What's in a Name? Eponymous Private Firms and Financial Reporting Quality

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Current Draft: June 29, 2018

ABSTRACT

We examine the association between eponymy (i.e., naming a firm after the founder) and financial reporting quality (FRQ). Using a proprietary dataset of 2,271 large Italian private firms, we first document that eponymy is positively associated with total accrual quality, working capital accrual quality, revenue accrual quality, and a composite index of the three measures. Second, we find that, even though eponymy is negatively associated with rarer names, the relation between FRQ and eponymy is more pronounced for eponymous firms that have rarer names. This finding is consistent with the argument that name rarity increases the reputation cost of eponymy. Corroborating these findings, we also find that the eponymy-FRQ relation is stronger for firms that operate only locally and weaker for firms that operate in manufacturing-oriented businesses. Finally, we document that eponymous firms are associated with a lower cost of debt, both directly and indirectly, through their higher FRQ. Collectively, these findings suggest that reputation concerns act as a disciplining mechanism for FRQ in private firms.

Keywords: Eponymy; Reputation concerns; Financial reporting quality; Private firms.

JEL Classifications*:* M41; G3; G21.

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* We gratefully acknowledge insightful comments from Mario Amore, Mark Anderson, Mark DeFond, Bin Li, Anup Srivastava, Dan Weiss and seminar participants at: HEC Lausanne, University of Manchester, University of Calgary, Central University of Finance and Economics, Dongbei University of Finance and Economics, and the Family Business and Corporate Control Workshop at Bocconi University. We are especially grateful to "Osservatorio AIdAF-Unicredit-Bocconi" at Bocconi University for providing the data. We acknowledge financial support from our respective institutions. Any errors are entirely our own.

What's in a Name? Eponymous Private Firms and Financial Reporting Quality

1. Introduction

Eponymous firms are those that bear the names of their founder/owner. The choice of firm name is an important decision for the founders, as highlighted by academic research and a plethora of consultants and guides for choosing business names.[1] Belenzon et al. (2017) analytically show that the reputation costs of eponymy allow founders of eponymous firms to signal their strong ability and, consistent with this notion, they empirically find that, compared to non-eponymous firms, eponymous firms exhibit superior performance. Tadelis (1999, 2002) emphasizes the importance of how the market for names provides and sustains the reputation of founders/firms.

Building on the recent economics literature on eponymy, in this paper, we use a large-scale proprietary dataset of *large Italian private* firms to examine whether the financial reporting quality (FRQ) of eponymous firms is better than that of non-eponymous firms. *Large Italian private* firms provide an appealing setting to examine the research question, for various reasons. First, accounting data are available for Italian private firms because they are required to approve and file their audited financial statements. Second, there are more eponymous private firms than eponymous public firms, which allows us to conduct powerful empirical tests using name rarity when we consider private firms (Belenzon et al. 2017).[2] Third, there is a great variety of last names in Italy: with an estimated 350,000 last names, thousands more than in China, with only about 3,100 last names but about 20 times Italy's population, Italy has the largest number of last names in the world. This characteristic provides a powerful test when using name rarity to further examine the economics underlying our hypothesis (see Section 5.3.). Lastly, although the classic agency problems arising from the separation of ownership and control (Type I) and

[1] For example, see https://www.inc.com/guides/2010/06/choose-the-best-name-for-your-business.html.

[2] The rate of eponymy among Italian public and private firms are about 11 percent and 36 percent, respectively; i.e., eponymy is more than three times more prevalent in private than public firms. Belenzon et al. (2017) consider an adverse selection model where the ability of founder is signaled through eponymy, and the cost of the signal is the reputation cost. They find that when the reputation cost is low both low-ability and high-ability founders will pool, and when the reputation cost is high there will be a separating equilibrium. We exploit the ubiquity of eponymy in the private firms to perform powerful statistical tests.

conflicts between controlling and minority shareholders (Type II) tend to be lesser for private firms than for public firms (Burgstahler et al. 2006), other agency problems in private firms are likely to be nontrivial.[3] Such agency problems arise, for example, from the hidden actions and hidden information of divisional manager/employees (Schulze et al. 2001; Graham et al. 2005). Indeed, the process of financial reporting involves the aggregation of the information of divisional entities for the corporate entity. We argue that such agency problems within a firm are likely to decrease FRQ in private firms because of the likelihood of divisional managers/employees acting opportunistically. In addition, agency problems within a firm are likely to be more severe for *large* private enterprises, where suppliers and creditors are more likely to use financial statements to extend credit and conduct business (Vanstralen and Schelleman 2017).[4] These characteristics imply that large private firms have an incentive to institute and maintain accounting policies and practices that foster FRQ. The FRQ of large private firms thus reflects the severity of their agency issues.[5] Overall, large Italian private firms provide a unique setting that is well suited for testing whether eponymous firms exhibit higher FRQ.

Based on the efficient contracting hypothesis (Francis et al. 2008), we posit that the FRQ of eponymous firms is of higher quality than that of non-eponymous firms, because eponymous firms have more reputation concerns (Kreps 1990; Tadelis 1999).[6] Simply put, higher reputation concerns make the founders of eponymous firms more wary of the adverse consequences of low reporting quality. Higher reputation concerns likely lead eponymous owners/managers to directly monitor their divisional managers (Anderson et al. 2003), who are therefore less likely to manage earnings opportunistically (Dierynck et al. 2012). Based on this argument, we expect eponymous firms to exhibit higher FRQ than non-eponymous firms.[7]

[3] Roughly, 85 percent of our companies have founding owners on the board or in chief executive positions. Moreover, the founding owner owns about 94.5 percent of the firm. Clearly, classic Type I and Type II agency problems are minimal for these firms.

[4] Minnis and Shroff (2017) provide survey evidence on the importance of financial reporting among other stakeholders (employees, suppliers, customers, and competitors) in private firms.

[5] We discuss the importance of financial reporting in private firms in Section 2.1.

[6] These reputation concerns are the cost of signaling in the model of Belenzon et al. (2017).

[7] The alternative hypothesis arises from the opportunism argument. Since eponymous firms have signaled their strong ability through eponymy, they are more likely to be under pressure to report high performance and hence

Our analysis is based on a sample of 18,736 firm–year observations spanning 2002 to 2013 and representing 2,271 large Italian private firms, of which 819, roughly 36 percent, are eponymous. The sample includes firms operating in all 20 regions of Italy. We find that eponymous firms are more likely when the founder's ownership is more concentrated and in geographical areas where a sense of family, religious practices, and entrepreneurship attitudes are more prominent and they are less likely when there are two or more co-founders and among subsidiaries of non-eponymous firms. These results are consistent with the notion that founders of eponymous firms stake their reputation by sharing their name with the firm.

We use three measures of FRQ. First, we use the absolute value of performance-adjusted abnormal total accruals, where normal total accruals are estimated for each industry–year using the modified Jones (1991) model. Second, we use the absolute value of abnormal working capital accruals, where normal working capital accruals are estimated using the modified Dechow–Dichev (2002) model. Third, we use the absolute value of abnormal revenue accruals, where normal revenue accruals are estimated using the McNichols–Stubben (2008) and Stubben (2010) models. We multiply each of these absolute values by –1, such that larger values indicate higher FRQ. Finally, we consider a composite FRQ score using the average of the decile ranks of the three measures of abnormal accruals/revenues.

We find that, compared to non-eponymous firms, eponymous firms are associated with higher-quality total accruals, working capital accruals, and revenue accruals, after controlling for other factors as well as the self-selection of eponymous firms using the Heckman (1979) procedure. The results are similar when we replace the Heckman procedure for self-selection bias with the coarsened exact matching (CEM) procedure, where each eponymous firm observation is matched with a non-eponymous firm observation in the same year and industry and with the closest probability of being eponymous and total

manipulate reported numbers more opportunistically. However, given that accruals reverse, this is not likely to be sustained in equilibrium; we thus posit the efficient contracting hypothesis. Furthermore, Chaney et al. (2004) find that private firms do not pay a Big 4/Big 8 audit premium, suggesting that the audit market is not differentiated or that private firms do not have adequate incentives to enhance their FRQ.

assets (DeFond et al. 2016). Taken together, these results are consistent with the notion that the reputation concerns of eponymous firms act as a disciplining mechanism for FRQ in private firms.

Building on the work of Belenzon et al. (2017)—who show that, when reputation costs are high, low-ability founders are likely to separate from high-ability founders and do not choose eponymy—we expect the difference in FRQ across eponymous and non-eponymous firms to be more pronounced when reputation costs increase. We use name rarity (i.e., the frequency of each owner's last name in the population of owners multiplied by –1) to examine this analytical insight. When the founders' names are rare, reputation costs increase and only high-ability entrepreneurs are likely to select eponymy. Accordingly, we predict and find a *negative* relation between name rarity and eponymy and a *stronger positive* relation between eponymy and FRQ when the founders' names are rare. Even though alternative explanations for the link between eponymy and FRQ could exist, these opposing predictions and results relating name rarity to eponymy and FRQ provide confidence that eponymy and FRQ are related through reputation concerns.

We perform additional cross-sectional analyses to gain confidence that differences in reputation concerns across eponymous and non-eponymous firms drive our results. First, we posit and find that the positive relation between eponymy and FRQ is stronger when firms operate in local markets than in international markets, where reputation issues arising from eponymy are less likely to be an effective disciplining mechanism (McDevitt 2011). Second, we posit and find that the positive relation between eponymy and FRQ is weaker when firms operate in a manufacturing-oriented business, where the founder's reputation is less likely to be important (Belenzon et al. 2014).

Finally, we examine the differential cost of debt across eponymous and non-eponymous firms to provide additional triangulating evidence. Specifically, we examine whether, in addition to the direct effect of signaling the founder's high ability through eponymy resulting in a lower cost of debt, the indirect effect of superior FRQ is also associated with a lower cost of debt. We find that eponymous firms' cost of debt is about 17 basis points lower than that of non-eponymous firms and the cost of debt is negatively associated with FRQ as well. Overall, these results indicate that eponymous firms have a lower

cost of debt because of a direct effect arising from their superior ability and an indirect effect arising from their higher FRQ.

Our study contributes to the literature in various ways. We add to the literature on the effects of reputation on FRQ. The survey of Graham et al. (2005) suggests that reputation is the most important motivator for earnings management and, by implication, for FRQ. Even though survey- and game theory-based studies predict that reputation is positively associated with FRQ, Francis et al. (2008) examine U.S. public firms and use the number of media mentions to measure CEO reputation, finding a negative association between CEO reputation and FRQ. Their additional analysis suggests that reputed CEOs (or talented CEOs) are "chosen" to lead more complex firms that are likely to have lower FRQ, which the authors refer to as the matching thesis. The matching thesis is not applicable, however, to our sample of large Italian private firms and, hence, our setting is ideal to examine reputational concerns and FRQ. In this setting, we provide evidence consistent with theoretical predictions; thus, reputational concerns discipline FRQ.

Using the firm's rank in Fortune's America's Most Admired Companies list as a measure of firm reputation, Cao et al. (2012) report that reputation is negatively associated with accounting restatements in public firms. Furthermore, they report that firms with more accounting restatements are less likely to appear in America's Most Admired Companies list, which suggests that public firms with better reputation have a stronger incentive to report high-quality earnings, consistent with the efficient contracting hypothesis.[8] Overall, our evidence is consistent with the findings of Cao et al. (2012) and extends the relation between reputation and FRQ to private firms. This finding can help inform policy makers who have been debating instituting high-quality accounting standards for private firms (e.g., Gassen 2017; Minnis and Shroff 2017). By implication, even though the classic Type I and Type II agency problems that create a demand for financial reporting are not present in private firms, our findings

[8] The measure of Cao et al. (2012) of America's Most Admired Companies potentially eschews the matching hypothesis in the media mention measure of Francis et al. (2008), because the Most Admired Companies list is a multidimensional measure.

suggest that these firms have superior FRQ, potentially because of their interactions with lenders, suppliers, and customers, as well as their reputation with the local community.

We also add to the nascent literature on eponymous firms. Belenzon et al. (2017) find evidence of the superior performance of eponymous private firms, consistent with the founders signaling their superior ability by sharing their name with the firm. We extend this literature by showing that, in addition to signaling their superior ability, reputation concerns discipline such firms into exhibiting higher FRQ. Belenzon et al. consider start-up firms in Europe and show that reputational concerns are important; in contrast, we consider large private firms, which are, by definition, mature firms. Our results thus extend this literature by suggesting that reputational concerns are an important disciplining force, even for mature firms.

Finally, our results that relate eponymy to the cost of debt have implications for the literature on soft information and corporate lending. Christensen et al. (2016) highlight the importance of incomplete contracts and thus potentially soft information, such as the eponymy signal. Minnis (2011) reports that private firms with better accrual quality have a lower cost of debt.[9] In line with these contributions, our study suggests that eponymous firms—potential soft information in terms of reputation concerns—have a lower cost of debt, which is also lower due to their superior FRQ.

The remainder of the paper proceeds as follows. Section 2 reviews the background literature. Section 3 develops the hypothesis. Section 4 presents the sample, the definitions of the measures, and the research design. Section 5 discusses the main and additional empirical results. Section 6 provides the results of sensitivity analyses and Section 7 concludes the study.

2. The private company setting and FRQ

2.1. Legal perspective

Private companies are likely to have different objectives for financial reporting than public companies do, because they are not subject to the same classic agency problems arising from the

[9] Haw et al. (2014) show that Korean private firms that issue public debt exhibit higher FRQ in terms of recognizing bad news in a timelier fashion.

separation of ownership and control or conflicts between controlling and minority shareholders as public companies are (Ball and Shivakumar 2006; Burgstahler et al. 2006). Most jurisdictions, including Italy, require private companies to approve and file their annual financial statements with the relevant regulator. Italian private limited liability enterprises (S.P.A. and S.R.L.) are required to hold an annual general meeting within 120 days of the fiscal year-end to approve and file financial statements with the Registrar of Enterprises.[10]

The evolution of reporting by private enterprises can be traced to the law relating to the "lifting of the corporate veil" in the United Kingdom (*Salomon v Salomon & Co. Ltd* [1896] UKHL 1, November 16, 1896). When private enterprises are limited liability enterprises, financial statements are used to establish that the founders/owners form and operate their enterprises in good faith in their dealings with creditors/stakeholders, that is, suppliers, customers, and debtholders. For example, in the United States, *Milan Kosanovich vs. 80 Worcester Street Associates, LLC, and another* (No. 201201 CV 001748, 2014, WL 2565959, Mass. App. Div., May 28, 2014) provides a list of 12 factors to pierce the corporate veil, based on a rich history of legal precedents: all of the factors relate to the non-maintenance of either accounting records or good accounting systems. Regulatory bodies require private firms to file financial statements to assess ex post whether the corporate veil can be lifted. Private enterprises thus have an incentive to safeguard their limited liability protection by maintaining high-quality accounting records.

This broad legal theory also governs the filing of financial statements by Italian private enterprises. Simply put, if an enterprise does not maintain good accounting records or the accounting records indicate that business dealings are conducted such that the owner–manager is hiding behind the limited liability enterprise to defraud stakeholders, the courts can hold the owners personally liable to

[10] Since 1975, statutory financial statements filed by Italian private companies must be audited. Specifically, if a company is organized as an S.P.A. or as a large S.R.L., its financial statement shall be audited either by an independent registered auditor or by an audit firm. Alternatively, a statutory audit can be performed by an internal committee and all its members shall be registered auditors. All auditors are jointly liable for any undiscovered or unreported material accounting misstatement. The penalty ranges from a monetary penalty of up to 150,000 euros to a suspension from the Auditor Register for up to five years and, in the worst cases, to expulsion. All the firms in our sample are subject to audit.

fulfill the enterprise's liabilities. This general rule should incentivize private company founders to institute good accounting practices to ensure that their private wealth and reputation are not in jeopardy.

Consistent with this notion of the importance of FRQ for Italian private enterprises, we selected in the media three examples of financial reporting misstatements of Italian private firms.[11] In 2012, in the Italian Court of Cassation case against En. S.R.L., the plaintiffs alleged that the managers of the company reported higher costs and lower revenues in the income statement in an attempt to reduce the firm's profits in order to demand recapitalization (judgment no. 5250, April 2, 2012). The court nullified the declaration of approval of the 2011 financial statements. In July 2015, Lavello S.R.L.'s note in its 2014 financial statements reported that the owner/CEO covered losses with a deposit of 390,000 euros. Some days later, the CEO used this amount to purchase one of his real estate companies. The financial statements were used to uncover the fraudulent intent of the owner's recapitalization efforts. Finally, in January 2017, Publitalia '80 S.P.A., a Silvio Berlusconi enterprise, was investi gated for tax fraud due to false invoicing by one of Berlusconi's private companies. Overall, Italian private companies are likely to institute good accounting practices to ensure that their personal wealth is not exposed to their stakeholders' claims.

2.2. Agency problems in private firms

Our sample consists of large private firms. Large firms are likely to have agency problems arising from hidden actions and hidden information within the firm (e.g., Schulze et al. 2001; Graham et al. 2005), that is, agency problems between the owner–managers and divisional managers/employees. Indeed, the process of financial reporting involves the aggregation of information of divisional entities for the corporate entity. We thus posit that such agency problems within a firm could lower the FRQ in large private firms because of the likelihood of divisional managers/employees acting opportunistically.

Moreover, suppliers and creditors are likely to use financial statements to extend credit and conduct business with an enterprise (for a similar argument, see Van Tenderloo and Vanstraelen 2008;

[11] Using a jurisprudence dataset (www.giurisprudenzadelleimprese.it), we find eight additional cases in which large private firms were sued for accounting fraud in 2016–2017. In four instances, the plaintiffs were the firm's creditors, who sued for accounting misrepresentation that affected their decision in agreeing to a contract.

Bianchi 2017; Minnis and Shroff 2017). This provides an incentive for private enterprises to institute and maintain good accounting quality practices. Overall, the Italian large private company setting is likely to be conducive to examining differences in FRQ across eponymous and non-eponymous firms.

3. Hypothesis development

In the quest to develop a theory of the firm, Kreps (1990) shows that the firm, as the bearer of reputation, acts as a disciplining mechanism, in the sense that even short-lived agents have a long-term outlook. Tadelis (1999, 2002) emphasizes the importance of how the market for names provides and sustains the reputation of owners/firms. Consistent with this notion, Wu (2010) documents that firms adopt the name of their better-recognized brands to associate themselves with good reputation.

Belenzon et al. (2017) examine a signaling model where the founder can name the firm eponymously and this signal is costly because it increases the reputation impact of successful and unsuccessful outcomes.[12] Although choosing to name a firm eponymously is the signaling mechanism, the cost of the signal arises from reputation concerns.[13] The authors show that a partial pooling equilibrium arises: while high-ability founders choose eponymy, low-ability founders mix their choices between eponymy and non-eponymy, based on reputation costs. Overall, it follows that the performance of eponymous firms is superior to that of non-eponymous firms if the reputation costs are high enough for at least some firms. Furthermore, Belenzon et al. (2017) report that, when the founder's name is rare, the incidence of eponymy decreases and the difference in performance increases. The authors find evidence consistent with the model's predictions, using a large sample from a dataset of European private startup firms.

[12] For example, Barilla, the Italian pasta company, faced such disutility amplification of an unsuccessful outcome: "In a radio interview in 2013, Guido Barilla said the company would never use gay couples in its advertising. His position was short-lived when a Twitter storm erupted, and the brand was boycotted—not just by the so-called "pink dollar," but also by marriage equality supporters. A series of apologies via the company website followed" (Jessica Tasman-Jones in "Brand camp: How to market a family business," April 10, 2015, http://www.campdenfb.com/article/brand-camp-how-market-family-business).

[13] Five Italian companies are included in the top 100 of the world's most reputable companies published in 2017 by the Reputation Institute, a world leader in the measurement of corporate reputation. Four of these five companies are eponymous and private: Ferrero, Armani, Barilla, and Lavazza.

Other studies also document evidence consistent with the signaling model of Belenzon et al. (2017). For example, McDevitt (2011, 2014) find that eponymous firms are associated with higher product/service quality and Kashmiri and Mahajan (2014) find they are associated with higher abnormal returns than those of non-eponymous firms around new product announcements. Collectively, these studies indicate that eponymy reinforces founder–firm identity through reputation concerns.

Analytical research shows that reputation concerns help discipline managers by mitigating hidden action and hidden information problems (Holmstrom 1982; Stiglitz and Weiss 1983; Schwartz et al. 2000). To reiterate, we examine large Italian private firms that are likely to have agency problems arising from hidden actions and hidden information. Since reputation concerns for eponymous firms are likely to be stronger, we expect eponymous firms' founders to be more likely to directly monitor divisional managers and employees. Consequently, the divisional managers will have fewer incentives to manage earnings opportunistically. The following hypothesis formalizes this assertion.

Hypothesis*: Eponymous firms are associated with a higher FRQ compared to non-eponymous firms, ceteris paribus.*

The alternative hypothesis arises from the opportunism argument. Since eponymous firms have signaled their strong ability through eponymy, they are more likely to be under pressure to report high performance and hence to manipulate reported numbers more opportunistically, thus exhibiting lower FRQ. However, given that accruals reverse, this behavior is not likely to be sustained in equilibrium; we thus expect the efficient contracting hypothesis to prevail.

4. Variable definitions and research design

4.1. Data and sample

We use an extensive longitudinal dataset of large private firms headquartered in Italy for the period 2002–2013.[14] The dataset contains founder, accounting, and governance data for 2,563 firms representing all Italian private firms with sales exceeding 50 million euros, a threshold that corresponds to a typical large private firm in Italy. The dataset obtains information on corporate ownership and

[14] All of these firms are family held, using the typical voting or cash flow rights definition of family firms.

governance structures from the firms' official public filings with the Italian Registrar of Enterprises. We consider a firm eponymous if the entire last name or the (standalone) initials of the first and last names of the founder(s) or a member of the founder's family are included in the firm name. We code this firm with the indicator *EP*. Accounting data are from Aida (Italian Digital Database of Companies, a branch of the Bureau van Dijk group). The final sample consists of 2,271 large private firms and 18,736 observations with data available to compute all our FRQ measures and control variables that we describe below.

Table 1, Panel A, presents the distributions of eponymous and non-eponymous firm–years in 16 industries using the sector classification of Aida.[15] Eponymous firms are more prevalent in consumer-based industries—food and beverages (47.82 percent), furniture (42.24 percent), retail trade (41.80 percent), and motor vehicle trade (41.09 percent)—and, correspondingly, eponymous firms are less prevalent in more technically based industries—for example, chemistry and pharmaceuticals (15.70 percent) and electricity and plastic products (15.65 percent). This evidence is consistent with that of Belenzon et al. (2017), who suggest that the signaling of superior ability is likely to be more valuable in service or consumer industries, with consequent reputation costs; that is, reputation costs are likely to be higher for eponymous firms in consumer-based industries (Kashmiri and Mahajan 2010). We control for industry fixed effects in all of the multivariate tests because of the correlation of eponymous firms with industry.

Table 1, Panel B, shows the distributions of eponymous and non-eponymous firm–years by year. The proportion of eponymous and non-eponymous firms does not change over the sample period, primarily because eponymy is sticky. Even though there is no correlation between year and eponymous firms, we include year fixed effects in all the empirical tests to control for macroeconomic performance effects that could influence FRQ.

[15] We use the first two-digit ATECO 2007 codes in Aida grouped by sections to identify the industries. ATECO 2007 is the national version of the European industry classification NACE Rev. 2, which is linked, in turn, to the United Nation International Standard Industrial Classification of All Economic Activities, Rev. 4.

4.2. FRQ measures and research design

4.2.1. FRQ measures

Since FRQ is a multidimensional construct, there is no single composite measure that captures it (Dechow and Schrand 2010). For this reason, we employ three measures that can be readily computed using private company data. The first measure is the absolute value of abnormal accruals based on the Jones model (1991) as modified by Kothari et al. (2005). Specifically, we estimate the following model separately for each industry–year with at least 20 observations:

$$TA_{i,t} = \beta_0 + \beta_1(1/ASSETS)_{i,t-1} + \beta_2(\Delta REV_{i,t} - \Delta AR_{i,t}) + \beta_3 PPE_{i,t} + \beta_3 ROA_{i,t-1} + \varepsilon_{i,t}, \quad (1)$$

where *TA* is total accruals, measured as the change in non-cash assets minus the change in short-term (nonfinancial) liabilities, minus depreciation and amortization, scaled by lagged total assets (*ASSETS*); Δ*REV* is the annual change in sales scaled by lagged total assets; Δ*AR* is the annual change in accounts receivable scaled by lagged total assets; *PPE* is property, plants, and equipment scaled by lagged total assets; and *ROA* is the lagged return on assets.

The deviation of actual accruals from normal accruals is likely due to estimation errors and, therefore, higher deviations indicate lower total accruals quality. Accordingly, we use the absolute value of the residuals from this regression model multiplied by –1, –|*ABN_TACC*|, so that higher algebraic values are indicative of higher FRQ.

Our second measure is estimated using the augmented version of the Dechow–Dichev (2002) model, as modified by McNichols (2002), Francis et al. (2005), and Ball and Shivakumar (2006). Specifically, we estimate the following model for each industry–year with at least 20 observations:

$$WCA_{i,t} = \beta_0 + \beta_1 OCF_{i,t+1} + \beta_2 OCF_{i,t} + \beta_3 OCF_{i,t-1} + \beta_4 \Delta REV_{i,t} + \beta_5 PPE_{i,t} + \beta_6 DOCF_{i,t} + \beta_7 DOCF_{i,t} \times OCF_{i,t} + \varepsilon_{i,t}, \quad (2)$$

where *WCA* is working capital accruals, measured as the change in current assets minus the change in current liabilities minus the change in cash and cash equivalents plus the change in debt included in current liabilities, scaled by lagged total assets; Δ*REV* is the annual change in sales, scaled by lagged total assets; *PPE* is property, plants, and equipment, scaled by lagged total assets; *OCF* is operating cash

flows;[16] and *DOCF* is an indicator equal to one for negative operating cash flows. The deviation of actual working capital accruals from normal accruals is again likely due to estimation errors and, thus, higher deviations indicate lower working capital accrual quality. Accordingly, we use the absolute value of the residuals from this regression model multiplied by –1, –|*ABN_WACC*|, so that higher algebraic values are indicative of higher FRQ.

The third FRQ measure relies on the McNichols and Stubben's (2008) and Stubben's (2010) models that measure firms' discretion in revenue recognition. Specifically, we estimate the following model for each industry–year with at least 20 observations:

$$\Delta AR_{i,t} = \beta_0 + \beta_1 \Delta REV_{i,t} + \varepsilon_{i,t,} \quad (3)$$

where ΔAR is the annual change in accounts receivable scaled by lagged total assets and ΔREV is the annual change in sales scaled by lagged total assets. The abnormal revenue recognized is computed as the residual obtained from Eq. (3) and represents the discretionary revenues recognized under the premise that many firms manage earnings using revenue recognition. Accordingly, we use the absolute value of the residuals from this regression model multiplied by –1, –|*ABN_REV*|, so that higher algebraic values are indicative of higher FRQ.

Finally, we use a composite FRQ measure that combines the three measures. For this purpose, we rank each of the three FRQ measures into deciles and scale them to be between zero and one. The variable *AQ_SCORE* is the average of the three scaled decile ranks, with larger values indicating higher FRQ.

4.2.2. Research design

Eponymy is a choice at the time the firm is established. Even though this choice may not be directly relevant in subsequent years, unobservable factors related to this choice could affect FRQ in

[16] According to the Italian Generally Accepted Accounting Principles, private firms are not required to prepare a statement of cash flows. Operating cash flows are computed indirectly, starting from the firm's net income, adding depreciation/amortization, and subtracting the change in net working capital (all amounts are scaled by lagged total assets).

subsequent years as well.[17] We address this self-selection issue by using Heckman's (1979) procedure. In the first stage, we use a selection model that considers several determinants of eponymy. Specifically, we estimate the following probit model:

$$EP_i = \beta_0 + \beta_1 CULT\_FACT_i + \beta_2 FOUNDER\_OWN_i + \beta_3 N\_COFOUNDERS_i + \beta_4 HOLDING\_NEP_i + \beta_5 NORTH_i + \beta_6 CENTER_i + \beta_7 SOUTH_i + \sum \beta_j IndustryFE_j + \varepsilon_i, \quad (4)$$

where *EP* is an indicator that is equal to one for eponymous firms and zero otherwise and *CULT_FACT* is the principal component of the three factors multiplied by –1, where the three factors are the regional divorce rate (*DIVORCE_RATE*), the church non-attendance rate (*NO_PRACTICING_RATE*), and the education level (*SCHOOLING_RATE*). We expect that, in less religious regions, eponymy is less likely (Bertrand and Shoar 2006; Hilary and Hui 2009; Jiang et al. 2015). Prior studies indicate that a high level of education has a negative effect on entrepreneurship (Oosterbeek et al. 2010) and we therefore expect regions with a high education level to be negatively associated with eponymy.[18] These three factors are highly correlated. Therefore, we use principal component analysis to summarize them into a single index. Overall, we expect *CULT_FACT* to be positively associated with eponymy.

The variable *FOUNDER_OWN* is a measure of the founder's ownership. We use the founder's ownership because founders with more concentrated ownership could exhibit a stronger sense of belonging to their firm and thus be more likely to use their name as part of the firm name (Zellweger et al. 2010). The variable *N_COFOUNDERS* is the number of a firm's co-founders. We use this variable because a firm with more than one founder is less likely to choose the founders' names or a combination thereof. The variable *HOLDING_NEP* is an indicator that is equal to one if the firm is owned by a non-eponymous parent company, because such firms are less likely to choose the founder's name.

[17] An important point is that the founder's ability that is signaled through eponymy and the cost of the signal, that is, reputation, are also unobservable factors. In untabulated analysis, we find that our results without the self-selection correction are stronger.

[18] For example, Casson (1999) argues that, in family firms, founders/entrepreneurs often discourage their offspring from widening their horizons through professional education so that they remain focused and learn on the job.

We also consider three indicator variables, *NORTH*, *CENTER*, and *SOUTH*, to control for social heterogeneity across Italian regions (Guiso et al. 2004).[19] All the variables are described in detail in the Appendix. We estimate Eq. (4) and obtain the inverse Mills ratio (*LAMBDA*). To test the hypothesis, we estimate the following equation:

$$\mathbf{AQ}_{i,t} = \beta_0 + \beta_1 EP_{i,t} + \mathbf{\Delta X} + \theta\, LAMBDA_{i,t} + \sum \beta_j Industry - YearFE_j + \varepsilon_{i,t}, \quad (5)$$

where **AQ** is a vector of the four FRQ measures as described in Section 4.2.1 and *EP* is the indicator variable for eponymous firms as described in Section 4.1. The coefficient β_1 represents the average difference in FRQ across eponymous and non-eponymous firms and, based on the hypothesis, we expect this coefficient to be positive.

The vector **X** includes firm size, leverage, and profitability factors that have been shown to be associated with accruals quality. Specifically, *Ln*(*SIZE*) is the logarithm of total assets, *LEV* is financial leverage, *ROE* is the return on equity, and *LOSS* is an indicator that is equal to one if net income before extraordinary items is negative. We also include *GROWTH,* computed as the change in sales (McNichols 2000); *Ln*(*STD_ROA)*, computed as the natural logarithm of the four-year standard deviation of return on assets; *Ln*(*OP_CYCLE),* the operating cycle (Francis et al. 2005); *BIG4,* an indicator that is equal to one if the firm has a Big 4 auditor (Francis and Yu 2009); and *Ln(GDP)*, the natural logarithm of the annual regional gross domestic product (Guiso et al. 2004). Finally, we include the governance, ownership, and cultural controls used in Eq. (4). The definitions of these variables are provided in the Appendix. In all of the estimations, we include industry and year fixed effects and we cluster standard errors by firm and year (Petersen 2009). We winsorize all variables at the top and bottom 1 percent on an annual basis.

[19] We consider *NORTH* as indicating all firms located in the following regions: Aosta Valley, Piedmont, Lombardy, Liguria, Veneto, Trentino Alto-Adige, Friuli, and Emilia-Romagna. We consider *CENTER* as indicating firms located in Umbria, Tuscany, Marche, and Lazio. Finally, we consider *SOUTH* as indicating firms located in Abruzzi, Molise, Campania, Apulia, Basilicata, Calabria, Sicily, and Sardinia. This classification is consistent with that provided by the National Institute for Statistics (ISTAT).

5. Empirical results

5.1. Determinants of eponymy

Table 2, Panel A, reports the results of univariate comparisons between eponymous and non-eponymous firms. Eponymous firms are located in regions where cultural factors related to religion and entrepreneurship are prominent. Furthermore, eponymous firms have a more concentrated ownership and fewer co-founding families and are associated with fewer non-eponymous parent firms.

Table 2, Panel B, shows the results of estimating Eq. (4). As predicted, the coefficients of *CULT_FACT* and *FOUNDER_OWN* are 0.066 and 1.046 (z-statistics = 2.51 and 3.55), respectively, and the coefficients of *N_COFOUNDERS* and *HOLDING_NEP* are –0.567 and –0.688 (z-statistics = –6.17 and –9.84), respectively.[20] These results indicate that eponymy is associated with ownership and regional cultural differences within Italy.

5.2. FRQ for eponymous and non-eponymous firms

Table 3, Panel A, reports the descriptive statistics for the variables used in Eq. (5). Eponymous firms have higher means and medians for all four FRQ measures, in line with the hypothesis. However, other firm characteristics also differ across eponymous and non-eponymous firms. For example, eponymous firms are larger, more profitable (i.e., with a higher industry-adjusted *ROE*), and less levered and exhibit weaker sales growth, a lower standard deviation of the return on assets, and a longer operating cycle. We therefore need to control for these factors to examine the link between eponymy and FRQ.

Table 3, Panel B, reports the results of estimating Eq. (5). The coefficients of *EP* when the dependent variables are –|*ABN_TACC*|, –|*ABN_WACC*|, –|*ABN_REV*|, and *AQ_SCORE* are 0.004, 0.003,

[20] The coefficients for *NORTH* and *SOUTH* are not statistically significant. One possible reason for this result is that most of the geographical variation in these variables is captured by the regional-based variable *CULT_FACT*. When we remove this variable from Eq. (4), the coefficients of both *NORTH* and *SOUTH* have a positive sign and are statistically significant (at the 5 and 10 percent levels), respectively.

0.009, and 0.015 (*t*-statistics = 2.54, 5.02, 2.34, and 3.73), respectively.[21] This finding supports the hypothesis that eponymous firms exhibit higher FRQ than non-eponymous firms.

The coefficients of the control variables are generally consistent with those of prior studies that examine public companies (Dechow and Dichev 2002). Specifically, large firms have higher FRQ, more volatile earnings are associated with lower FRQ, and loss-making firms are generally associated with lower FRQ. Leverage (*LEV*) is negatively associated with FRQ, possibly because private firms are more likely to manage earnings when they borrow; *ROE* is negatively associated with FRQ, possibly because firms that have higher than average industry-adjusted returns on equity are also high-growth firms; and the operating cycle (*OP_CYCLE*) is positively associated with FRQ, possibly because of the lower rate of accrual reversals in private firms. The coefficient of *BIG4* is not statistically significant, possibly because BIG 4 firms may not have the incentives to supply high-quality audits (Van Tenderloo and Vanstraelen 2008). Firm ownership characteristics that are instruments for eponymy are not associated with FRQ, possibly because the sample consists of private firms, all of which are family firms. The insignificant coefficient of *Ln(GDP)* suggests that local economic growth is not associated with FRQ. Finally, the coefficient of *LAMBDA* is generally not statistically significant, suggesting that self-selection is not an issue, possibly because the choice of firm name is structural.

5.2.1. CEM test

We also use CEM instead of Heckman's (1979) self-selection procedure.[22] Each eponymous firm is matched with a non-eponymous firm in the same year and industry and with the closest *SIZE* and predicted probability of being an eponymous firm.[23] This matching procedure results in a sample of 4,032

[21] The composite variable *AQ_SCORE* provides a good snapshot of economic significance. The coefficient estimate of 0.15 when the dependent variable is *AQ_SCORE* indicates that, on average, eponymous firms are 1.5 decile ranks higher than non-eponymous firms are, after controlling for other factors.

[22] We use the CEM test instead of a propensity score matching test to avoid the random matching problem of propensity score matching highlighted by King et al. (2011). Specifically, the random matching problem occurs when the individual dimensions are not close enough (Defond et al. 2016), even if the treatment and matched firms have similar propensity scores. The CEM procedure matches the treatment and control firms based on a coarse range of each dimension, which helps mitigate the problem of random matching.

[23] We find qualitatively similar results when we match observations on the firm's constitution year or the region where the firm is headquartered.

eponymous and non-eponymous firm–years, which corresponds to a 35.7 percent loss of the treatment sample (= 2,242/6,274).

Table 3, Panel C, shows the results based on the CEM-based sample. The coefficients of *EP* when the dependent variables are –|*ABN_TACC*|, –|*ABN_WACC*|, –|*ABN_REV*|, and *AQ_SCORE* are 0.004, 0.004, 0.016, and 0.019 (*t*-statistics = 1.72, 6.16, 3.38, and 4.30), respectively, qualitatively similar to the results in Table 3, Panel B, in line with the hypothesis.

5.3. Name rarity, eponymy, and FRQ

Belenzon et al. (2017) show, both analytically and empirically, that, when names are rare, eponymy is less likely and that name rarity is more strongly associated with better performance. This effect arises because, when names are rare, the reputation cost is higher, which ensures that low-ability founders do not pool with high-ability founders to choose eponymy. In effect, name rarity helps to sustain a separating equilibrium in which only high-ability entrepreneurs choose eponymy, thus strengthening the relation between eponymy and firm performance.

As highlighted in the introduction, the Italian setting is excellent for the name rarity analysis, because Italy has an estimated 350,000 last names, 113 times as many as in China, which has only about 3,100 last names, even though Italy's population is only about 1/20th that of China. In fact, Italy has the largest number of last names in the world.[24] [25]

Further testing the economics underlying our hypothesis, we follow Belenzon et al. (2017) and measure the frequency of each owner's last name in the population of owners in the same city. We obtain data for the last names of all individual business owners in the 1,013 Italian cities where the sample firms

[24] For well over a millennium, Italy was divided into a myriad of independent states and statelets, each of which had its own dialect. Consequently, last names are varied. The 10 most common last names are carried by 0.67 percent of the population. In other European countries, this percentage is higher: 1.89 percent in France, 2.03 percent in Belgium, and 4.09 percent in Germany, while it is 19.5 percent in Sweden, 19.65 percent in Spain, and 25.93 percent in Denmark. In China, 22.4 percent of people share the three top most common last names (https://www.eupedia.com/europe/european_family_names.shtml).

[25] In a recent economics study, Güell, Rodríguez Mora and Telmer (2014) examine the information content of last names. They analytically show and empirically find that rarer names have higher information content about intergenerational mobility and are more indicative (i.e., are better at signaling) the economic characteristics of individuals.

are registered.[26] We count the number of times the same last name appears for all businesses registered in a city and then divide this count by the total number of business owners in the city. Since this is a measure of commonality, we multiply this measure by –1 to obtain *NAME_RARITY*. For our analysis, we create the indicator *RARE*, which is equal to one if the founder's name is in the highest tercile of *NAME_RARITY* (at –0.13 percent) and zero otherwise. [27]

To examine the relation between name rarity and eponymy, we regress *EP* on *RARE,* using the probit procedure. Table 4, Panel A, reports the results of this estimation: the coefficient of *RARE* is –0.220 (*z*-statistics = –3.66), with a corresponding marginal probability of –8.2 percent. The negative relation between *EP* and *RARE* holds after considering the eponymy determinants in Eq. (4): the coefficient of *RARE* is –0.161 (*z*-statistics = –2.55). This finding supports the prediction of the signaling model of Belenzon et al. (2017), that there are fewer eponymous firms when names are rare.

Table 4, Panel B, provides the means and medians for our FRQ measures for eponymous and non-eponymous firms in the *RARE* and *NO_RARE* groups. We find that, while there is no statistically significant difference in FRQ across eponymous and non-eponymous firms in the *NO_RARE* group (with the exception of −|*ABN_WACC*|), in the *RARE* group, the FRQ of eponymous firms is statistically higher than that of non-eponymous firms. This finding also supports the signaling model insight of Belenzon et al. (2017).

Table 4, Panel C, presents the results of the multivariate analysis using our four FRQ measures as the dependent variable. The coefficient of *EP* is not statistically significant (except for the |*ABN_WACC*| and |*ABN_REV*| models, where it is positive), indicating essentially no difference in FRQ across eponymous and non-eponymous firms when names are not rare. The coefficient of the interaction *EP*×*RARE* is significantly positive for all four FRQ measures, suggesting that, when names are rare, the

[26] To this end, following Belenzon et al. (2017), we collected information on all shareholder records labeled as individuals under the item shareholder type from Bureau van Dijk. Next, we collected information on the shareholders' last names (data item *SHN*) for all firms registered in the same city where the sample firm *i* is officially registered.

[27] This means that the firms in the top tercile of *NAME_RARITY* have a founder whose name accounts for 0.13 percent or less of all the business names in the city where the firm is registered.

FRQ of eponymous firms is higher than that of non-eponymous firms. To summarize, when names are rare, there are fewer eponymous firms, but eponymous firms exhibit higher FRQ. These results are consistent with the model predictions of Belenzon et al. (2017) and provide a certain degree of confidence in attributing the results to eponymy, in line with the hypothesis.

5.4. Additional cross-sectional tests

In this section, we perform three additional cross-sectional tests to examine the link between reputation and eponymy across firms.

5.4.1. Firms with local versus international business

The reputation costs for signaling high ability by using the founder's name in the firm name are likely to be greater when the firm operates locally (McDevitt 2011). The idea here is that a foreign firm name may not have the same disciplining effect in international markets. Thus, the difference in FRQ is likely to be lower for foreign operations and, correspondingly, our results are likely driven by firms with local operations. For this purpose, we set *LOCAL* as an indicator variable equal to one if a firm in a given year has no foreign direct investments (*FDI*) and zero otherwise.[28] A firm is considered to have foreign direct investments if it holds more than 10 percent equity in a non-Italian firm.

Table 5, Panel A, shows that 33 percent = 4,401/(4,401 + 8,904) of local firms are eponymous and 34 percent = 1,873/(1,873 + 3,558) of international firms are eponymous. Thus, the incidence of eponymy is similar for firms with local and international operations. This result provides some degree of confidence that any difference in FRQ across local and international operations is not likely to be attributable to the choice of eponymy itself. Consistent with the signaling/reputation cost argument of Belenzon et al. (2017), the FRQ of non-eponymous and eponymous firms is similar for firms with international operations; in contrast, eponymous firms exhibit a higher FRQ than non-eponymous firms when their operations are only local. Interestingly, both eponymous and non-eponymous firms with international operations exhibit

[28] The assumption here is that firms with international investments also have international operations.

higher FRQ than those with local operations, potentially because they are larger firms with more diffused ownership.

Table 5, Panel B, reports the results of the multivariate analysis. For brevity, we only tabulate the results for *EP*, *LOCAL*, and their interaction. The coefficient of *EP* is not statistically significant (except when we use –|*ABN_REV*| as the dependent variable), implying no difference in FRQ between eponymous and non-eponymous firms when they have international operations. In contrast, the coefficient of the interaction term *EP*×*LOCAL* is positive and statistically significant for all our FRQ measures, implying that the FRQ of eponymous firms is higher than that of non-eponymous firms with local operations alone. This finding provides some degree of confidence that our results are driven by the signaling thesis and are thus attributable to reputation concerns.

5.4.2. Manufacturing versus non-manufacturing business activities

Belenzon et al. (2014) document that the association between eponymy and performance is less pronounced in manufacturing sectors than in service sectors, because managerial ability is less likely to be important in manufacturing sectors (Dyer 2006). Accordingly, we predict that the difference in FRQ across eponymous and non-eponymous firms is more pronounced in non-manufacturing/service sectors than in manufacturing sectors. We consider 10 sectors, using the ISTAT classification, and an indicator variable *MANUFACT* that equals one if a firm's activity pertains to the manufacturing sector and zero otherwise.[29]

There are 4,085 firm–years in the *MANUFACT* = 1 group and 14,650 firm–years in the *MANUFACT* = 0 group; the incidence of eponymy is higher in the non-manufacturing sectors than in the manufacturing sector, with eponymy in the *MANUFACT* = 0 group at 35.84 percent = 5,251/(5,251 + 9,399) and eponymy in the *MANUFACT* = 1 group at 25.01 percent = 1,022/(1,022 + 4,085). This preliminary evidence reveals that eponymy is less frequent in manufacturing-oriented businesses, that is, where superior communication ability is not likely to be as important (Belenzon et al. 2014). Table 6,

[29] See https://www.istat.it/it/files/2011/03/metenorme09_40classificazione_attivita_economiche_2007.pdf (p. 44). The aggregation structure of ISTAT is based on the United Nations International Standard Industrial Classification (https://unstats.un.org/unsd/publication/ seriesM/seriesm_4rev4e.pdf).

Panel A, presents the mean FRQ for eponymous and non-eponymous firms across the *MANUFACT* = 0 and *MANUFACT* = 1 groups. On average, the FRQ is higher for eponymous firms than for non-eponymous firms and more so in non-manufacturing businesses than in manufacturing businesses.

Table 6, Panel B, reports the results of the multivariate analysis. For brevity, we only present the results for *EP*, *MANUFACT*, and their interaction. The coefficient of *EP* is positive, suggesting that the FRQ of eponymous firms is higher than that of non-eponymous firms in non-manufacturing businesses. Furthermore, the coefficient of the interaction term *EP*×*MANUFACT* is negative and statistically significant, implying that the FRQ of eponymous firms is lower than that of non-eponymous firms operating in manufacturing businesses. The positive relation between eponymy and FRQ is weaker for firms that operate in manufacturing businesses, as predicted. The results are similar when we omit the agriculture, energy, and construction sectors from the non-manufacturing sector (Table 6, Panel C). Taken together, the results in Tables 5 and 6 are consistent with the notion that reputation concerns affect FRQ through the channel of eponymy, as predicted by the hypothesis.

5.4.3. Firms managed by eponymous founders

Our sample consists of large private firms that are all family firms. The literature on family firms shows that the presence of founders in the firm as opposed to professional managers is important to mitigate agency issues (Villalonga and Amit 2006; Ali et al. 2007). In our setting, we posit that, when the identity between the founder and the firm is stronger (e.g., when an eponymous founder also manages the firm), the positive link between eponymy and FRQ is likely to be more pronounced.

We consider a firm as being managed by a founder if at least one member of the founder's family is on the board; *FOUNDER_DIR* equals one if at least one founder family member is a director with a managerial role and zero otherwise.[30] Table 7, Panel A, reports descriptive information about the mean effects of our four FRQ measures across groups for which *FOUNDER_DIR* = 1 and *FOUNDER_DIR* = 0.

[30] In Italy, every citizen is associated with a tax code. The first six letters of the Italian tax code allow us to identify the first and last names of the individuals. We consider an individual a family member if the individual's last name is the same as the last name of the firm's founder. In the case of spouses, last names can differ. In this case, we assume that two individuals are members of the same family if they share the same tax residence address.

We find that most firms are managed by the founder's family and it follows that our results are driven by the *FOUNDER_DIR* = 1 group. Table 7, Panel B, shows the results of estimating Eq. (5) including an interaction term between *EP* and *FOUNDER_DIR;* similar to the univariate results, we observe that our earlier results are driven by the *FOUNDER_DIR* = 1 group.

5.5. Eponymy and the cost of bank debt, conditional on FRQ

We examine whether eponymy is related to the cost of debt both directly and through FRQ. Two characteristics of the Italian banking system motivate the importance of this analysis. First, bank lending in Italy is by far the most important source of debt for private firms. D'Aurizio et al. (2015) maintain that bank debt represents 85 percent of the total debt of Italian private firms. Second, the banking environment in Italy is based on relationship lending (Ferri and Messori 2000; D'Aurizio et al. 2015). Therefore, not only hard information, such as financial statements and prior transaction history, but also soft information is an important determinant of corporate lending, especially for private businesses. In this regard, Diamond (1991) analytically shows that a firm's long-term reputation is positively related to its credit rating. Anderson et al. (2003) report that family ownership is associated with a lower cost of debt and attribute their finding to the higher reputation concerns among family firms compared to non-family firms (Stacchini and DeGasperi 2015). Furthermore, prior works show a negative relation between FRQ and the cost of debt (Sengupta 1998; Francis et al. 2005; Costello and Wittenborg-Moerman 2011; Minnis 2011). Since reputation concerns are more pronounced in eponymous firms, we expect such firms to exhibit a lower cost of bank debt compared to non-eponymous firms either directly, through a reputation effect, or indirectly, through FRQ.

For this purpose, we use the cost of bank debt, *RATE*, computed as interest expenses on bank loans divided by total bank debt multiplied by 100. We estimate the following equation to examine the relation between eponymy, FRQ, and the cost of debt:

$$RATE_{i,t} = \beta_0 + \beta_1 EP_{i,t} + \beta_2 \boldsymbol{AQ}_{i,t} + \boldsymbol{\Delta X} + \theta LAMBDA_{i,t} + \sum \beta_j Industry - YearFE_j + \varepsilon_{i,t}, \quad (6)$$

where **AQ**, *EP*, and *LAMBDA* are as defined in earlier equations and the vector **X** comprises controls for factors that have been shown in prior research to be associated with the cost of debt. More specifically, we follow Stacchini and DeGasperi (2015) and control for the age of the chief executive officer (CEO) (*Ln(CEO_AGE)*), the age of the firm (*Ln(FIRM_AGE)*), firm risk computed as the standard deviation of the past five years' earnings (*RISK*), firm size (*Ln(SIZE)*), leverage (*LEV*), and an indicator that classifies firms according to whether they belong to a business group (*GROUP*). To these control variables, we add the following variables, which are also likely correlated with FRQ: the firm's interest coverage ratio (*INT_COV*), liquidity (*CASH_HOLDING*), and capital structure (*ASSET_TANG*). We also consider a regional-level variable (*Ln(GDP)*) that accounts for the degree of economic development. Finally, we consider governance and cultural variables, as in Eq. (4). The Appendix contains a more detailed description of these variables.

For this analysis, we have 13,114 firm–years for 1,993 firms (out of the 2,271 firms of our original sample). Table 8, Panel A, reports the summary statistics. The mean *RATE* value for eponymous (non-eponymous) firms is 5.67 percent (5.84 percent); that is, the cost of debt of eponymous firms is about 17 basis points lower than that of non-eponymous firms.[31] Furthermore, eponymous firms are older, have older CEOs, have lower cash holdings, have lower variations in past earnings (*RISK*), are more likely to belong to a business group, have more tangible assets, and are located in less developed areas of the country (*Ln(GDP)*). Collectively, these results suggest that eponymous firms are considerably different across various factors that have been shown to be related to the cost of debt and, therefore, controlling for these factors in our test is important.

The results of estimating Eq. (6) are presented in Table 8, Panel B. Column (1) provides the results of estimating Eq. (6) without controlling for FRQ, while Columns (2) to (5) report the results when controlling for each of our four FRQ metrics separately. In each model, the results show significant negative values for β_1, even after controlling for FRQ. The coefficient ranges from –0.136 (*t*-statistics = –

[31] Since the average total bank debt in the sample is about 37 million euros, the annual interest expense of eponymous firms is about 63,000 euros lower than that of non-eponymous firms.

2.21) in Column 3 to –0.153 (*t*-statistics = –2.47) in Column (4). Moreover, all our FRQ proxies (except for –|*ABN_REV*|) are negatively associated with *RATE*, suggesting that high-quality accounting information reduces information asymmetry, which, in turn, decreases the cost of debt capital (Easley and O'Hara 2004; Francis et al. 2004).

6. Sensitivity analyses (untabulated)

6.1. Definition of EP proxy

Belenzon et al. (2017) consider a firm eponymous if the last name of the majority owner is part of the firm name. We label a firm as eponymous also when the founders' first and last name (standalone) initials are both included in the firm's name.[32] Using the same procedure to tag eponymous firms as Belenzon et al. (2017) leads to reclassifying 54 of our eponymous firms as non-eponymous. We repeat the analysis with this definition and find similar results.

6.2. Use of consolidated versus unconsolidated accounts

In Table 8, Panel A, we report that almost 33 percent of eponymous firm–years are based on consolidated accounts. To ensure that comparisons between eponymous and non-eponymous firms are conducted on a consistent basis of consolidation, we repeat our analyses in Table 3, Panels B and C, after requiring our firms to have only observations from unconsolidated accounts. We repeat the analysis after excluding consolidated financial and obtain similar results.

6.3. Firm age as an incentive to FRQ

In Table 8, Panel A, we document that eponymous firms are older than non-eponymous firms. This raises a concern that, by their nature, eponymous firms may not need capital, that is, they are self-sufficient and hence have weaker incentives to manage earnings. Therefore, they exhibit higher FRQ. To address this issue, we re-estimate our main analyses by limiting the sample to eponymous firm–years that are below the median age of eponymous firms (i.e., 29 years). Alternatively, we include a control for firm

[32] For example, the majority shareholder and founder of the company T.S. S.R.L. is Tontarelli Sergio.

age (*Ln(FIRM_AGE)*) and our inferences remain qualitatively unchanged. That is, after controlling for the effect of firm age, there is a significant relation between eponymy and FRQ.

6.4. Removing observations from industries with large numbers of firm–years

To mitigate the concern that the results could be driven by industries with relatively more observations of eponymous firms, we repeat our analysis after removing observations from the food and beverage (13.96 percent) and wholesale trade (20.94 percent) industries and find results that are similar to those reported.

7. Concluding remarks

Prior economics literature suggests that eponymy is positively associated with firm performance because it signals the higher ability of the founder, where the loss of reputation is the cost of the signal (Belenzon et al. 2017). Based on this reputation/signaling insight, we predict eponymy to be positively associated with FRQ. Using a proprietary dataset of 2,271 large Italian private firms, we document that eponymy is positively associated with total accrual quality, working capital accrual quality, revenue accrual quality, and a composite index of the three measures. This relation is stronger for eponymous firms that have rarer names, consistent with the argument that name rarity increases the signaling role and the reputation cost of eponymy. Furthermore, we find that the eponymy–FRQ relation is stronger for firms that operate only locally and weaker for firms that operate in manufacturing-oriented sectors. Finally, we find that eponymous firms are associated with a lower cost of debt, both directly, due to the signaling of their founders' high ability, and indirectly, due to their higher FRQ. These findings suggest that reputation concerns are a disciplining mechanism for FRQ.

The setting that we examine is powerful because it consists of large private firms that have agency issues that could lower FRQ. We document that reputation concerns for eponymous firms likely discipline them to exhibit higher FRQ. That is, reputation matters for FRQ in private firms. However, because of the many features of Italy's institutional and economic environment, we do not presume that our results are generalizable to other settings, especially if eponymy is a stronger signaling instrument in

Italy than elsewhere. Other countries could have different ways to signal managerial ability and impose reputation costs. Future research can examine other reputational mechanisms in other jurisdictions and relate them to FRQ. This will help provide insights into whether the efficient contracting perspective is indeed appropriate for private firms when considering the demand for information.

Furthermore, our inferences are based on the assumption that eponymy and abnormal accruals are appropriate measures for reputation and FRQ, respectively. In the case of eponymy, we rely on prior literature in economics, as well as use name rarity to provide sharp identification. In the case of FRQ, we use the discretionary accruals measure that is typically adopted in the accounting literature and, more importantly, in studies that explore the properties of FRQ. We provide a battery of cross-sectional and robustness tests to enhance confidence in our conclusions. Future research might be able to exploit settings where additional financial reporting information is available and use other tools of earnings management, as well as other FRQ measures.

Appendix

Variable Definitions.

Variable	Definition	Source
−|*ABN_REV*|	Absolute value of abnormal accruals based on McNichols and Stubben (2008) and Stubben (2010). Abnormal revenues are computed as the difference between actual and predicted revenues using the following model: $\Delta AR_{it} = \beta_0 + \beta_1 \Delta REV_{it} + \varepsilon_{it}$, where: ΔAR is the annual change in accounts receivable, scaled by lagged total assets; ΔREV is annual change in sales, scaled by lagged total assets. The model is estimated in each industry-year with at least 20 observations. |ABN_REV| is multiplied by minus one, so that larger values correspond to higher accrual quality.	Bureau van Dijk
−|*ABN_TACC*|	Absolute value of abnormal accruals based on the Jones' (1991) model as modified by and Kothari et al. (2005). Abnormal accruals are computed as the difference between actual and predicted total accruals using the following model: $TA_{it} = \beta_0 + \beta_1(1/ASSETS)_{it-1} + \beta_2(\Delta REV_{it} - \Delta AR_{it}) + \beta_3 PPE + \beta_3 ROA_{it-1} + \varepsilon_{it}$, where: TA is total accruals, measured as the change in non-cash assets minus the change in short-term (non-financial) liabilities, minus depreciation and amortization, scaled by lagged total assets; ΔREV is the annual change in annual sales scaled by lagged total assets; ΔAR is the annual change in accounts receivable scaled by lagged total assets; PPE is property, plants, and equipment scaled by lagged total assets; ROA is lagged return on assets. Abnormal total accruals are estimated for each industry-year with at least 20 observations. |ABN_TACC| is multiplied by minus one, so that larger values correspond to higher accrual quality.	Bureau van Dijk
−|*ABN_WACC*|	Absolute value of abnormal accruals based on Dechow-Dichev's (2002) model as modified by McNichols (2002), Francis et al. (2005) and Ball and Shivakumar (2006). Abnormal working capital accruals are computed as the difference between actual and predicted working capital accruals using the following model: $WCA_{it} = \beta_0 + \beta_1 OCF_{it+1} + \beta_2 OCF_{it} + \beta_3 OCF_{it-1} + \beta_4 \Delta REV_{it} + \beta_5 PPE_{it} + \beta_6 DOCF_{it} + \beta_7 DOCF_{it} \times OCF_{it} + \varepsilon_{it}$, where: WCA is working capital accruals, measured as the change in current assets minus the change in current liabilities minus the change in cash and cash equivalents plus the change in debt included in current liabilities, scaled by lagged total assets; ΔREV is annual change in sales, scaled by lagged total assets; PPE is property, plants, and equipment scaled by lagged total assets; OCF is operating cash flows computed indirectly starting from the firm's net income and adding depreciation/amortization and subtracting the change in net working capital (all amounts scaled by lagged total assets), and DOCF is 1 for negative operating cash flows. The model is estimated in each industry-year with at least 20 observations. |ABN_WACC| is multiplied by minus one, so that larger values correspond to higher accrual quality.	Bureau van Dijk
AQ_SCORE	Average of the ranks (from 1 to 10) of −|ABN_TACC|, −|ABN_WACC|, and −|ABN_REV|.	Bureau van Dijk
ASSET_TANG	Ratio of property, plant, and equipment and total assets.	Bureau van Dijk
BIG4	1 if a firm has a BIG4 auditor.	Bureau van Dijk
CASH_HOLDING	Ratio of cash and cash equivalents and total assets.	Bureau van Dijk
CENTER	1 for firms located in the following Italian regions: Umbria, Tuscany, Marche, and Lazio.	www.istat.it
CULT_FACT	A cultural index that aggregates DIVORCE_RATE, NO_PRACTICING_RATE, and SCHOOLING_RATE using principal component analysis and extracting the first component with an Eigenvalue greater than one. CULT_FACT is multiplied by minus one so that higher values of CULT_FACT correspond to stronger regional family and entrepreneurship values.	Bureau van Dijk
DIVORCE_RATE	Divorce rate in 2007. Divorce rate is equal to the number of divorces every 1,000 civil marriages in the region.	www.istat.it

(Continued on the next page)

(*Continued*)

Variable	Definition	Source
EP	1 if the entire last name or the initials of the first and last name of the founder or of a member of her family are included in the firm name.	Registrar of Enterprises
FOUNDER_DIR	1 if at least one member of the founding family holds top management position in firm *i* at time *t*.	Registrar of Enterprises
FOUNDER_OWN	Mean percentage of founder's owned capital.	Registrar of Enterprises
GROUP	1 if firm *i* is part of a group.	Bureau van Dijk
GROWTH	One-year growth rate in sales.	Bureau van Dijk
HOLDING_NEP	1 if firm *i* is an operating firm in a group and its direct holding company is non-eponymous.	Registrar of Enterprises
INT_COV	Ratio of EBITDA and interest expenses on loans.	Bureau van Dijk
LEV	Ratio of total leverage and total assets.	Bureau van Dijk
Ln(CEO_AGE)	Natural logarithm of CEO's age.	Registrar of Enterprises
Ln(FIRM_AGE)	Natural logarithm of firm's age.	Registrar of Enterprises
Ln(GDP)	Natural logarithm of annual regional gross domestic product (GDP).	www.istat.it
Ln(OP_CYCLE)	Firm's operating cycle measured as natural logarithm of the sum of days' sales in inventory and days in accounts receivable collection.	Bureau van Dijk
Ln(SIZE)	Natural logarithm of total assets.	Bureau van Dijk
Ln(STD_ROA)	Natural logarithm of the standard deviation of ROA measured for firm with at least four firm-years.	Bureau van Dijk
LOCAL	1 if the firm has no foreign direct investments (FDI) at time *t*, 0 otherwise. FDI is a firm's investment in greater than 10 percent equity of a firm abroad.	Registrar of Enterprises
LOSS	1 if net income is < 0.	Bureau van Dijk
MANUFACT	1 if the firm's economic activity is classified under the title "manufacturing" in the aggregated version of ATECO 2007 codes.	www.istat.it
NAME_RARITY	Ratio of the firm's owner's last name and the number of owners' last names in the city where the firm is registered, multiplied by −1.	Bureau van Dijk
N_COFOUNDERS	Number of co-founding families.	Registrar of Enterprises
NO_PRACTICING_RATE	Percentage of people (out of 100 with the same characteristics) of age six and over who never went into a place of worship in the last 12 months in the region (2007).	www.istat.it
NORTH	1 for firms located in the following Italian regions: Aosta Valley, Piedmont, Lombardy, Liguria, Veneto, Trentino Alto-Adige, Friuli, Emilia-Romagna.	www.istat.it
RARE	1 if the founder's name is above the first tercile of *NAME_RARITY*.	Bureau van Dijk
RATE (×100)	Ratio of interest cost on bank debt over total bank debt.	Bureau van Dijk
RISK	Standard deviation of earnings from *t*–5 to *t*.	Bureau van Dijk
ROE	Industry adjusted return on equity, computed as the ratio of net income before extraordinary items and average equity between *t* – 1 and *t*.	Bureau van Dijk
SCHOOLING_RATE	Regional rate of access from high school to university education.	www.istat.it
SOUTH	1 for firms located in the following Italian regions: Abruzzi, Molise, Campania, Apulia, Basilicata, Calabria, Sicily, and Sardinia.	www.istat.it

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Table 1
Sample Description.

Panel A: Distribution of eponymous/non-eponymous observations across industries

Industry	Eponymous		Non-Eponymous		
	N	% of total eponymous obs.	N	% of total non-eponymous obs.	% of eponymous obs. in the industry
Food & beverages	876	13.96	956	7.67	47.82
Paper and printing	148	2.36	249	2.00	37.28
Chemistry & Pharmaceuticals	116	1.85	623	5.00	15.70
Electricity & Plastic products	154	2.45	830	6.66	15.65
Machinery	441	7.03	701	5.63	38.62
Transportation	46	0.73	72	0.58	38.98
Furniture	177	2.82	242	1.94	42.24
Fashion	373	5.95	569	4.57	39.60
Metal products	494	7.87	1,218	9.77	28.86
Motor vehicle trade	392	6.25	562	4.51	41.09
Wholesale trade	1,314	20.94	2,409	19.33	35.29
Retail trade	408	6.50	568	4.56	41.80
Constructions & Energy	259	4.13	621	4.98	29.43
Logistics & Business Services	469	7.48	1,432	11.49	24.67
Financial activities	448	7.14	927	7.44	32.58
Others	159	2.53	483	3.88	24.77
Total	6,274	100.00	12,462	100.00	

(Continued on the next page)

Table 1
(*Continued*)

Panel B: Distribution of eponymous/non-eponymous observations across years

Year	Eponymous		Non-eponymous		
	N	% of total eponymous obs.	N	% of total non-eponymous obs.	% of eponymous obs. in the year
2002	342	5.45	660	5.30	34.13
2003	348	5.55	695	5.58	33.37
2004	388	6.18	771	6.19	33.48
2005	411	6.55	832	6.68	33.07
2006	549	8.75	1,055	8.47	34.23
2007	574	9.15	1,115	8.95	33.98
2008	598	9.53	1,213	9.73	33.02
2009	636	10.14	1,269	10.18	33.39
2010	659	10.50	1,329	10.66	33.15
2011	671	10.69	1,354	10.87	33.14
2012	693	11.05	1,375	11.03	33.51
2013	405	6.46	794	6.37	33.78
Total	6,274	100,00	12,462	100,00	

Notes. Panel A of Table 1 presents the distribution of 18,736 eponymous and non-eponymous firm-years for 819 and 1,452 firms respectively over 16 industries as defined by Bureau van Dijk (Aida). Panel B of Table 1 presents the distribution of 18,736 eponymous and non-eponymous firm-years for 819 and 1,452 firms respectively over 12 years from 2002 to 2013. The sample consists of all Italian firms (2,271) with total revenues over 50 million euros over the sample period. We consider a firm as eponymous (non-eponymous) if the entire last name or the initials of the first and last name of the founder or a member of her family are (not) included in the firm name. There are no cases of firm changing from being eponymous to non-eponymous or vice versa during the sample period.

Table 2
Determinants of eponymy.

Panel A: Descriptive statistics of eponymy determinants (N. firms = 2,271)

Variables	Eponymous				Non-eponymous				Diff. mean	Diff. median
	N	Mean	Median	SD	N	Mean	Median	SD	(*t*-stat)	(*z*-stat)
CULT FACT	819	0.172	−0.595	1.473	1,452	−0.096	−0.595	1.383	4.325	4.670
FOUNDER_OWN	819	0.962	1.000	0.094	1,452	0.937	1.000	0.112	5.245	6.666
N_COFOUNDERS	819	1.055	1.000	0.233	1,452	1.156	1.000	0.399	−6.652	−6.484
HOLDING_NEP	819	0.134	0.000	0.341	1,452	0.334	0.000	0.472	−10.645	−10.391
NORTH	819	0.744	1.000	0.437	1,452	0.737	1.000	0.440	0.348	0.348
CENTER	819	0.127	0.000	0.333	1,452	0.162	0.000	0.368	−2.240	−2.238
SOUTH	819	0.129	0.000	0.336	1,452	0.101	0.000	0.302	2.051	2.050

Panel B: Probit analysis: the determinants of eponymy

Variables	(1) *Coeff.*	(2) *z-stat*	(3) *Marginal effect*
CULT_FACT	0.066**	(2.51)	0.024**
FOUNDER_OWN	1.046***	(3.55)	0.385***
N_COFOUNDERS	−0.567***	(−6.17)	−0.208***
HOLDING_NEP	−0.688***	(−9.84)	−0.253***
NORTH	0.123	(1.48)	0.045
SOUTH	−0.042	(−0.29)	−0.015
Industry fixed effects	YES		
χ^2	224.12		
N	2,271		
Pseudo R^2	8.5%		

Notes. Panel A of Table 2 provides the descriptive statistics for the variables used in the probit analysis of the determinants of eponymy (Eq. (4)). We consider a firm as eponymous if the entire last name or the initials of the first and last name of the founder(s) or a member of her family are included in the firm's name. There are no cases of firm switching from being eponymous to non-eponymous or vice versa during our observation period. Panel B of Table 2 provides the results of the probit analysis (Eq. (4)) using our sample of 2,271 firms. All variables are defined in the Appendix.

*** (**, *) denotes statistical significance based on two-tailed tests at the 10% (5%, 1%) level.

Table 3
Eponymous firms and financial reporting quality (FRQ).

Panel A: Descriptive statistics

Variables	Eponymous				Non-eponymous				Difference	
	Obs.	Mean	Median	SD	Obs.	Mean	Median	SD	Mean (*t*-stat)	Median (*z*-stat)
−|*ABN_TACC*|	6,274	−0.077	−0.052	0.083	12,462	−0.085	−0.056	0.093	5.580	4.235
−|*ABN_WACC*|	6,274	−0.030	−0.022	0.028	12,462	−0.035	−0.025	0.035	9.903	8.103
−|*ABN_REV*|	6,274	−0.147	−0.043	0.312	12,462	−0.175	−0.048	0.380	4.937	4.766
AQ_SCORE	6,274	0.518	0.519	0.216	12,462	0.491	0.481	0.223	8.088	7.895
Ln(SIZE)	6,274	11.036	10.975	1.221	12,462	10.934	10.939	1.149	5.611	4.276
LEV	6,274	0.649	0.681	0.191	12,462	0.656	0.688	0.201	−2.066	−2.897
ROE	6,274	0.011	0.010	0.172	12,462	0.006	−0.005	0.173	1.831	4.290
LOSS	6,274	0.143	0.000	0.350	12,462	0.147	0.000	0.355	−0.778	−0.783
GROWTH	6,274	0.088	0.059	0.231	12,462	0.107	0.062	0.285	−4.580	−1.671
Ln(STD_ROA)	6,274	−3.983	−3.930	0.860	12,462	−3.894	−3.858	0.863	−6.657	−6.830
OP_CYCLE	6,274	5.131	5.212	0.676	12,462	5.081	5.173	0.719	4.576	3.944
BIG4	6,274	0.160	0.000	0.367	12,462	0.152	0.000	0.359	1.527	1.529
Ln(GDP)	6,274	11.839	11.857	0.737	12,462	11.907	11.866	0.713	−6.145	−5.650

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Table 3
(*Continued*)

Panel B: Multivariate analysis controlling for self-selection using Heckman (1979) procedure

	(1)	(2)	(3)	(4)
Variables	*−|ABN_TACC|*	*−|ABN_WACC|*	*−|ABN_REV|*	*AQ_SCORE*
	Coeff.	*Coeff.*	*Coeff.*	*Coeff.*
	(t-stat)	*(t-stat)*	*(t-stat)*	*(t-stat)*
EP	0.004**	0.003***	0.009**	0.015***
	(2.54)	(5.02)	(2.34)	(3.73)
Ln(SIZE)	0.010***	0.003***	0.019***	0.034***
	(8.48)	(8.14)	(8.01)	(13.25)
LEV	−0.061***	0.008***	−0.038***	−0.109***
	(−10.62)	(2.62)	(−4.74)	(−6.41)
ROE	−0.023***	−0.031***	−0.039***	−0.093***
	(−4.18)	(−7.14)	(−2.80)	(−6.13)
LOSS	−0.001	−0.018***	−0.003	−0.043***
	(−0.47)	(−10.93)	(−0.30)	(−8.09)
GROWTH	−0.044***	−0.016***	−0.114***	−0.096***
	(−7.46)	(−7.89)	(−7.02)	(−9.76)
Ln(STD_ROA)	−0.006***	−0.005***	−0.005***	−0.027***
	(−6.02)	(−9.58)	(−2.59)	(−9.44)
OP_CYCLE	0.003*	0.002**	0.038***	0.008
	(1.72)	(2.20)	(4.56)	(1.62)
BIG4	−0.003	−0.001	−0.007	0.003
	(−1.32)	(−1.20)	(−0.63)	(0.39)
CULT_FACT	−0.001	−0.001	−0.002	−0.005*
	(−0.64)	(−1.56)	(−0.89)	(−1.78)
FOUNDER_OWN	−0.033	−0.006	−0.044	−0.093**
	(−1.23)	(−0.99)	(−1.03)	(−2.20)
HOLDING_NEP	0.013	0.003	0.031	0.033
	(0.91)	(0.70)	(0.98)	(1.35)
N_COFOUNDERS	0.012	0.005	0.027	0.037*
	(1.02)	(1.29)	(1.54)	(1.72)
Ln(GDP)	−0.002	−0.001*	−0.006***	−0.005
	(−1.46)	(−1.67)	(−4.33)	(−1.58)
LAMBDA	−0.026	−0.009	−0.061	−0.077*
	(−0.93)	(−1.10)	(−0.13)	(−1.66)
Industry & Year fixed effects	YES	YES	YES	YES
N	18,736	18,736	18,736	18,736
Adj. R^2	15.5%	15.1%	25.5%	25.0%

(Continued on the next page)

Table 3
(*Continued*)

Panel C: Multivariate analysis–Coarsened Exact Matching (CEM) procedure

Variables	(1) −|*ABN_TACC*|	(2) −|*ABN_WACC*|	(3) −|*ABN_REV*|	(4) *AQ_SCORE*
	Coeff. *(t-stat)*	*Coeff.* *(t-stat)*	*Coeff.* *(t-stat)*	*Coeff.* *(t-stat)*
EP	0.004*	0.004***	0.016***	0.019***
	(1.72)	(6.16)	(3.38)	(4.30)
Ln(SIZE)	0.010***	0.003***	0.020***	0.036***
	(4.55)	(6.22)	(6.68)	(9.32)
LEV	−0.066***	0.013***	−0.051***	−0.108***
	(−9.13)	(4.04)	(−3.76)	(−6.62)
ROE	−0.031***	−0.040***	−0.058**	−0.128***
	(−5.42)	(−6.46)	(−2.57)	(−4.55)
LOSS	−0.002	−0.022***	0.005	−0.051***
	(−0.48)	(−11.07)	(0.23)	(−5.57)
GROWTH	−0.053***	-0.017***	−0.092***	−0.114***
	(−4.66)	(-7.10)	(−3.42)	(−5.73)
Ln(STD_ROA)	−0.007***	−0.004***	−0.004	−0.026***
	(−5.12)	(−5.97)	(−1.58)	(−6.20)
OP_CYCLE	0.003	−0.000	0.023***	0.002
	(1.38)	(−0.34)	(3.46)	(0.29)
BIG4	−0.002	−0.000	−0.009	0.002
	(−0.60)	(−0.31)	(−1.32)	(0.16)
CULT_FACT	0.000	−0.001*	0.001	−0.000
	(0.30)	(−1.67)	(0.23)	(−0.22)
FOUNDER_OWN	−0.022	−0.001	−0.027	−0.040
	(−1.48)	(−0.24)	(−0.81)	(−1.25)
HOLDING_NEP	0.001	0.002	0.001	0.014
	(0.32)	(1.53)	(0.11)	(1.11)
N_COFOUNDERS	−0.000	−0.001	0.002	−0.009
	(−0.10)	(−0.83)	(0.03)	(−1.34)
Ln(GDP)	0.000	−0.000	−0.004	0.002
	(0.04)	(−0.14)	(−0.95)	(0.45)
Industry & Year fixed effects	YES	YES	YES	YES
N	8,064	8,064	8,064	8,064
Adj. R^2	15.4%	15.1%	25.4%	24.0%

Notes. Panel A of Table 3 reports the descriptive statistics for the variables used in our tests on the effect of eponymy on FRQ. Panel B of Table 3 reports Heckman second stage regression results. The four dependent variables are: −|*ABN_TACC*| (abnormal total accruals), −|*ABN_WACC*| (abnormal working capital accruals), −|*ABN_REV*| (abnormal revenues), and *AQ_SCORE* (the mean rank score of the previous three indeces). The explanatory variable is *EP* (eponymous firm indicator). Panel C of Table 3 presents a matched sample analysis based on the Coarsened Exact Matching (CEM) method. The matching variables are: the firm's predicted probability of being eponymous (using the prediction model in Table 2, Panel B), year, industry, and size (natural logarithm of total assets). The number of exact matches is obtained using the *k2k* option in Stata for the "CEM" command and is reported at the bottom of the table. The four dependent variables are: −|*ABN_TACC*| (abnormal total accruals), −|*ABN_WACC*| (abnormal working capital accruals), −|*ABN_REV*| (abnormal revenues), and *AQ_SCORE* (the mean rank score of the previous three indeces). The explanatory variable is *EP* (eponymous firm indicator). For the definition of all variables, please refer to the Appendix. *T*–statistics (in parentheses) are based on standard errors clustered by firm and year (Petersen 2009). Industry and year fixed effects are unreported for brevity. Continuous variables are winsorized at their 1st and 99th percentiles on annual basis.

*** (**, *) denotes statistical significance based on two-tailed tests at the 10% (5%, 1%) level.

Table 4
Eponymous firms, name rarity, and financial reporting quality (FRQ).

Panel A: Probit estimations: the relation between eponymy and name rarity

	(1)	(2)	(3)	(4)
Variables	*Coeff.*	*Mgn Eff.*	*Coeff.*	*Mgn Eff.*
	(z-stat)		*(z-stat)*	
RARE	−0.220***	−0.082***	−0.161**	−0.059**
	(−3.66)		(−2.55)	
CULT_FACT			0.056**	0.021**
			(2.11)	
FOUNDER_OWN			1.033***	0.380***
			(3.49)	
N_COFOUNDERS			−0.572***	−0.210***
			(−6.20)	
HOLDING_NEP			−0.681***	−0.250***
			(−9.73)	
NORTH			0.112	0.041
			(1.35)	
SOUTH			−0.043	−0.016
			(−0.30)	
Industry fixed effects	YES	YES	YES	YES
χ^2	81.59		225.06	
N	2,271	2,271	2,271	2,271
Pseudo R^2	3.0%		8.7%	

(Continued on the next page)

Table 4
(*Continued*)

*Panel B: Financial reporting quality (*FRQ*) across eponymous/non-eponymous firms and name rarity*

Outcome variables	Eponymous (a)	Non-eponymous (b)	Diff. (a)−(b) (*t*-stat)
−|*ABN_TACC*|			
RARE = 0: Name is not rare (c)	−0.080	−0.081	0.001
	(*n* = 4,402)	(*n* = 8,141)	0.195
RARE = 1: Name is rare (d)	−0.069	−0.092	0.023
	(*n* = 1,872)	(*n* = 4,321)	8.997
Diff. (c)−(d)	−0.011	0.011	
(*t*-stat)	−5.398	6.206	
−|*ABN_WACC*|			
RARE = 0: Name is not rare (c)	−0.030	−0.033	0.003
	(*n* = 4,402)	(*n* = 8,141)	4.992
RARE = 1: Name is rare (d)	−0.027	−0.036	0.009
	(*n* = 1,872)	(*n* = 4,321)	9.551
Diff. (c)−(d)	−0.003	0.003	
(*t*-stat)	−4.020	5.206	
−|*ABN_REV*|			
RARE = 0: Name is not rare (c)	−0.154	−0.155	0.001
	(*n* = 4,402)	(*n* = 8,141)	0.121
RARE = 1: Name is rare (d)	−0.129	−0.210	0.081
	(*n* = 1,872)	(*n* = 4,321)	7.451
Diff. (c)−(d)	−0.025	0.055	
(*t*-stat)	−2.939	7.720	
AQ_SCORE			
RARE = 0: Name is not rare (c)	0.501	0.500	0.001
	(*n* = 4,402)	(*n* = 8,141)	0.200
RARE = 1: Name is rare (d)	0.557	0.471	0.086
	(*n* = 1,872)	(*n* = 4,321)	13.821
Diff. (c)−(d)	−0.056	0.029	
(*t*-stat)	−9.408	7.011	

(Continued on the next page)

Table 4
(*Continued*)

Panel C: Multivariate analysis controlling for self-selection using Heckman (1979) procedure

	(1)	(2)	(3)	(4)
Variables	*−|ABN_TACC|*	*−|ABN_WACC|*	*−|ABN_REV|*	*AQ_SCORE*
	Coeff.	*Coeff.*	*Coeff.*	*Coeff.*
	(t-stat)	*(t-stat)*	*(t-stat)*	*(t-stat)*
EP	0.002	0.003***	0.007*	0.005
	(0.86)	(3.59)	(1.93)	(1.06)
RARE	−0.004*	−0.001	−0.008**	−0.004
	(−1.64)	(−0.99)	(−2.09)	(−0.87)
EP × RARE	0.009**	0.003**	0.008**	0.034***
	(2.36)	(1.98)	(1.98)	(3.65)
Ln(SIZE)	0.010***	0.003***	0.020***	0.033***
	(8.56)	(7.98)	(8.05)	(13.32)
LEV	−0.061***	0.009***	−0.037***	−0.108***
	(−10.70)	(2.73)	(−4.54)	(−6.52)
ROE	−0.023***	−0.031***	−0.039***	−0.094***
	(−4.25)	(−7.15)	(−2.70)	(−6.18)
LOSS	−0.001	−0.018***	−0.003	−0.043***
	(−0.50)	(−11.00)	(−0.33)	(−8.09)
GROWTH	−0.045***	−0.017***	−0.118***	−0.100***
	(−7.98)	(−9.14)	(−6.42)	(−11.78)
Ln(STD_ROA)	−0.006***	−0.005***	−0.005**	−0.027***
	(−6.04)	(−9.54)	(−2.56)	(−9.60)
OP_CYCLE	0.003*	0.002**	0.038***	0.007
	(1.67)	(2.18)	(4.56)	(1.60)
BIG4	−0.003	−0.001	−0.007	0.001
	(−1.37)	(−1.26)	(−0.60)	(0.20)
CULT_FACT	−0.001	−0.001	−0.002	−0.004*
	(−0.59)	(−1.52)	(−0.89)	(−1.66)
FOUNDER_OWN	−0.029	−0.005	−0.037	−0.088**
	(−1.14)	(−0.87)	(−0.98)	(−2.12)
HOLDING_NEP	0.011	0.003	0.027	0.032
	(0.81)	(0.62)	(1.21)	(1.30)
N_COFOUNDERS	0.011	0.005	0.023	0.036*
	(0.92)	(1.24)	(1.15)	(1.68)
Ln(GDP)	−0.002	−0.001	−0.006***	−0.005
	(−1.35)	(−1.64)	(−3.48)	(−1.62)
LAMBDA	−0.022	−0.008	−0.052	−0.074
	(−0.83)	(−1.03)	(−0.93)	(−1.62)
Industry & Year fixed effects	YES	YES	YES	YES
N	18,736	18,736	18,736	18,736
Adj.−R^2	15.5%	15.2%	25.5%	25.1%

Notes. This table presents the results of tests on the association of eponymy and FRQ (Eq. 5), conditional on *RARE*. Panel A of Table 4 reports the results of the probit analysis in which we examine the relation between *EP* and *RARE*. Panel B of Table 4 reports the mean effect for the four FRQ dependent variables: *−|ABN_TACC|*, *−|ABN_WACC|*, *−|ABN_REV|*, and *AQ_SCORE* across eponymous and non-eponymous firms and name rarity (*RARE* = 0 and *RARE* = 1). Panel C of Table 4 reports the results of the multivariate analysis. The explanatory variable is *EP* (eponymous firm indicator). For the definition of all variables, refer to the Appendix. *T*–statistics (in parentheses) are based on standard errors clustered by firm and year (Petersen 2009). Industry and year fixed effects are unreported for brevity. Continuous variables are winsorized at their 1st and 99th percentiles on annual basis.

*** (**, *) denotes statistical significance based on two-tailed tests at the 10% (5%, 1%) level.

Table 5
Eponymous firms, local-international presence, and financial reporting quality (FRQ).

*Panel A: Financial reporting quality (*FRQ*) across eponymous/non-eponymous firms and local/international business*

Outcome variables	Eponymous (a)	Non-eponymous (b)	Diff. (a)−(b) (*t*-stat)
−|ABN_TACC|			
LOCAL = 1: No international operations (c)	−0.085	−0.095	0.010
	(*n* = 4,401)	(*n* = 8,904)	5.187
LOCAL = 0: With international operations (d)	−0.057	−0.060	0.003
	(*n* = 1,873)	(*n* = 3,558)	1.476
Diff. (c)−(d)	−0.028	−0.035	
(*t*-stat)	−12.332	−18.963	
−|ABN_WACC|			
LOCAL = 1: No international operations (c)	−0.030	−0.036	0.006
	(*n* = 4,401)	(*n* = 8,904)	9.557
LOCAL = 0: With international operations (d)	−0.027	−0.029	0.002
	(*n* = 1,873)	(*n* = 3,558)	2.907
Diff. (c)−(d)	−0.003	−0.007	
(*t*-stat)	−3.595	−9.422	
−|ABN_REV|			
LOCAL = 1: No international operations (c)	−0.164	−0.197	0.033
	(*n* = 4,401)	(*n* = 8,904)	4.845
LOCAL = 0: With international operations (d)	−0.108	−0.118	0.010
	(*n* = 1,873)	(*n* = 3,558)	1.081
Diff. (c)−(d)	−0.056	−0.079	
(*t*-stat)	−6.437	−10.553	
AQ_SCORE			
LOCAL = 1: No international operations (c)	0.492	0.461	0.031
	(*n* = 4,401)	(*n* = 8,904)	7.891
LOCAL = 0: With international operations (d)	0.580	0.565	0.015
	(*n* = 1,873)	(*n* = 3,558)	2.608
Diff. (c)−(d)	−0.088	−0.104	
(*t*-stat)	−15.082	−24.031	

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Table 5
(*Continued*)

Panel B: Multivariate analysis controlling for self-selection using Heckman (1979) procedure

	(1)	(2)	(3)	(4)
Variables	*−|ABN_TACC|*	*−|ABN_WACC|*	*−|ABN_REV|*	*AQ_SCORE*
	Coeff.	*Coeff.*	*Coeff.*	*Coeff.*
	(t-stat)	*(t-stat)*	*(t-stat)*	*(t-stat)*
EP	−0.002	0.002	−0.009***	0.005
	(−1.06)	(1.63)	(−3.31)	(0.68)
LOCAL	−0.013***	−0.001	−0.002	−0.033***
	(−5.49)	(−1.46)	(−0.19)	(−7.08)
EP × LOCAL	0.008**	0.002*	0.029***	0.014*
	(2.39)	(1.85)	(3.35)	(1.73)
Control Variables	YES	YES	YES	YES
Industry & Year fixed effects	YES	YES	YES	YES
N	18,736	18,736	18,736	18,736
Adj. R^2	12.2%	14.1%	16.9%	21.9%

Notes. This table provides the results of tests on the association of eponymy and financial reporting quality (Eq. 5), conditional on the markets where the firm operates. The variable *LOCAL* is an indicator that is equal to one if the firm has no foreign direct investments in a given year *t*, and zero otherwise. Panel A of Table 5 reports the mean effect for the four dependent variables: *−|ABN_TACC|* (abnormal total accruals), *−|ABN_WACC|* (abnormal working capital accruals), *−|ABN_REV|* (abnormal revenues), and *AQ_SCORE* (the mean rank score of the previous three indeces), across firm type (eponymous/non-eponymous) and market scope (*LOCAL* = 0 and *LOCAL* = 1). Panel B of Table 5 reports the results of our multivariate analysis where the explanatory variable is *EP* (eponymous firm indicator), the conditioning variable is *LOCAL*. For the definition of all variables, please refer to the Appendix. *T*–statistics (in parentheses) are based on standard errors clustered by firm and year (Petersen 2009). Control variables, industry and year fixed effects are unreported for brevity. Continuous variables are winsorized at their 1st and 99th percentiles on annual basis.

*** (**, *) denotes statistical significance based on two-tailed tests at the 10% (5%, 1%) level.

Table 6
Eponymous firms, industry, and financial reporting quality (FRQ).

Panel A: Financial reporting quality across eponymous/non-eponymous firms and manufacturing intensity

Outcome variables	Eponymous (a)	Non-eponymous (b)	Diff. (a)−(b) (*t*-stat)
−|*ABN_TACC*|			
MANUFACT = 0: Service sector (c)	−0.079	−0.088	0.009
	(*n* = 5,251)	(*n* = 9,399)	6.077
MANUFACT = 1: Manufacturing sector (d)	−0.066	−0.072	0.006
	(*n* = 1,022)	(*n* = 3,063)	2.156
Diff. (c)−(d)	−0.013	−0.016	
(*t*-stat)	−4.454	−8.316	
−|*ABN_WACC*|			
MANUFACT = 0: Service sector (c)	−0.029	−0.035	0.006
	(*n* = 5,251)	(*n* = 9,399)	9.931
MANUFACT = 1: Manufacturing sector (d)	−0.028	−0.031	0.003
	(*n* = 1,022)	(*n* = 3,063)	3.109
Diff. (c)−(d)	−0.001	−0.004	
(*t*-stat)	−1.521	−5.209	
−|*ABN_REV*|			
MANUFACT = 0: Service sector (c)	−0.154	−0.190	0.036
	(*n* = 5,251)	(*n* = 9,399)	5.631
MANUFACT = 1: Manufacturing sector (d)	−0.112	−0.127	0.015
	(*n* = 1,022)	(*n* = 3,063)	1.832
Diff. (c)−(d)	−0.042	−0.063	
(*t*-stat)	−3.863	−7.977	
AQ_SCORE			
MANUFACT = 0: Service sector (c)	0.510	0.478	0.032
	(*n* = 5,251)	(*n* = 9,399)	8.485
MANUFACT = 1: Manufacturing sector (d)	0.556	0.527	0.029
	(*n* = 1,022)	(*n* = 3,063)	3.667
Diff. (c)−(d)	−0.046	−0.049	
(*t*-stat)	−6.137	−10.596	

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Table 6
(*Continued*)

Panel B: Multivariate Analysis controlling for self-selection using Heckman (1979) procedure (manufacturing vs. non-manufacturing)

	(1)	(2)	(3)	(4)
Variables	*−|ABN_TACC|*	*−|ABN_WACC|*	*−|ABN_REV|*	*AQ_SCORE*
	Coeff.	*Coeff.*	*Coeff.*	*Coeff.*
	(t-stat)	*(t-stat)*	*(t-stat)*	*(t-stat)*
EP	0.006***	0.004***	0.021***	0.018***
	(2.93)	(4.87)	(2.94)	(3.85)
MANUFACT	−0.000	−0.000	0.100**	−0.005
	(−0.04)	(−0.14)	(2.47)	(−0.52)
EP × MANUFACT	−0.008**	−0.003*	−0.060***	−0.017*
	(−2.16)	(−1.81)	(−3.31)	(−1.82)
Control Variables	YES	YES	YES	YES
Industry & Year fixed effects	YES	YES	YES	YES
N	18,736	18,736	18,736	18,736
Adj. R^2	15.5%	15.2%	25.9%	25.0%

Panel C: Multivariate Analysis controlling for self-selection using Heckman (1979) procedure (manufacturing vs. service-oriented business activities)

	(1)	(2)	(3)	(4)
Variables	*−|ABN_TACC|*	*−|ABN_WACC|*	*−|ABN_REV|*	*AQ_SCORE*
	Coeff.	*Coeff.*	*Coeff.*	*Coeff.*
	(t-stat)	*(t-stat)*	*(t-stat)*	*(t-stat)*
EP	0.006**	0.004***	0.014*	0.013**
	(2.31)	(3.32)	(1.95)	(2.18)
MANUFACT	−0.014*	0.002	−0.016	−0.045**
	(−1.67)	(0.58)	(−1.00)	(−2.35)
EP × MANUFACT	−0.007*	−0.003*	−0.037***	−0.012**
	(−1.91)	(−1.88)	(−4.49)	(−2.06)
Control Variables	YES	YES	YES	YES
Industry & Year fixed effects	YES	YES	YES	YES
N	12,697	12,697	12,697	12,697
Adj. R^2	15.8%	16.1%	19.3%	26.0%

Notes. This table provides the results of tests on the association of eponymy and financial reporting quality (Eq. 5), conditional on manufacturing intensity of the economic activity of the firm. We use the ATECO 2007 codes of economic activities as reported by ISTAT, the National Institute of Statistics. *MANUFACT* is an indicator equal to one if the sample firm's economic activity is classified under the title "manufacturing" of the aggregated version of ATECO 2007 codes, zero otherwise. Panel A of Table 6 reports the mean effect for the four dependent variables: *−|ABN_TACC|* (abnormal total accruals), *−|ABN_WACC|* (abnormal working capital accruals), *−|ABN_REV|* (abnormal revenues), and *AQ_SCORE* (the mean rank score of the previous three indeces) across firm type (eponymous/non-eponymous) and manufacturing intensity (*MANUFACT* = 0 and *MANUFACT* = 1). Panel B of Table 6 reports the results of the multivariate analysis where the explanatory variable is *EP* (indicator for eponymous firm) and the conditioning variable is *MANUFACT*. Panel C of Table 6 reports the results when we consider only service-oriented business activities in the *MANUFACT* = 0 group. For the definition of all variables, please refer to the Appendix. *T*–statistics (in parentheses) are based on standard errors clustered by firm and year (Petersen 2009). Control, industry and year fixed effects are unreported for brevity. Continuous variables are winsorized at their 1st and 99th percentiles on annual basis.

*** (**, *) denotes statistical significance based on two-tailed tests at the 10% (5%, 1%) level.

Table 7
Eponymous firms, founder family managers, and financial reporting quality (FRQ).

Panel A: Financial reporting quality across eponymous/non-eponymous firms and founder directors

Outcome variables	Eponymous (a)	Non-eponymous (b)	Diff. (a)−(b) (*t*-stat)
−|ABN_TACC|			
FOUNDER_DIR = 1: Founder family managed firm (c)	−0.076	−0.084	0.008
	(*n* = 6,099)	(*n* = 11,714)	5.257
FOUNDER_DIR = 0: Non-founder family managed firm (d)	−0.092	−0.099	0.003
	(*n* = 175)	(*n* = 748)	0.615
Diff. (c)−(d)	0.016	0.013	
(*t*-stat)	2.445	3.913	
−|ABN_WACC|			
FOUNDER_DIR = 1: Founder family managed firm (c)	−0.029	−0.034	0.005
	(*n* = 6,099)	(*n* = 11,714)	9.774
FOUNDER_DIR = 0: Non-founder family managed firm (d)	−0.041	−0.041	0.000
	(*n* = 175)	(*n* = 748)	0.078
Diff. (c)−(d)	0.012	0.007	
(*t*-stat)	5.629	5.255	
−|ABN_REV|			
FOUNDER_DIR = 1: Founder family managed firm (c)	−0.147	−0.172	0.025
	(*n* = 6,099)	(*n* = 11,714)	4.482
FOUNDER_DIR = 0: Non-founder family managed firm (d)	−0.158	−0.215	0.057
	(*n* = 175)	(*n* = 748)	1.619
Diff. (c)−(d)	0.011	0.043	
(*t*-stat)	0.480	3.021	
AQ_SCORE			
FOUNDER_DIR = 1: Founder family managed firm (c)	0.519	0.493	0.026
	(*n* = 6,099)	(*n* = 11,714)	7.377
FOUNDER_DIR = 0: Non-founder family managed firm (d)	0.489	0.446	0.041
	(*n* = 175)	(*n* = 748)	2.271
Diff. (c)−(d)	0.030	0.047	
(*t*-stat)	1.789	5.539	

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Table 7
(*Continued*)

Panel B: Multivariate analysis controlling for self-selection using Heckman (1979) procedure

	(1)	(2)	(3)	(4)
Variables	*−|ABN_TACC|*	*−|ABN_WACC|*	*−|ABN_REV|*	*AQ_SCORE*
	Coeff.	*Coeff.*	*Coeff.*	*Coeff.*
	(t-stat)	*(t-stat)*	*(t-stat)*	*(t-stat)*
EP	−0.020	−0.006	−0.024**	−0.038
	(−1.55)	(−1.22)	(−2.05)	(−1.32)
FOUNDER_DIR	0.004	0.004*	0.018***	0.014
	(0.97)	(1.74)	(3.97)	(1.60)
EP × FOUNDER_DIR	0.025*	0.010*	0.033***	0.055*
	(1.93)	(1.92)	(2.74)	(1.88)
Control Variables	YES	YES	YES	YES
Industry & Year fixed effects	YES	YES	YES	YES
N	18,736	18,736	18,736	18,736
Adj. R^2	15.6%	15.3%	25.5%	25.1%

Notes. This table provides the results of tests on the relation of eponymy and financial reporting quality, conditional on level of involvement of founding members in the firm's management. *FOUNDER_DIR* is an indicator that is equal to one if one or more of the members of the family are in the firm's board of directors or act a sole director in a given year *t*, and zero otherwise. Panel A of Table 7 reports the mean effect for the four dependent variables: *−|ABN_TACC|* (abnormal total accruals), *−|ABN_WACC|* (abnormal working capital accruals), *−|ABN_REV|* (abnormal revenues), and *AQ_SCORE* (the mean rank score of the previous three indeces) across firm type (eponymous/non-eponymous) and founder family management type (*FOUNDER_DIR* = 0 and *FOUNDER_DIR* = 1). Panel B of Table 7 reports the results of our multivariate analysis controlling for self-selection using Heckman (1979) procedure. The explanatory variable is *EP* (eponymous firm indicator) and the conditioning variable is *FOUNDER_DIR*. For the definition of all variables, please refer to the Appendix. *T*–statistics (in parentheses) are based on standard errors clustered by firm and year (Petersen 2009). Control, industry and year fixed effects are unreported for brevity. Continuous variables are winsorized at their 1st and 99th percentiles on annual basis.

*** (**, *) denotes statistical significance based on two-tailed tests at the 10% (5%, 1%) level.

Table 8
Eponymous firms, financial reporting quality (FRQ), and cost of bank debt.

Panel A: Descriptive statistics

Variables	Eponymous				Non-eponymous				Difference	
	N	Mean	Median	SD	N	Mean	Median	SD	Mean (*t*-stat)	Median (*z*-stat)
RATE (×100)	4,424	5.667	4.878	3.301	8,690	5.836	4.959	3.521	−2.644	−1.509
−|ABN_TACC|	4,424	−0.052	−0.035	0.055	8,690	−0.055	−0.037	0.059	3.340	2.731
−|ABN_WACC|	4,424	−0.027	−0.020	0.025	8,690	−0.031	−0.023	0.028	7.190	6.156
−|ABN_REV|	4,424	−0.143	−0.043	0.298	8,690	−0.168	−0.046	0.364	3.962	3.019
AQ_SCORE	4,424	0.529	0.519	0.192	8,690	0.506	0.519	0.201	6.248	5.802
Ln(CEO_AGE)	4,424	4.119	4.159	0.223	8,690	4.082	4.111	0.219	9.048	9.639
CASH_HOLDING	4,424	0.046	0.025	0.057	8,690	0.052	0.029	0.064	−5.410	−5.050
Ln(FIRM_AGE)	4,424	3.296	3.367	0.564	8,690	3.161	3.258	0.579	12.701	13.149
RISK	4,424	0.547	0.579	0.783	8,690	0.625	0.644	0.774	−5.418	−5.529
GROUP	4,424	0.338	0.000	0.473	8,690	0.303	0.000	0.460	4.034	4.032
Ln(SIZE)	4,424	11.072	10.976	1.115	8,690	11.050	11.002	1.042	−1.103	−0.248
LEV	4,424	0.677	0.699	0.164	8,690	0.680	0.704	0.171	−0.934	−1.479
INT_COV	4,424	0.124	0.054	0.215	8,690	0.131	0.057	0.222	−1.622	−2.308
ASSET_TANG	4,424	0.231	0.203	0.167	8,690	0.218	0.190	0.168	4.267	4.952
Ln(GDP)	4,424	11.819	11.857	0.729	8,690	11.913	11.866	0.715	−7.099	−6.981

(Continued on the next page)

Table 8
(*Continued*)

Panel B: Multivariate analysis controlling for self-selection using Heckman (1979) procedure

Variables	(1)	(2)	(3)	(4)	(5)
	Dependent variable: *RATE (×100)*				
	Coeff. *(t-stat)*	*Coeff.* *(t-stat)*	*Coeff.* *(t-stat)*	*Coeff.* *(t-stat)*	*Coeff.* *(t-stat)*
EP	−0.152**	−0.149**	−0.136**	−0.153**	−0.144**
	(−2.45)	(−2.41)	(−2.21)	(−2.47)	(−2.33)
−|ABN_TACC|		−2.372***			
		(−4.42)			
−|ABN_WACC|			−6.645***		
			(−5.64)		
−|ABN_REV|				0.062	
				(0.64)	
AQ_SCORE					−0.732***
					(−4.68)
Ln(CEO_AGE)	−0.536***	−0.512***	−0.514***	−0.537***	−0.510***
	(−3.87)	(−3.70)	(−3.72)	(−3.88)	(−3.68)
CASH_HOLDING	5.894***	5.728***	5.775***	5.898***	5.800***
	(10.25)	(9.90)	(10.05)	(10.26)	(10.10)
Ln(FIRM_AGE)	−0.192***	−0.177***	−0.182***	−0.192***	−0.184***
	(−3.66)	(−3.38)	(−3.47)	(−3.67)	(−3.51)
RISK	−0.131***	−0.150***	−0.162***	−0.131***	−0.156***
	(−3.09)	(−3.49)	(−3.79)	(−3.08)	(−3.63)
GROUP	0.517***	0.532***	0.522***	0.516***	0.537***
	(6.92)	(7.13)	(7.02)	(6.92)	(7.20)
Ln(SIZE)	−0.076*	−0.080**	−0.064	−0.077*	−0.066*
	(−1.93)	(−2.05)	(−1.64)	(−1.95)	(−1.68)
LEV	−2.854***	−2.914***	−2.934***	−2.850***	−2.964***
	(−11.46)	(−11.68)	(−11.77)	(−11.44)	(−11.84)
INT_COV	−2.331***	−2.365***	−2.451***	−2.331***	−2.398***
	(−12.88)	(−13.11)	(−13.35)	(−12.88)	(−13.22)
ASSET_TANG	−1.121***	−1.175***	−1.094***	−1.124***	−1.111***
	(−5.41)	(−5.67)	(−5.29)	(−5.42)	(−5.37)
Ln(GDP)	0.068	0.073	0.067	0.068	0.070
	(1.45)	(1.56)	(1.42)	(1.46)	(1.49)
CULT_FACT	0.279***	0.281***	0.273***	0.279***	0.277***
	(6.78)	(6.86)	(6.64)	(6.79)	(6.76)
FOUNDER_OWN	4.117***	4.136***	4.035***	4.122***	4.073***
	(6.13)	(6.18)	(6.01)	(6.14)	(6.07)
HOLDING_NEP	−2.223***	−2.247***	−2.180***	−2.226***	−2.210***
	(−5.57)	(−5.65)	(−5.47)	(−5.58)	(−5.54)
N_COFOUNDERS	−1.856***	−1.869***	−1.812***	−1.858***	−1.843***
	(−5.96)	(−6.02)	(−5.82)	(−5.97)	(−5.92)
LAMBDA	4.086***	4.132***	4.001***	4.091***	4.064***
	(5.55)	(5.63)	(5.44)	(5.56)	(5.53)
Industry & Year fixed effects	YES	YES	YES	YES	YES
N	13,114	13,114	13,114	13,114	13,114
Adj. R^2	16.9%	17.0%	17.1%	16.9%	17.0%

(Continued on the next page)

(*Continued Table 8*)

Notes. This table provides the results of our cost of bank debt analysis. Panel A of Table 8 presents the descriptive statistics for the variables used in computing Eq. (6). Panel B of Table 8 presents the results of computing Eq. (6). The dependent variable is *RATE* (the ratio of firm's interest expense on bank loans on total bank debt to bank debt). The explanatory variable is *EP* (the eponymous firm indicator). We consider a firm as eponymous (non-eponymous) if the entire last name or the initials of the first and last name of the founder(s) or a member of her family are (are not) included in the firm name. The four earnings quality control variables are: $-|ABN\_TACC|$ (abnormal total accruals), $-|ABN\_WACC|$ (abnormal working capital accruals), $-|ABN\_REV|$ (abnormal revenues), and *AQ_SCORE* (the mean rank score of the previous three indeces). Lambda values, *LAMBDA*, are computed from first-stage probit regression models (Table 2, Panel B). For the definition of all variables, please refer to the Appendix. *T*-statistics (in parentheses) are two-tailed and based on standard errors clustered by firm and year (Petersen 2009). Industry and year fixed effects are included but not reported for brevity. Continuous variables are winsorized at the 1st and 99th percentiles on annual basis.

*** (**, *) denotes statistical significance based on two-tailed tests at the 10% (5%, 1%) level.