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Why Private Firms Misbehave: An empirical investigation of organizational misconduct*

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Abstract

Although private firms are not subject to discipline from capital markets, it remains unclear what factors deter them from engaging in organizational misconduct. Despite their numerical dominance, there is limited empirical evidence on misconduct by private firms and its antecedents. Using a unique dataset of administrative dispositions, representing the occurrence of organizational misconduct among Japanese private small- and medium-sized construction companies from 2010 to 2024, we empirically examine the factors that lead to such misconduct. Our analysis reveals that more mature firms and smaller firms are less likely to engage in organizational misconduct. Furthermore, we find that family firms are more prone to misconduct when they experience strong financial performance.

Keywords: Organizational misconduct, small- and medium-sized constructors; administrative disposition; private firms; family firms
JEL classification: L29

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INTRODUCTION

Organizational misconduct is defined as behavior within or by an organization that a social-control agent deems to transgress the boundary between right and wrong (Greve et al., 2010, p. 56). Such behavior may be intentional or unintentional but unequivocally violates legal, ethical, or socially responsible standards. Prior research has examined a wide range of misconduct types, including financial misconduct (Healy & Palepu, 2003), environmental misconduct (Siano et al., 2017), labor-related misconduct, product safety violations (Jap & Anderson, 2007), corporate bribery and corruption, and antitrust behaviors (Connor, 2013). Empirical studies have identified various antecedents of organizational misconduct, such as performance pressure, organizational culture, and leadership style. Corporate governance mechanisms are designed to mitigate these antecedents and thus reduce the occurrence of misconduct (Braun & Mueller, 2024). However, most prior studies have focused on publicly listed firms, which are typically large and subject to capital market scrutiny. In contrast, private firms operate without such market-based monitoring and disciplinary mechanisms. This raises important questions: Are private firms less prone to organizational misconduct? If not, what organizational characteristics promote or inhibit such behavior in the absence of public oversight?

From the perspective of corporate governance, this study investigates the internal factors that drive or mitigate organizational misconduct in private firms. Although prior research acknowledges the complex and multifaceted nature of governance mechanisms—such as board composition, ownership concentration, and executive incentives—these elements rarely function independently. Instead, they tend to interact, either complementing or substituting one another, in influencing managerial decision-making (Misangyi & Acharya, 2014). Notably, most prior

empirical studies have focused on publicly listed firms, which are embedded within an ecosystem of robust external monitoring, including scrutiny from institutional investors, financial analysts, auditors, and the media (Dechow et al., 1996; DeFond & Jiambalvo, 1991). These external governance forces play a critical role in enhancing transparency, increasing the perceived risk of detection and punishment for misconduct (Braun & Mueller, 2024) and increases the effects of managerial incentives (Misangyi & Acharya, 2014). However, such external safeguards are typically absent or significantly weaker in private firms, raising important questions about how internal governance alone shapes ethical conduct. Thus, by focusing on private firms, our study seeks to isolate and empirically clarify the role of internal governance mechanisms in constraining organizational misconduct in contexts where external monitoring is limited or nonexistent.

The sample of this study is 99,364 private small- and medium-sized construction companies from 2010 to 2024. We identified a firm's commitment to organizational misconduct by using adverse administrative dispositions, which are administrative actions taken by a governmental authority that imposes a duty, restricts, or revokes a right or benefit of an individual or organization. The sample is particularly appropriate for addressing the research questions for three key reasons. First, the majority of SMEs in Japan are privately owned, which directly corresponds with the study's emphasis on private-sector firms. Second, organizational misconduct in the construction industry tends to exhibit similar patterns, such as violations of regulations and safety standards. This relative uniformity enables a more reliable examination of the effectiveness of corporate governance mechanisms in curbing such behavior. Third, ownership and managerial control in these firms frequently reside with founding family members, making the sample especially relevant for investigating the role of family involvement

as an internal governance factor influencing misconduct.

Our findings yield three key insights. First, we find no significant main effects of managerial ownership, family-related characteristics, or the presence of financial institutions on the likelihood of organizational misconduct. Second, the analysis reveals that family firms are more prone to engage in organizational misconduct when they experience superior financial performance, suggesting that favorable performance may relax internal controls or embolden risk-taking behavior. Third, both firm age and firm size exhibit significant associations with misconduct: older and smaller firms are less likely to engage in such behavior, implying that organizational maturity and limited scale may serve as deterrents to misconduct.

This study makes three key contributions to the literature on organizational misconduct, corporate governance, and family firms. First, it highlights the importance of firm-specific attributes in shaping the likelihood of organizational misconduct among SMEs. Second, the findings suggest that corporate governance mechanisms may be effective primarily when complemented by external monitoring mechanisms, indicating their limited standalone influence in privately held firms. Third, the study reveals that family firms are more likely to engage in organizational misconduct when they experience lower performance pressure—a pattern that contradicts prevailing assumptions in the family firm literature, which typically posits that misconduct arises as a response to existential threats or survival pressures.

THEORETICAL BACKGROUND

Organizational Misconduct and Its Antecedents

Organizational misconduct arises from a complex interplay of factors at multiple levels. At the organizational level, strong performance pressures, weak ethical cultures, inadequate

governance structures, and leadership that prioritizes short-term gains can foster environments conducive to unethical behavior. Prior research has long emphasized financial incentives or constraints as central explanations for organizational misconduct. For instance, Harris and Bromiley (2007) suggest that firms experiencing significantly poor performance are more inclined to engage in unethical or illegal activities in comparison to their industry counterparts. However, emerging evidence challenges this one-sided view. Mishina et al. (2010), analyzing S&P 500 manufacturing firms, reveal that even high-performing companies are susceptible to misconduct, often driven by pressures to preserve their competitive advantage and sustain superior performance levels. Complementing this behavioral perspective, the corporate governance literature highlights that failures in governance—whether stemming from ineffective internal controls or inadequate external oversight—can enable or fail to prevent misconduct. Governance structures are fundamentally designed to detect, monitor, and constrain opportunistic behavior (see Braun & Mueller, 2024; Neville et al., 2019; Paruchuri et al., 2024).

Misconduct arises when the anticipated gains exceed the expected costs (Becker, 1968). Therefore, increasing the potential costs can discourage such behavior. External governance actors, such as investors, financial analysts, auditors, and social media, serve as a deterrent by raising these costs through two principal mechanisms. First, they enhance the likelihood of detecting misconduct. Second, they heighten the probability and severity of sanctions imposed upon its discovery.

Although prior studies have offered valuable insights into the antecedents of organizational misconduct, their empirical focus has largely been on publicly listed firms. Such firms operate under strong external monitoring mechanisms—including institutional investors, analysts, auditors, and media scrutiny—which help enforce transparency and accountability in

corporate management. This external oversight often reinforces the effectiveness of internal governance mechanisms, such as executive incentives and board oversight. Consequently, it remains unclear how internal corporate governance mechanisms function in the absence of such external monitoring, as is typically the case for privately held firms.

For example, Misangyi and Acharya (2014) employed a configurational approach using fuzzy-set qualitative comparative analysis on S&P 1500 firms to examine how combinations of internal (e.g., CEO incentives, board independence, TMT structure) and external (e.g., blockholder presence, market for corporate control) governance mechanisms affect firm profitability. Their findings indicate that these mechanisms function as complements rather than substitutes—highlighting that both internal and external monitoring are necessary to achieve high performance. Similarly, using a sample of Japanese publicly listed firms, Su et al. (2025) investigated how various corporate governance mechanisms mitigate organizational misconduct. Their results show that foreign ownership is positively associated with misconduct, but this effect is moderated by CEO tenure (which reduces the risk) and the presence of stock options (which amplifies the risk).

Corporate Governance Mechanisms of Privately Held Firms

Although privately held firms are, by definition, not subject to the pressures of financial markets, this does not imply that they operate without governance mechanisms. In fact, the absence of external corporate governance may reduce—rather than increase—the likelihood of organizational misconduct. This counterintuitive possibility arises from recent evidence suggesting that external governance mechanisms can, paradoxically, foster misconduct. While agency theory emphasizes that mechanisms such as shareholder activism, takeover threats, and analyst coverage serve to discipline managers and curb opportunistic behavior, excessive

external oversight can produce unintended consequences. Specifically, it may undermine managers' intrinsic motivation by threatening their autonomy and psychological ownership. Shi et al. (2017), drawing on a large sample of U.S. firms from 1999 to 2012, found that stronger external governance pressure was associated with a higher incidence of financial fraud. These findings suggest that over-monitoring can lead to defensive or deceptive managerial behavior, ultimately increasing rather than deterring misconduct.

In the absence of performance pressure from financial markets, privately held firms are generally less compelled to meet short-term performance targets imposed by external investors. Unlike publicly listed firms, they do not face the same level of scrutiny from shareholders or market analysts. Prior research has shown that performance pressure—particularly when firms are at risk of failing to meet expectations—can lead CEOs to engage in unethical or illegal behavior (Harris & Bromiley, 2007; Schweitzer et al., 2004). Accordingly, the relatively lower intensity of external performance pressure in privately held firms may shape both the incentives and the likelihood of engaging in organizational misconduct differently compared to their publicly traded counterparts.

Moreover, privately held firms are often owned and managed by founding family members. A family firm is typically defined as an organization in which the family is involved in ownership, control, and/or day-to-day management, and where there is a demonstrated intention to pass the business on to future generations (Chua et al., 1999). A defining characteristic of family firms is their long-term orientation, which stems from the preservation of socioemotional wealth—non-financial aspects of the business that fulfill the family's emotional and identity-based needs (L. Gomez-Mejia et al., 2007; L. R. Gomez-Mejia et al., 2011). As a result, family firms are often motivated to prioritize long-term performance and sustainability. They also tend

to avoid actions that could damage their reputation, as misconduct can have enduring consequences not only for the firm but also for the family name and legacy.

At the same time, the absence of strong external monitoring mechanisms may make family firms more prone to organizational misconduct. For instance, using survey data on SMEs in the United States, Ding and Zu (2014) found that family firms are more likely to engage in financial fraud compared to non-family firms. However, their study was based on a relatively small sample of 622 SMEs, and the identification of financial fraud relied on self-reported survey responses. As a result, prior research has yet to offer large-scale empirical evidence on organizational misconduct among family firms, particularly using objective data rather than perceptual measures.

RESEARCH METHODS

Data and Sample

The sample for this study consists of 99,364 small- and medium-sized construction firms in Japan, observed from 2010 to 2024. This sample is particularly well-suited to the research objectives for three reasons. First, the vast majority of SMEs in Japan are privately held, aligning with the study's focus on private firms. Second, construction companies are prone to similar types of organizational misconduct, such as regulatory violations and safety breaches. This homogeneity allows for a more consistent analysis of how corporate governance mechanisms function to prevent misconduct across firms. Third, most SMEs in the Japanese construction sector are owned and/or managed by founding family members. Since family ownership and management are important components of internal governance structures, their prevalence in the sample provides a meaningful context for examining the relationship between governance and organizational misconduct.

We used firm-level data collected by Tokyo Shoko Research (TSR), the leading credit reporting agency in Japan, particularly focused on privately held firms. Although financial data on private firms are based on voluntary disclosure, TSR ensures a high level of reliability. Their field agents conduct multiple in-depth interviews with CEOs and rigorously examine the submitted financial statements. Given this thorough verification process, it is highly unlikely that CEOs report entirely false financial information.

The sampled construction firms are not geographically concentrated in any particular region in Japan. After excluding observations with missing values, the final dataset comprises 744,862 firm-year observations.

Variables and Measures

Dependent variable: adverse administrative disposition. The dependent variable in this study is adverse administrative disposition. Ideally, data on the detection of organizational misconduct by firms would be used; however, such data are not publicly available. Therefore, we utilize data on adverse administrative dispositions, which typically occur following the detection of organizational misconduct. Supervisory agencies and municipal governments impose such dispositions on firms that have engaged in misconduct. An adverse administrative disposition refers to an official action by a government authority that imposes obligations on, restricts, or revokes the rights or benefits of an individual or organization. In the construction industry, common examples include the suspension or revocation of a contractor's license due to legal or regulatory violations, such as the submission of falsified documents or breaches of safety standards. Additionally, firms involved in bid rigging or bribery may be disqualified from participating in public procurement. Other penalties may include administrative fines for offenses such as the unlawful disposal of construction waste.

We use records of administrative dispositions issued to construction firms as indicators of organizational misconduct. Organizational misconduct refers to behavior that crosses the boundary between legal, ethical, and socially responsible conduct and its opposites. Because n administrative dispositions are imposed when firms engage in such transgressive actions, the use of this measure ensures strong construct validity. Data on administrative dispositions were manually collected by TSR, further enhancing the reliability and precision of our dataset.

Independent variables. We incorporated several variables reflecting corporate governance structures. The first variable is managerial ownership, measured as the proportion of shares held by the firm's CEO. This metric captures the extent to which managerial interests are financially aligned with those of the firm's owners.

The second variable captures *family firm identification*. Firms that incorporate the founding family's surname into their company name are more likely to highlight family identity, reputation, and legacy, and are thus inclined to behave in ways that preserve socioemotional wealth (Cennamo et al., 2012; Zellweger et al., 2010). Based on this logic, we constructed a dummy variable coded as 1 if the CEO's surname appears in the firm's name, and 0 otherwise.

The third variable is the number of founding family member shareholders. We identified a shareholder as a founding family member if their surname appeared in the company name, and the total number of such individuals was used to construct this measure.

As the fourth variable, capturing external monitoring by financial institutions, we included the debt-to-equity ratio, calculated as total debt divided by net assets. This measure reflects the extent of a firm's financial dependence on creditors, who may exert disciplinary pressure to reduce the likelihood of misconduct.

Controls. To mitigate alternative explanations, we incorporated several control variables

into the estimation. Firm performance was included as a control, given that financial pressure is known to motivate CEOs to engage in organizational misconduct (Harris & Bromiley, 2007). We measured firm performance using return on assets (ROA), calculated as net income divided by total assets.

To capture firm size, we included the natural logarithm of the number of employees. In a similar vein, we controlled for the natural logarithm of total assets as a proxy for the firm's resource availability. The natural logarithm of firm age was incorporated to account for the enhanced legitimacy typically associated with more established firms. Additionally, we included the natural logarithm of CEO age, as older CEOs may possess greater managerial experience and strategic judgment. Finally, we introduced firm and year fixed effects to control for unobserved firm-level heterogeneity and time-specific factors that may influence organizational misconduct.

Finally, we included firm and year fixed effects to control for unobserved heterogeneity across firms and time-specific factors that may influence the incidence of organizational misconduct at the firm and annual levels.

Model Specification

We conducted linear probability models such that,

$$Y_{it} = X_{it}\beta + \alpha_i + \lambda_t + \varepsilon_{it},$$

where Y_{it} denotes the binary dependent variable indicating whether firm i engaged in organizational misconduct in year in year t; X_{it} is the vector of explanatory variables; β represents the vector of regression coefficients associated with X_{it}; α_i captures the firm fixed effect; λ_t accounts for year fixed effect, and ε_{it} is the error term. To address potential simultaneity bias, all independent and control variables were lagged by one year.

RESULTS

Table 1 reports the descriptive statistics and correlation matrix for the variables employed in this study. The mean of the administrative disposition variable is 0.004, indicating that 0.4% of the firm-year observations involve organizational misconduct. This low incidence rate is consistent with those documented in prior research, suggesting that our sample characteristics are broadly aligned with existing empirical studies on organizational misconduct.

Table 1 about here

Figure 1 presents the yearly distribution of adverse administrative dispositions from 2011 to 2024. The marked increase in 2023 can be attributed to a rise in fraudulent activities associated with COVID-19-related financial support programs.

Figure 1 about here

Table 2 presents the estimation results from the linear probability models predicting the likelihood of receiving adverse administrative dispositions. Model 1 includes the main effects of all independent and control variables. . In Model 2, we introduce an interaction term between the family firm dummy and CEO ownership. The coefficient on the interaction term is negative and statistically significant at the 10 percent level. Although the significance is marginal, the result suggests that family firms in which the CEO holds greater ownership—an indicator of concentrated power—are less likely to receive adverse administrative dispositions. This finding tentatively implies that stronger CEO authority within family firms may enhance internal control or accountability mechanisms, thereby reducing the risk of misconduct.

Table 2 about here

In Model 3 of Table 2, we introduced interaction terms between ROA and key independent variables, based on the argument that financial pressure can motivate CEOs to

engage in organizational misconduct (Harris & Bromiley, 2007). The interaction between the family firm dummy and ROA is positive and statistically significant, suggesting that family firms are more likely to engage in misconduct when they are not under financial pressure. This finding implies that financial pressure may function as a disciplinary mechanism for family firms, curbing opportunistic behavior when resources are constrained.

As a post-hoc analysis, we divided the sampled firms according to their geographic regions: Hokkaido, Tohoku, Kanto, Chubu, Kinki, Chugoku, Shikoku, and Kyushu & Okinawa. Table 3 presents the estimation results for each region. A notable finding is that the coefficient for the family firm dummy is positive and statistically significant in Hokkaido and Kyushu. This indicates that the likelihood of organizational misconduct among family firms may differ across regions, possibly reflecting variations in local institutional environments, cultural norms, or governance practices. For example, in Hokkaido, where competition for construction orders is intense due to the large number of contractors, family firms may feel greater pressure to sustain their businesses—even if it involves engaging in organizational misconduct. In Kyushu, by contrast, a relatively stronger patriarchal culture may excessively reinforce managerial discretion within family firms, limiting the effectiveness of internal or external control mechanisms.

Across all regions, the regression coefficients for the interaction between family firm status and ROA are positive but not statistically significant. This pattern suggests that the effect size may be relatively modest, and the absence of statistical significance could partly reflect the reduced sample sizes in regional subsamples.

Table 3 about here

We conducted several robustness checks to assess the reliability of our findings. First, we replaced ROA with a dummy variable indicating whether the firm was operating at a

financial deficit. The results remained statistically consistent with the original estimations. Second, instead of the debt-to-equity ratio, we employed a dummy variable capturing the presence of borrowing from financial institutions. Again, the empirical findings were qualitatively unchanged, reinforcing the robustness of our main results.

DISCUSSION

Beginning with the research question of how and why corporate governance mechanisms deter privately held firms from engaging in organizational misconduct, we conducted an empirical analysis using data on adverse administrative dispositions issued to small- and medium-sized construction firms in Japan between 2010 and 2024. Our findings are threefold. First, we do not observe any significant direct effects of managerial ownership, family involvement, or financial institutional ties on the incidence of organizational misconduct. Second, our results indicate that family firms are more susceptible to organizational misconduct when their financial performance improves, implying that success may reduce managerial vigilance or encourage opportunistic behavior. Third, we find that organizational misconduct is less prevalent among older and smaller firms, suggesting that accumulated experience and limited organizational complexity may help mitigate the risk of such behavior.

Theoretical Contribution

This study offers three key contributions to the literature on organizational misconduct, corporate governance, and family firms. First, it sheds light on how corporate governance mechanisms operate in the absence of external monitoring mechanisms. To our knowledge, this is the first study to investigate organizational misconduct using a large-scale dataset of privately held firms. While prior research has primarily focused on publicly listed firms subject to external

scrutiny, our findings highlight that some governance mechanisms may rely on such external forces to function effectively. For example, mechanisms like borrowing from financial institutions—which are often assumed to exert a disciplinary effect—were found to have no significant impact on the likelihood of organizational misconduct in our context.

Second, our findings challenge the prevailing view that family firms are inherently less likely to engage in organizational misconduct. Specifically, we find that family firms are more prone to misconduct when they face lower performance pressure. This contrasts with prior research, which suggests that family firms engage in risky behavior primarily in response to existential threats or survival pressures. Our results imply a different mechanism: while the pursuit of socioemotional wealth may discipline family firms under normal or adverse conditions, such discipline may erode when financial performance is strong. In such contexts, the fulfillment of socioemotional goals may reduce the urgency for reputational protection, thereby weakening internal constraints on misconduct.

Finally, our findings suggest that family firms are less likely to engage in organizational misconduct when their CEOs hold substantial ownership stakes. While family CEOs are often motivated by long-term goals and the preservation of socioemotional wealth, such aspirations may not translate into effective governance without sufficient decision-making power. This implies that it is not merely the family firm status that drives ethical behavior, but rather the presence of empowered family CEOs who can enforce family-oriented values and long-term strategies. These results call for a more nuanced understanding of family governance and suggest the need to refine existing theories in the family firm literature by distinguishing between family ownership at the organizational level and the agency and influence of individual family leaders.

Practical Contribution

This study offers practical implications for both firm owners and policymakers. For owners—particularly those of family firms—it is important to remain vigilant about managerial decision-making during periods of strong financial performance. Managers in family-owned firms may become complacent or less risk-averse when performance improves, potentially increasing the likelihood of organizational misconduct. Owners should therefore maintain oversight even when firms appear to be doing well. Similarly, for policymakers, the findings suggest that SMEs may benefit from external monitoring mechanisms similar to those in place for publicly listed firms, in order to deter misconduct and promote responsible governance.

Limitation and Directions to Future Studies

The findings of this study should be interpreted with several caveats. First, our data on organizational misconduct are derived from administrative dispositions, meaning that we capture only instances of misconduct that were publicly identified and sanctioned. Consequently, unreported or undetected cases of misconduct—particularly those committed by construction firms—may not be reflected in our dataset. In this sense, our measure may capture the detection of organizational misconduct rather than its actual occurrence.

Second, the firms in our sample operate within the Japanese institutional and cultural context, which may introduce country-specific effects into our findings. For instance, prior research has shown that Japan scores relatively high on ethical relativism—defined as the belief that moral standards are context-dependent rather than universally applicable. This cultural characteristic may attenuate the effectiveness of corporate governance mechanisms in deterring organizational misconduct. As a result, our conclusions may not be readily generalizable beyond the Japanese setting. To assess the broader applicability of our findings, future research should replicate the analysis using comparable samples from different national contexts.

Finally, our findings are subject to potential endogeneity concerns, as corporate governance mechanisms—particularly family-related variables—are outcomes of strategic choices made by managers and shareholders. As such, unobserved firm- or manager-level characteristics may simultaneously influence both the adoption of governance structures and the likelihood of organizational misconduct. Future research should account for this possible endogeneity by employing methodologies that can better isolate causal relationships, such as instrumental variable approaches.

Concluding Remarks

How do corporate governance mechanisms influence organizational misconduct in privately held firms, which are not subject to the same external monitoring pressures as publicly listed companies? Our findings suggest that, in the absence of external monitoring mechanisms—such as institutional investors, financial analysts, and media scrutiny—corporate governance mechanisms alone have a limited effect on deterring organizational misconduct in privately held firms. This implies that external monitoring may play a complementary role, enhancing the effectiveness of internal governance mechanisms in curbing misconduct.

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Table 1: Descriptive Statistics and Correlation Matrix

No	Variable	Mean	S.D.	Min	Max	1	2	3	4	5	6	7	8	9
1.	Administrative disposition	0.004	0.066	0.000	1.000	1.00								
2.	ROA	0.022	0.088	-0.532	0.340	0.00	1.00							
3.	Family firm	0.352	0.478	0.000	1.000	0.01	-0.01	1.00						
4.	Family members	1.143	1.999	0.000	40.000	0.01	-0.01	0.78	1.00					
5.	CEO ownership	0.377	0.373	0.000	1.000	-0.01	0.01	0.07	-0.01	1.00				
6.	ln(CEO age)	4.045	0.196	2.079	4.625	0.00	0.00	0.04	0.04	0.09	1.00			
7.	ln(firm age)	3.433	0.598	0.000	4.860	0.01	0.01	0.14	0.21	-0.22	0.24	1.00		
8.	Debt-to-equity ratio	2.887	13.957	-66.684	128.097	-0.00	-0.01	-0.02	-0.02	0.04	-0.04	-0.07	1.00	
9.	ln(assets)	5.720	1.205	2.542	9.241	0.03	0.09	-0.01	0.10	-0.12	0.03	0.38	0.03	1.00
10.	ln(employees)	2.939	0.614	2.303	5.704	0.03	0.04	-0.06	0.04	-0.12	0.01	0.21	0.01	0.69

Table 2: Estimation Results for the Likelihood of Adverse Administrative Disposition

	Model 1	Model 2	Model 3
ROA x Family firm			0.004 *
			(0.002)
ROA x CEO ownership			-0.002
			(0.002)
ROA x Debt-to-equity ratio			0.000
			(0.000)
ROA x ln(firm age)			-0.001
			(0.001)
Family firm x CEO ownership		-0.002	
		(0.001)	
ROA	0.001	0.001	0.029
	(0.001)	(0.001)	(0.020)
Family firm	0.001	0.002	0.001
	(0.001)	(0.001)	(0.001)
Family members	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)
CEO ownership	0.000	0.001	0.000
	(0.000)	(0.001)	(0.000)
Debt-to-equity ratio	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)
ln(CEO age)	0.000	0.001	0.001
	(0.001)	(0.001)	(0.001)
ln(firm age)	-0.002 **	-0.002 **	-0.002 **
	(0.001)	(0.001)	(0.001)
ln(assets)	0.002 **	0.002 **	0.002 **
	(0.000)	(0.000)	(0.000)
ln(employees)	0.003 **	0.003 **	0.003 **
	(0.001)	(0.001)	(0.001)
Number of observations	744862	744862	744862
Adjusted R-squared	0.00	0.00	0.00

** p<.01, * p<.05

Table 3: Estimation Results for the Likelihood of Adverse Administrative Disposition by Geographic Area

	Area: Hokkaido			Area: Tohoku		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
ROA x Family firm			0.008			0.005
			(0.009)			(0.005)
ROA x CEO ownership			-0.005			-0.003
			(0.010)			(0.007)
ROA x Debt-to-equity ratio			0.000			0.000
			(0.000)			(0.000)
ROA x ln(firm age)			-0.006			-0.001
			(0.004)			(0.004)
Family firm x CEO ownership		-0.005			0.001	
		(0.003)			(0.003)	
ROA	-0.001	-0.001	0.053	-0.001	-0.001	0.009
	(0.004)	(0.004)	(0.054)	(0.003)	(0.003)	(0.056)
Family firm	0.007 *	0.009 **	0.006 *	-0.003	-0.003	-0.003
	(0.003)	(0.003)	(0.003)	(0.002)	(0.002)	(0.002)
Family members	-0.001 *	-0.002 *	-0.001 *	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
CEO ownership	-0.001	0.001	-0.001	-0.001	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.001)	(0.002)	(0.001)
Debt-to-equity ratio	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
ln(CEO age)	0.001	0.001	0.001	0.000	0.000	0.000
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
ln(firm age)	-0.005 *	-0.005 *	-0.005 *	-0.006 *	-0.006 *	-0.006 *
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
ln(assets)	-0.001	-0.001	-0.001	0.004 **	0.004 **	0.004 **
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
ln(employees)	0.006 **	0.006 **	0.006 **	0.005 **	0.005 **	0.005 **
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Number of observations	38968	38968	38968	85342	85342	85342
Adjusted R-squared	0.00	0.00	0.00	0.01	0.01	0.01

** p<.01, * p<.05

Table 3: Continued.

	Area: Kanto			Area: Chubu		
	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
ROA x Family firm			0.001			0.005
			(0.003)			(0.004)
ROA x CEO ownership			-0.002			0.000
			(0.004)			(0.005)
ROA x Debt-to-equity ratio			0.000			0.000 *
			(0.000)			(0.000)
ROA x ln(firm age)			-0.001			0.002
			(0.003)			(0.003)
Family firm x CEO ownership		-0.001			0.000	
		(0.002)			(0.002)	
ROA	0.000	0.000	-0.005	0.002	0.002	0.024
	(0.002)	(0.002)	(0.034)	(0.002)	(0.002)	(0.037)
Family firm	-0.001	-0.001	-0.001	0.002	0.002	0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Family members	0.000	0.000	0.000	-0.001	-0.001	-0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
CEO ownership	0.002 *	0.002 *	0.002 *	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Debt-to-equity ratio	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
ln(CEO age)	0.000	0.000	0.000	-0.001	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
ln(firm age)	-0.003	-0.003	-0.003	-0.002	-0.002	-0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
ln(assets)	0.001	0.001	0.001	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
ln(employees)	0.002	0.002	0.002	0.004 **	0.004 **	0.004 **
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Number of observations	169945	169945	169945	147412	147412	147412
Adjusted R-squared	0.00	0.00	0.00	0.00	0.00	0.00

** p<.01, * p<.05

Table 3: Continued.

	Area: Kinki			Area: Chugoku		
	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18
ROA x Family firm			0.007			0.003
			(0.007)			(0.008)
ROA x CEO ownership			0.012			0.002
			(0.008)			(0.008)
ROA x Debt-to-equity ratio			0.000			0.000
			(0.000)			(0.000)
ROA x ln(firm age)			0.002			0.003
			(0.004)			(0.004)
Family firm x CEO ownership		-0.004			-0.005	
		(0.003)			(0.004)	
ROA	0.001	0.001	-0.022	0.006	0.006	0.177 **
	(0.003)	(0.003)	(0.059)	(0.003)	(0.003)	(0.058)
Family firm	-0.002	0.000	-0.002	0.005	0.007	0.005
	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)
Family members	0.000	0.000	0.000	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
CEO ownership	0.000	0.001	0.000	-0.003	-0.001	-0.003
	(0.001)	(0.002)	(0.001)	(0.002)	(0.002)	(0.002)
Debt-to-equity ratio	0.000	0.000	0.000	0.000 *	0.000 *	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
ln(CEO age)	0.000	0.001	0.000	0.004	0.004	0.004
	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)
ln(firm age)	-0.001	-0.001	-0.001	-0.004	-0.004	-0.004
	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)
ln(assets)	0.003 **	0.003 **	0.003 *	0.003 *	0.003 *	0.003 *
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
ln(employees)	0.004	0.004	0.004	0.002	0.002	0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Number of observations	92041	92041	92041	57953	57953	57953
Adjusted R-squared	0.00	0.00	0.00	0.01	0.01	0.01

** p<.01, * p<.05

Table 3: Continued.

	Area: Shikoku			Area: Kyusyu		
	Model 19	Model 20	Model 21	Model 22	Model 23	Model 24
ROA x Family firm			-0.007			0.006
			(0.012)			(0.007)
ROA x CEO ownership			-0.009			-0.008
			(0.019)			(0.008)
ROA x Debt-to-equity ratio			0.000			0.000
			(0.000)			(0.000)
ROA x ln(firm age)			-0.007			-0.004
			(0.008)			(0.004)
Family firm x CEO ownership		-0.001			-0.006 *	
		(0.008)			(0.003)	
ROA	0.004	0.004	0.021	0.002	0.002	-0.042
	(0.006)	(0.006)	(0.129)	(0.003)	(0.003)	(0.078)
Family firm	-0.007	-0.007	-0.007	0.008 **	0.010 **	0.008 **
	(0.005)	(0.005)	(0.005)	(0.002)	(0.003)	(0.002)
Family members	0.002	0.002	0.002	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)
CEO ownership	0.003	0.004	0.004	-0.001	0.001	-0.001
	(0.004)	(0.005)	(0.004)	(0.001)	(0.002)	(0.001)
Debt-to-equity ratio	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
ln(CEO age)	0.013 *	0.013 *	0.013 *	-0.001	0.000	-0.001
	(0.006)	(0.006)	(0.006)	(0.003)	(0.003)	(0.003)
ln(firm age)	-0.006	-0.006	-0.006	0.002	0.002	0.002
	(0.008)	(0.008)	(0.008)	(0.003)	(0.003)	(0.003)
ln(assets)	0.004	0.004	0.004	0.003 **	0.003 **	0.003 **
	(0.003)	(0.003)	(0.003)	(0.001)	(0.001)	(0.001)
ln(employees)	0.002	0.002	0.002	0.004 *	0.004 *	0.004 *
	(0.004)	(0.004)	(0.004)	(0.002)	(0.002)	(0.002)
Number of observations	29632	29632	29632	103530	103530	103530
Adjusted R-squared	0.00	0.00	0.00	0.00	0.00	0.00

** p<.01, * p<.05

Figure 1

The Number of Adverse Administrative Dispositions by Year