

**EFFECT OF FAMILY OWNERSHIP AND MANAGEMENT ON CEO COMPENSATION AND DIVIDEND
POLICY IN SMALL-CAP FIRMS**

Pankaj K. Maskara, Nova Southeastern University
Philip L. Fazio, Nova Southeastern University
Hyungkee Y. Baek, Nova Southeastern University

[dx.doi.org/10.18374/JIFS-14-3.2](https://doi.org/10.18374/JIFS-14-3.2)

ABSTRACT

This paper investigates CEO compensation structure and dividend policy of small publicly held family and nonfamily firms. We further study the differences between family firms with family CEOs and those with outsider CEOs. Unlike in other studies we do not find evidence of lower total compensation for CEOs at family firms when appropriate firm characteristics are accounted for. However, we do find that when the CEO is a family member, he/she receives lower salary and bonus compensation as compared to his/her counterpart. This cash compensation is further smaller for the family CEO when the company pays higher annual dividends. We find that family firms pay higher dividends and are more likely to increase or decrease dividends than other public firms but any such difference is confined to firms with non-family CEOs. Our results suggest that family CEOs rely on dividend income for a part of their stable income. Our results contradict Michael and Roberts' (2012) inference that dividends are not wage channels for owner-managers.

Keywords: *family, ownership, compensation*