest that family member involvement within the BoD (FAMILY\_BOARD) positively impacts ROE ( $\beta = 0.321$ ). This evidence can be related to the family members' need to operate through mechanisms able to repair and maintain the capital over the time. In fact as evidenced by many authors one of the main differences between family business and public companies is represented by the long-run orientation (Di Cagno et al.2002;Sciascia et al.2014;Mahto et al.2020). Thus the investments of financial resources or the involvement of new shareholders represent dynamics that negatively affect the generational turnover of an organization.

**Table 4.** Regression analysis.

	(1)	(2)	(3)	(4)	(5)
	ROE	ROA	FALCON	CRIF	VADIS
SIZE	-0.612 (4.160)	-6.223 *** (1.405)	-0.887 *** (0.196)	-78.006 *** (19.468)	0.836 *** (0.219)
EQUITY	-1.446 (2.685)	3.736 *** (0.847)	1.184 *** (0.118)	71.808 *** (11.783)	-0.967 *** (0.136)
EMPLOYEES	1.559 (4.176)	3.132 ** (1.564)	0.052 (0.218)	28.944 (21.638)	-0.405 * (0.244)
D/E	-0.873 * (0.484)	0.248 (0.170)	-0.016 (0.024)	4.975 ** (2.359)	-0.016 (0.027)
FAMILY_FIRMS	-46.264 *** (13.917)	0.270 (4.972)	-0.021 (0.692)	-57.822 (68.797)	2.092 *** (0.771)
%SHARES	0.018 (0.106)	0.057 (0.037)	0.009 * (0.005)	-0.035 (0.513)	0.005 (0.006)
FAMILY_POWER	0.321 ** (0.147)	-0.046 (0.053)	-0.003 (0.007)	0.306 (0.739)	-0.012 (0.008)
FAMILY_BOARD	23.000 *** (6.957)	4.680 * (2.578)	0.284 (0.358)	44.284 (35.646)	-1.067 ** (0.430)
_cons	22.193 (22.597)	14.703 * (8.083)	2.274 ** (1.125)	670.888 *** (111.859)	4.393 *** (1.252)
R-squared	0.205	0.201	0.658	0.311	0.518

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

In this sense the adverse effects caused by FAMILY\_FIRMS is partially moderated by FAMILY\_POWER. In detail an increase of the shares owned by the family positively impacts on ROE. Thus the existence of minority shareholders represents a barrier to the implementation of an adequate organizational system (Martin et al.2017;Saidat et al.2019). As evidenced below this relationship is related to the different approaches that distinguish family members from non-family shareholders. On one hand the first group is interested in maximizing the family interests through their activities. On the other hand non-family members are driven by purposes inspired by the need to achieve capital gain from their investments. Thus the divergences between the two orientation negatively impact on the implementation of adequate business strategies.

Finally FAMILY\_BOARD positively impacts on ROE ( $\beta = 23.00$ ) ROA ( $\beta = 4.680$ ) and negatively on VADIS ( $\beta = 4.393$ ). Combining these three indicators highlights the enabling role covered by family members in firms characterized by an organizational system inspired by the so-called Modello padronale. In this sense the convergence between ownership and corporate governance could favor the development of strategies characterized by the highest degree of effectiveness.

According to this evidence the analysis of the impacts related to the involvement of family members in Italian tourism enterprises represents a complex activity. The analysis reveals divergent findings related to the existence of differences caused by the different business model adopted by tourism enterprises. We found that family firms are less profitable than non-financial firms in the tourism sector. On the other hand we found that firms with a high percentage of shares owned by family members and decision-making processes represent signals of profitability. Thus the comprehension of the phenomenon could be related to the cultural characteristics of the Italian systems. In detail several authors discussed the Italian model based on firms with a high degree of ownership concentration and directly managed by shareholders. In this sense the tourism sector analysis highlights the suitability of this model within a traditional sector characterized by the centrality of family firms (Giaccio et al.2018;Peters2005).

## 6. CONCLUSIONS

The present work framed in the vein of managerial literature that investigates the discriminating performance of hotel companies focused on the analysis of the economic type performance of Italian Hotels. In

particular we focused our analysis on the impacts related to the presence of family members in ownership and corporate governance. In this sense we have extended the scientific knowledge about a phenomenon widely spread in Italy (Banca d'Italia 2018).

Our study's theoretical implications consist of analyzing the role covered by family firms within the tourism sector. In detail we found that the so-called *modello padronale* represents the most suitable business model for Italian hotels. In particular the analysis reveals that family firms perform better than non-family firms. Furthermore our insights are also useful for policymakers. The provision of incentives to support family firms during the financial crisis could represent an enabling factor for social wellbeing development.

Our study's political implications are represented by the opportunity for policymakers to regulate the tourism sector. As evidenced by our study ownership structure represents a proxy useful to evaluate firms' dynamics. Thus the provision of fiscal policies or the direct investments in family firms will represent a strategic driver for policymakers to favour the development of the tourism sector.

However the comprehension of the dynamics that impact financial performance cannot be analyzed without an in-depth analysis of the organizations. In this sense the risks of endogeneity caused by corporate governance behaviors require a cautionary approach based on evaluating the financial and non-financial dynamics that characterize each organization (Coles and Li 2012a, 2012b). In this sense the comprehension of the phenomenon requires both the adoption of more sophisticated variables and a different methodological approach.

The study presents some limitations. One of the main limitations is represented by the recent collapse of the Italian tourism sector caused by COVID-19. In this sense the empirical analysis of the impacts caused by COVID-19 could represent an interesting future research direction. Furthermore our analysis considered only Italian hotels. Thus the analysis of other economic systems could provide different results.

Finally our analysis was built on a single fiscal year. Although the results collected can be useful for the development of new knowledge about the Italian context future research will evaluate the phenomenon through alternative methods such as panel data analysis and Structural Equation Models (SEM).

### Conflicts of Interest:

The authors declare no conflict of interest.

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