

# **FOUNDER-CONTROLLED FIRMS, INTERNATIONAL ACTIVITIES AND PERFORMANCE: A SWEDISH PERSPECTIVE**

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## **ABSTRACT**

Firms controlled by their founders prefer control, cautiousness and survival. In addition, several studies suggest that founder-controlled firms perform better than other firms. We use unique hand-collected data for 2055 firm-year observations to study associations between internationalization activities and company performance. We confirm that founder-controlled firms perform better and that they are less internationalized. There is plenty of evidence that these firms make more cautious internationalization decisions. However, as they become more internationalized, they perform better. The data supports e.g. the Uppsala internationalization model, that suggests a gradual internationalization strategy. It also supports finance research suggesting that large acquisitions create little value. It is possible that cautious internationalization strategies based on organic growth works better.

**Keywords:** Founder-controlled firms, international activities, foreign sales, geographic diversification, foreign acquisitions, performance

## 1. INTRODUCTION

It is commonly accepted that international activities affect corporate performance (e.g. Qian, Li, Li, & Qian, 2008; Yang & Driffield, 2012). Such activities and strategies constitute important corporate decisions, particularly for firms domiciled in smaller countries. We investigate associations between internationalization decisions and corporate performance, by targeting firms influenced by decision-makers with exceptionally strong personal motives; so-called founder-controlled firms. Around the world, publicly listed firms are typically owned by families (Faccio & Lang, 2002; La Porta, Lopez-de-Silanes, & Shleifer, 1999) and many studies find that founder-controlled firms perform substantially better than firms with other owners (Anderson & Reeb, 2003; Hamberg, Fagerland, & Nilsen, 2013; Isakov & Weisskopf, 2014; Villalonga & Amit, 2006).

We study firms in which the firm's founder maintains substantial levels of ownership and can make, for example, internationalization decisions. Founders differ from other owners as they tend to have an outstanding knowledge of the organization that they gradually built-up themselves, and they are likely to be highly respected by the employees whom they often hired in person. Another aspect is that founders tend to prefer control over corporate resources and are overly conscious that the firm lives on. Survival and control-desires is partly driven by personal motives, but also by the sheer fact that founders are rather undiversified; with all or most of their wealth invested in the business they started. As founders own and control the business, agency conflicts between management and owners (Jensen & Meckling, 1976) are quite unproblematic, and replaced by agency problems between controlling and non-controlling owners (Shleifer & Vishny, 1986).

These characteristics can be of importance for investment decisions; and particularly for internationalization decisions. For example, the Uppsala internationalization process model

suggests that firms should gradually enter foreign markets while maintaining control over corporate resources and activities (Johanson & Vahlne, 1977). The merits of control and gradual development is also supported by finance literature where cross-border acquisitions are often claimed to create little value (Moeller & Schlingemann, 2005). Our intention is to investigate whether founder-controlled firms internationalize their businesses differently from other firms and whether such differences are associated with corporate performance.

Our empirical analysis is based on a unique and relatively large sample of publicly listed founder-controlled firms in Sweden. Sweden is a small European country in which many firms internationalize their business. Swedish firms are also known for transparency in corporate disclosures (La Porta, et al., 1999; Leuz, Nanda, & Wysocki, 2003). To perform the analysis, we manually collected several data items from more than 2,000 annual reports; including information on founders, international activities and corporate acquisitions.

As expected, the empirical analysis suggests that Swedish founder-controlled firms are more cautious in their international expansions. We find, for example, that they are *per se* less internationalized, they are more export-oriented, they are less geographically diversified and they make fewer and smaller international acquisitions. This suggests that founder-controlled firms internationalize their businesses in line with the ideas of the Uppsala internationalization process model; by gradually moving into a smaller number of international markets as they establish their own business instead of acquiring large businesses already established in the foreign markets.

We then study the effects of internationalization on performance; and in particular, how the internationalization of founder-controlled firms affect performance. Surprisingly, the degree of internationalization – measured as foreign sales and foreign employees – does not have an upfront positive association to profitability. The average family firm does not perform better;

however, founder-controlled family firms do. Whereas internationalization in general is not associated with higher performance, we find that this is the case for founder-controlled firms. The founder-controlled firms perform better, but this performance deteriorates if they spread their sales over many geographical regions. This suggests that founder-controlled firms benefit from a more cautious and controlled internationalization process.

Our research contributes to the literature in at least two ways. First, it contributes to a growing literature on founding family firms and what makes them perform better than other firms. We suggest that when it comes to internationalization, they act more cautiously and this seems to be beneficial. Secondly, we contribute to the international business literature in the sense that though there are studies of how family firms internationalize (for an extensive literature review see for example Pukall & Calabrò, 2014), little is still known of differences between different type of owners and how internationalization strategies affect performance for firms with varying owner types. Though there is no surprise that different firms choose different strategies, it is interesting in itself that these differences are systematically associated with the firm's type of main owner.

## **2. THEORY AND RESEARCH HYPOTHESES**

### **2.1 Characteristics of founder-controlled firms**

In the last decades, researchers have paid an increasing interest in whether and how ownership and control affect business decisions, and in particular firm performance. Corporate governance is the driving force behind efficient management, ensuring that the firm runs efficiently (Shleifer & Vishny, 1997; Strange, Filatotchev, Buck, & Wright, 2009). Corporate governance also affects the firm's international activities. Although there has been a stream of literature in the IB field on the internal strategies of multinational enterprises, investigating corporate governance creates further insights into international business (Strange, et al., 2009). Although previous studies made general investigation of the firm and neglected deeper investigation of international activities, it is still commonly agreed upon that corporate governance has a direct effect on success or failure of international activities.

In this respect, founder-controlled firms are likely to differ from other firms in a number of ways. In essence, these differences are due to (i) differences in how founders define the firm's objective (i.e., the utility function), and (ii) differences in overcoming problems associated with an asymmetric distribution of information between owners and managers/employees (Anderson & Reeb, 2003; Shleifer & Vishny, 1997). Anderson and Reeb (2003) rationalize in their empirical finding that the negative effects of a goal incongruence (i.e. family owners having other goals than value-maximization) are outweighed by the positive effects of an incentive alignment (i.e. family owners have superior abilities to monitor and steer the business).

The negative effects of a goal incongruence contain several elements. First, being a large owner does not per se cause a risk problem, but to uphold their power, large owners tend to concentrate ownership to few assets. As a consequence, the founding family owner might face

substantially more firm-specific risk than the diversified owner (Demsetz & Lehn, 1985; Shleifer & Vishny, 1997). If this is the case, the founder might choose sub-optimally low levels of operating and financial risks (see e.g. Schmid, 2013; Shleifer & Vishny, 1986). Second, a founding family owner might appreciate other benefits than a mere financial return. A founder might be, for example, reluctant to outsource production if it requires a closure of local factories. A founder might also reject an attractive bid offer because he desires his family to own and control the family business. Third, a family owner wants and desires the business to be there today and tomorrow. Hence, financial decisions will prioritize long term growth and prosperity, and avoid unnecessary threats to business survival. These motives for goal incongruence are surely intertwined, but together they can have negative effects on many of decisions; not the least internationalization decisions.

The positive effects of an incentive alignment also contain several elements. At the time of the firm's inception, essentially all firms have just one or a few owners: the founder/s. First, by having been there from the very beginning, founders are often "closer-to-the-business" than any other owner, leaving a long-lasting imprinting effect (Baron & Hannan, 2002; Beckman & Burton, 2008; Burton, 2001). Gallo and Sveen (1991) have found strong support for long-term commitment among family firms. This is even truer for members of a founding family as they have personal involvement and close ties to the business, almost resulting in considering the business a family member. This also implies that all employees have been hired, at least indirectly, by the founder at some stage which is likely to create a special bond with employees and establish legitimacy.

The second positive effect is intertwined with the previous effect in the sense that a closeness-to-the-business, enables the founding family owner a superior ability to monitor and control corporate decision-making (Anderson & Reeb, 2003). Founders know the business and the organization better than anyone. To not behave in the founder's best interest might be

difficult for any subordinate manager and employee. To summarize, the behavior of a founder-controlled firm is characterized by a strong urge to maintain control over the firm, which leads to handling uncertainty more carefully and results in strong risk-avoidance. A behavior that has an effect on internationalization strategies and activities.

## 2.2 Founder-controlled firms and the Uppsala Model of internationalization

The original Uppsala Model (Johanson & Vahlne, 1977) can be seen as the traditional theory for the internationalization of family firms (c.f. Bobillo, Rodríguez-Sanz, & Tejerina-Gaite, 2013). It vouches for an incremental internationalization process, where in order to reduce firm-specific risk, the firm can acquire knowledge and experience step-by-step prior to an intensification of foreign commitment. Johanson and Vahlne (1977) have argued that there is an underlying learning process prior to export being made. The firm gathers deeper understanding and experiential knowledge about the new markets and builds up commitments, which help to increase their firm-specific competitive advantage.

Findings by Claver, Rienda, and Quer (2007) confirm the assumptions made previously that family firms follow the propositions laid down by the Uppsala model. Furthermore, Pukall and Calabrò (2014, p. 119) argue that family principals are reluctant to establish relationships in foreign networks and hesitant to gaining knowledge about international markets. This claim finds support in the summary of challenges for family firms when internationalizing by Naldi and Nordqvist (2009, p. 3): “*The fear of losing control (Ward, 1987; Gallo & Pont, 1996; Casillas & Acedo, 2005), tendency to avoid risk taking (Fernández & Nieto, 2006), conservatism and resistance to change amongst family leaders (Ward, 1987; Gallo & Sveen, 1991) and lack of formal control and planning systems (Graves & Thomas, 2006) are factors that have been advanced as constraints for their internationalization.*” Those mentioned

constrains (fear of losing control, tendency towards risk-avoidance, conservatism and resistance to change) are especially true for founder-controlled firms.

It can be argued that the tendency of founder-controlled firms towards long-term commitment (Gallo & Sveen, 1991) is supposed to have a positive effect on internationalization, as sustainable growth across borders helps strengthen the business in the long run (Claver, Rienda, & Quer, 2008). On the other hand, this also implies that strategic decisions concerning diversification and geographical spread are taken more carefully and under more consideration, slowing down the internationalization process. Furthermore, founder-controlled firms prefer internal financing to external financing, decelerating the internationalization process due to the increased costs associated with internationalization even further on the one hand, but since it results in a more sustainable and natural growth it might be a smarter choice. Moreover, since maintaining control is important to the founder, founder-controlled firms also have less diversified owners and therefore are prone to more firm-specific risk. For this reason, they internationalize the business in a slower pace, moving slower from one geographical region to another, and, as a consequence, making fewer foreign acquisitions. For example, Zahra (2003) suggests that family business owner-managers may seek to maximize revenues from a limited number of foreign markets rather than aggressively pursue internationalization on a broader front. Thereby they follow the Uppsala model of internationalization.

Concerning international investment decisions, which is a necessity for a successful internationalization process, founder-controlled firms might have several distinct characteristics. In specific, we argue that founder-controlled firms are influenced by the founders' extraordinary exposure to firm-specific risk and the founders' unwillingness to lose control of the entity she once established. Moreover, Taken together, we expect founders to act more cautiously than other owners.



Given the above-mentioned peculiarities of founder-controlled firms, and their even more careful behavior concerning risk-aversity, long-term strategic planning and maintaining control over the firm, it can be assumed that founder-controlled firms, as other family firms as well, are less internationalized than other firms. This leads to the following first research hypothesis:

*Hypothesis 1: Founder-control has a negative effect on internationalization*

This hypothesized negative effect of founder-control on internationalization can have consequences on different aspects of international diversification activities. First, it can have a negative effect on the amount of foreign sales, since founder-controlled firms are reluctant to enter foreign markets in order to avoid uncertainty and unnecessary risk-taking. To manage the firm-specific risk properly, one strategic way would be to geographically diversify (Contractor, Kumar, & Kundu, 2007); which is a company's expansion outside their home market (Capar & Kotabe, 2003; Qian, et al., 2008). In general, positive effects are associated with geographic diversification (e.g. Capar & Kotabe, 2003; Kotabe, Srinivasan, & Aulakh, 2002; Tallman & Li, 1996). However, this might be a costly process for the company. Second, since founder-controlled firms have less diversified owners resulting in an increased firm-specific risk, founder-controlled firms are expected to move slower from one geographical region to another. In fact, Sanchez-Bueno and Usero (2014) have found that the degree of family ownership has a negative impact on the degree of geographic diversification. Due to the slower geographical diversification process, founder-controlled firms can be expected to generally be less geographically diversified than other firms. Third, following the same reasoning, founder-controlled firms can make fewer foreign direct investments as a means of diversification. Their long-term orientation in strategic planning increases their preference for more careful decision-making concerning diversification and acquisition strategies. They simply try to avoid the larger financial risks connected with foreign direct investments in terms of international acquisitions.

### 2.3 Founder-controlled firms, internationalization and performance

In the international business literature, it is commonly agreed upon that the internationalization of a firm's business benefits its performance (e.g. Kotabe, et al., 2002; Tallman & Li, 1996). Through international expansions to new markets, firms grow and can more easily obtain economies-of-scale throughout many of the business activities including marketing, research, production and finances (Yang & Driffield, 2012). Furthermore, an increased internationalization also improves the ability for sharing knowledge between units operating in different geographical areas and cultures (Capar & Kotabe, 2003). This also applies to the internationalization of family firms, although little research has investigated this particular phenomenon yet (Kontinen & Ojala, 2010).

Within the finance literature, a considerable body of research documents relationships between corporate governance and firm performance (e.g. Anderson & Reeb, 2003; Isakov & Weisskopf, 2014; Shleifer & Vishny, 1997). In more detail, Anderson and Reeb (2003) were amongst the first ones to find that founding family ownership had a positive effect on performance, compared to other firms. This is in line with a number of other studies (e.g. Barontini & Caprio, 2006; Hamberg, et al., 2013; Isakov & Weisskopf, 2014; Villalonga & Amit, 2006) all arguing for a better performance of founder-controlled firms.

Since the founder-controlled firm intends to pass the firm onto succeeding generations, it is anticipated that they make more efficient investments than other firms (c.f. James, 1999). Hence, founder-controlled firms are a special case of large shareholders with unique incentive structures to diminish agency conflicts and maximize firm value, strong motivation of managers and a dominant presence of the founder within the company (Demsetz & Lehn, 1985). Anderson and Reeb (2003, p. 1305) claim that: “...*the family's wealth is so closely linked to firm welfare, families may have strong incentives to monitor managers and minimize the free-riding problem*”

*inherent with diffused shareholders. If monitoring requires knowledge and information about firm technology and processes, families potentially provide superior oversight because of their lengthy involvement with the firm.”*

Taken the arguments from both literatures together, having an influential founder seems to provide net benefits to the firm, which will also apply when the firm internationalizes. We therefore hypothesize our second research hypothesis:

*Hypothesis 2:* *Founder-control has a positive effect on the relationship between internationalization and performance.*

Following the same argumentation as above, this will have the same positive effect on different international diversification activities, i.e. foreign sales, geographic diversification and foreign acquisitions.

### **3. RESEARCH METHOD**

#### 3.1 Sample selection procedure and properties

##### *3.1.1 The Swedish institutional setting*

We conduct the empirical analysis using firms listed at the OMX Nasdaq stock exchange in Sweden. The use of Swedish data benefits the analysis in several ways. First, Sweden is a small country with an open economy. Small European countries, such as Sweden, will have more firms – many whom are small – that are internationalized (c.f. Glaum & Oesterle, 2007). As a comparison, approximately 32% of the Swedish GDP in 2016 is export, compared to 9% in the United States. International activities, and not only exports, are central to most Swedish firms' decision-making.

Second, Swedish firms are known for providing transparent and informative financial reports when compared to firms from other countries (La Porta, et al., 1999). Mandatorily required accounting disclosures are of high quality (Leuz, et al., 2003), and voluntary disclosures are extensive (Vural, 2018). Rich disclosure and transparency allows us to find detailed information on international activities and corporate acquisitions. Swedish firms also have exceptionally transparent ownership structures where all owners are identifiable at an individual level. This enables us to identify founding family ownership.

Third, founder-controlled firms have been subject to several previous studies in the Swedish setting. For example, Hamberg, et al. (2013) find that Swedish founder-controlled firms outperform other firms in a similar way as founder-controlled firms in e.g. the United States and Switzerland (c.f. Anderson & Reeb, 2003; Isakov & Weisskopf, 2014).

### *3.1.2 Data collection procedures and data description*

The empirical analysis is based on an unbalanced panel of 476 unique Swedish publicly listed firms in the years 2001 to 2013. Data is collected from public databases and manually from each firm's annual reports. We retrieve accounting information from the Compustat Global database and capital market information from the ThomsonReuters Eikon database. After having identified all firms in the sample, we ensure that we have their annual reports. The manual collection of data from annual reports centers around three data forms: (i) the main owner's type (including founding family), level of ownership and engagement, (ii) the firm's international activities, and (iii) the firm's (international) acquisitions.

The entire sample of listed firms in the years 2001 to 2013 is 3418 firm-year observations. We then exclude financial, investment, and real estate firms (565 firm-years) because their business environment differs significantly from other industries. Furthermore, we exclude firms not domiciled in Sweden (206 firm-years), firms with only non-Swedish operations (95 firm-years) and firm-year observations where no financial report is accessible (12 firm-years) or data is missing (200 firm-years). In a next step, we exclude firms that stated Europe or the Nordic countries were the home market (285 firm-years). Following these exclusions, we obtain a final sample of 2055 firm-year observations for 252 unique firms. This is the main sample and used for much of the analysis. Because we are missing 122 firm-year observations on geographic diversification and there is no available data on foreign acquisitions prior to 2005, the sample sizes for analyses on geographic diversification and international acquisitions are smaller (1933 and 1423 firm-years, respectively).

Concerning ownership of Swedish publicly listed firms, approximately 70 % of the firms is owned by a family that controls more than 10 % of the voting rights. The proportion of founder-controlled firms has decreased somewhat between 2001 and 2013. On average, 31.2 % of the observations in the sample are founder-controlled firms. An overview of descriptive statistics

for all the variables is presented in Table 3, and a correlation matrix for the total sample of 2055 firm-year observations is depicted in Table 4.

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Insert Table 1, and Table 2 about here

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## 3.2 Operationalizations

### *3.2.1 Measures of international activities*

Following prior literature, our main measure for international activity is the proportion of foreign sales (*FORSAL*), measured as a firm's non-domestic sales revenue, scaled by total sales revenue, in each fiscal year. Among Swedish publicly listed firms, it is customary; but not mandatory<sup>i</sup>, to disclose information on sales revenue across countries and geographical regions. For the sake of simplicity, we only include firms domiciled in Sweden that define Sweden to be their home market. Table 1 shows that 88 % of the publicly listed firms define Sweden as their home market and disclose sales revenue there.

We measure the degree of geographic diversification (*FORDIV*) as the natural logarithm of the number of geographical regions that the firm has employees in, in each fiscal year.<sup>ii</sup> We follow the procedures of Qian, et al. (2008) and divide the world into a number of geographical regions, but we extend the measure to include thirteen regions.<sup>iii</sup>

International activity stem either from internal investments in international resources, or from external acquisitions of international resources. The geographic location of internal investments is impossible to identify. However, Swedish firms (as well as firms located in many other countries) adopted the accounting standard IFRS 3 (Business Combinations) in year 2005. This accounting standard required firms to increase substantially the disclosure on corporate acquisitions. Thus, we hand-collect information from notes to the financial statements on the

numbers and values of both domestic and international acquisitions on an annual basis. As the information was unavailable prior to the adoption of IFRS 3, we can only manually collect and analyze data from 2005 to 2013.

The measures of international acquisitions are (i) the total annual value of a firm's international acquisitions ( $FORACQ^{VAL}$ ), and (ii) the average annual value of a firm's international acquisitions ( $FORACQ^{AVG}$ ). The two measures should correlate, but whereas some firms make individual large acquisitions, other firms might make many small acquisitions. Making many small acquisitions is probably a more cautious acquisition strategy. In addition to the measures of international acquisitions, we also measure the value of total acquisitions ( $FORACQ^{TOT}$ ).

### *3.2.2 Measure of founder-controlled firms*

Measures of family firms and of founders typically contain elements of ownership, control and engagement. For example, Villalonga and Amit (2006) require that: (i) one or several families hold a significant part of the firm's capital, (ii) family members have significant control over the business (through the distribution of voting rights) with possible statutory or legal restrictions, and (iii) family members hold top management positions. We follow this logic and define the founder-controlled firm as a firm where the founder, or the founder-family, is the largest single owner and controls at least ten percent of the voting rights, and is engaged as a CEO or Chairman on its board of directors.<sup>iv</sup> We construct a dummy variable for founder-controlled firms ( $FOUNDER$ ) taking the value of 1 for firms that meet the three conditions above. To better understand differences between founder-controlled firms and other family firms, we supplement the analyses with a model in which founder-controlled firms are substituted with a more general family firm measure ( $FAMILY$ ), taking the value of 1 when a

family is the largest single owner and controls at least ten percent of the voting rights. According to this definition, the family owner does not have to have any active involvement in the family firm's operations.

The measure *FOUNDER* suggests that all founders are in the same situation. Quite obviously, a founder that controls 11 % of the voting rights can be less able to influence business decisions than a founder in control of >50 % of the voting rights. For this reason, we test for alternative operationalizations of the founding family ownership construct, including (i) the actual voting rights controlled by the founding family, and (ii) an exceptional cut-off of 50 percent voting rights in which the founder can have definitive control over all decisions. In untabulated tests we find that the use of these alternative measures does not compromise or substantially strengthen the main results.

### *3.2.3 Measure of corporate performance*

A key aspect of our investigation is to determine if ownership and internationalization is associated with performance. A large number of studies; including both studies of internationalization activity (e.g. Qian, et al., 2008) and founding family owners (e.g. Barontini & Caprio, 2006; Isakov & Weisskopf, 2014), measure performance using the return on assets (*ROA*). We align our work with this tradition and measure *ROA* as the net profit, scaled by the average total assets in each fiscal year.<sup>v</sup> We emphasize that the relationship between internationalization and performance is complex and we do not claim that internationalization decisions drives performance – it can be the opposite. Consequently, we both include and exclude performance as a control variable in tests of the first hypothesis.



### 3.2.4 Other measures

All founder-controlled firms have had the same owner in control of business decisions. In that respect, the measure *FOUNDER* is likely to have affected most business decisions including the choice of industry, investment rates and modes, capital structure, and liquidity. Thus, there should be complex relations between dependent and independent variables, and we need to interpret coefficients in regression models with caution. In the analysis, we consistently report correlations between dependent and independent variables, results from univariate regression models with year-controls, and results from several multiple regression models with varying sets of control variables.

A number of other firm-specific measures based on accounting information are used as controls. We use Tobin's Q (*TQ*) to measure growth opportunities and define it as the market value of shareholders' equity plus the book value of interest-bearing debt, scaled by total assets at the end of the fiscal year. We measure size (*SIZE*) as the natural logarithm of its average market capitalization at the end of the fiscal year. We measure age (*AGE*) as the number of years since inception until the fiscal year. We measure risk (*RISK*) as the standard deviation in the 36 monthly stock returns prior to the fiscal year. We measure financial leverage (*FINLEV*) as the value of interest-bearing debt, scaled by shareholders' equity at the end of the fiscal year.<sup>vi</sup> We measure intangible asset intensity (*INTANGIBLE*) as the value of intangible assets, scaled by total assets at the end of the fiscal year. We measure employee intensity (*EMPLOYEE*) as the number of employees divided by total assets, scaled by total assets at the end of the fiscal year. We measure production efficiency (*EFFICIENCY*) as sales revenue, scaled by total assets at the end of the fiscal year. We measure the level of liquidity (*LIQUIDITY*) as the cash-and-near-cash balance, scaled by total assets at the end of the fiscal year. We assign a dummy variable the value of 1 when there are dual-classes of shares (*DUAL*) at the end of the fiscal year. We measure ownership concentration (*OWNCON*) as the

percentage of voting rights controlled by the firm's five largest shareholders at the end of the fiscal year. Finally, we control for intertemporal variations by employing untabulated year controls. Because of the large number of firm-specific measures, we choose not to include industry- or firm-dummy controls.<sup>vii</sup>

These measures rely on accounting data from the Compustat Global database and capital market data from ThomsonReuters Eikon. We manually collect data to construct the measure *AGE*, and we manually collect data from the databases of SIS Ägarservice to construct the measures *DUAL* and *OWNCON*.<sup>viii</sup>

### 3.3 Regression models

The empirical analysis is based on various multiple regression models where we test how the level and mode of international activities is affected by founding family ownership. The first hypothesis concerns whether founder-controlled firms differ in the extent and types of international activity. In these analyses, the dependent variable is *FORSALS*, *FORDIV* or *FORACQ*<sup>VAL</sup>. The independent variables contain one of the two test variables *FOUNDER* or *FAMILY* and a number of control variables.

As mentioned in Section 3.1.4, the relations between dependent and independent variables is likely to be complex and due to this we rely on univariate regression models (with year-controls), and several varying regression model specifications. One alteration is that we substitute *FOUNDER* with *FAMILY*, to understand if we have a family or a founder effect. We also test the first hypothesis without control for *SIZE*. The reason for excluding *SIZE* is that any investigation of international activity in a small country will by default mean that *SIZE* is associated with international activity. Thus, it is highly questionable that *SIZE* drives the internationalization decision.

The second hypothesis concerns whether founder-controlled firms perform better when they have internationalized their activities and therefore tests if internationalization drives performance for founder-controlled firms.<sup>ix</sup> To perform the analysis, we employ *ROA* as the dependent variable and study both how performance is associated with the levels of international activity (*FORSAL*, *FORDIV* and *FORACQ<sup>VAL</sup>*) and ownership structure (*FOUNDER* and *FAMILY*), and how it associates with the level of international activity in founder-controlled firms (*FOUNDER*  $\times$  *FORSAL*, *FOUNDER*  $\times$  *FORDIV* and *FOUNDER*  $\times$  *FORACQ<sup>VAL</sup>*).

## 4. EMPIRICAL ANALYSIS

### 4.1 Internationalization activity in founder-controlled firms

Table 5 contains the results for regression model analyses in which international activity is explained by corporate ownership for our main sample containing 2055 firm-year observations in the years 2001 to 2013. International activity is measured using the dependent variable *FORSAL*. The main test variable is the dummy for founder-controlled firms (*FOUNDER*). We report coefficients for univariate analyses (i.e., for the individual variable together with year-dummies and firm-clustered standard errors) and various multiple regressions containing a large number of firm-specific control variables.

The most important finding in Table 5 is that the coefficient for *FOUNDER* is negative and statistically significant in analyses based on both univariate and multiple regression models when *FORSAL* is used as a dependent variable (p-values between 0.017 and 0.003). Thus, founder-controlled firms are less internationalized than other firms. This conclusion holds in the multiple regression analysis irrespective of whether we control for performance (*TQ*), firm size (i.e., *SIZE*), and the entire battery of firm-specific control variables. As far as we know, this is a novel and important finding when studying founder-controlled firms.

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Insert Table 3 about here

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Models (1) and (5) in Table 5 contains information on the association between family ownership (*FAMILY*) and international activity (*FORSAL*). We note that none of the coefficients for *FAMILY* in the univariate and multiple regression analyses are statistically significant (p-values are 0.103 and 0.448) despite the fact that the variable *FAMILY* includes all of the founding family firm observations. In other words, the average family-controlled firm

is not significantly less internationalized than other firms in the sample. This suggests that founder-controlled firms are not less internationalized because they are family firms, but because they are controlled by a founding family.

We employ a large number of control variables of which some have coefficients that are statistically significant. In particular, we note that the coefficients of *SIZE*, *AGE*, *EFFICIENCY* and *OWNCON* are associated with *FORSAL*.

#### 4.2 Geographic diversification behaviors in founder-controlled firms

Next, we analyze the relationships between ownership and geographic diversification. As described earlier, we identify thirteen geographical segments. Most firms internationalize gradually and thus the most common geographical region is the Nordic region followed by the European Union, and North America. Interestingly, the segment China and Hong Kong is more common than Other European countries. More than half of the firms in the sample have a low degree of geographic diversification in the sense that they are present in fewer than four geographical segments. There is an increasing proportion of firms with low geographic diversification and we attribute this to a changing composition and newly listed firms are less internationalized. Around 10 percent of the firms are classified as having a high level of geographic diversification: they operate in more than ten geographical segments. Details on the geographical segment distribution are excluded from the paper, but are available on request.

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Insert Table 4 about here

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Table 6 provides information on the relationships between the level of geographic diversification and founding family ownership for a sample of 1923 firm-year observations in

the years 2001-13.<sup>x</sup> The dependent variable is the number of geographical segments (maximum: 13) that a firm has employees in (*FORDIV*). The main test variable is the dummy variable for founder-controlled firms (*FOUNDER*). We report coefficients for univariate analyses (i.e., for the individual variable together with year-dummies and firm-clustered standard errors) and various multiple regressions. The multiple regression models contain a large number of firm-specific control variables.

Contrary to our expectations, much of the regression analyses cannot clearly reveal statistically significant in the level of geographic diversification for founder-controlled firms. In the univariate regression model, the coefficient of *FOUNDER* is not statistically significant. In the multiple regression models, we find that the *FOUNDER* coefficient is statistically significant when we exclude the variables *SIZE*, *AGE*, and *EFFICIENCY* (p-value: 0.044). These three variables have by default high positive associations to international diversification – to become a large firm you have to work efficient and expand internationally – and dropping them as control variables thus seems reasonable.

#### 4.3 International acquisition behaviors in founder-controlled firms

Table 7 provides information on the relationships between international corporate acquisitions and founding family ownership for a sample of 1423 firm-year observations in the years 2005-13. As mentioned earlier, the sample is smaller because acquisition data is only available after the adoption of IFRS 3 in 2005. We employ two dependent variables for foreign acquisitions: *FORACQ<sup>VAL</sup>* and *FORACQ<sup>AVG</sup>*. Both measures are on a firm-year basis. In addition, we also test for differences regarding combined domestic and foreign acquisitions (*FORACQ<sup>TOT</sup>*). As before, we employ both univariate and multivariate models.<sup>xi</sup>

Model (1) shows that family firms make fewer acquisitions in total than non-family firms (p-value: 0.063). Somewhat surprisingly, Model (2) shows that the values of acquisitions made by founder-controlled firms is not smaller (i.e., when the dependent variable is  $FORACQ^{TOT}$ ). We find the opposite: when it comes to the value of international acquisitions (i.e.,  $FORACQ^{VAL}$ ), where there is no significant difference between family and non-family firms; the coefficient on *FAMILY* is not statistically significant (p-value: 0.320), but founder-controlled firms make substantially smaller international acquisitions (p-values: 0.002 and 0.066 in the univariate and multivariate models). We emphasize that this includes a control for *SIZE* which is important as founding family firms are smaller and thus by default must make smaller acquisitions.

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Insert Table 5 about here

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The analysis above suggests that founding family firms are more cautious in acquiring international growth. But the analysis does not explain whether founding family firms make many small acquisitions or that they simply concentrate on a few larger international acquisitions. To shed light on this matter, we use Models (5) and (6) to test if there are differences in the average acquired international target firm (i.e., the dependent variable  $FORACQ^{AVG}$ ). As evidenced by the data, the coefficients on the *FAMILY* variable is not significant whereas the coefficients on the *FOUNDER* variable is negative (p-value: 0.004 and 0.106 in the univariate and multivariate models). An untabulated consequence of this finding is that founding family firms are not different when it comes to the number of foreign acquisitions. In sum, founding family firms invest less in foreign acquisitions.

#### 4.4 Performance, international activity and founder-controlled firms

Table 8 displays results from analyses of relationships between the corporate performance – measured as profitability (ROA) – and founding family ownership for a sample of 2055 firm-year observations in the years 2001-13. As before, we employ both univariate and multivariate regression models in the analysis. The column with results from univariate regression models (only year-controls and clustering at the firm-level), show that several variables have coefficients that have a significant association with our performance measure. In particular, *FOUNDER* has a positive association (p-value: 0.000) and so has the interaction variable *FOUNDER x FORSAL* (p-value: 0.026). Many of the control variables take on the expected sign. For example, the coefficients of *SIZE* and *AGE* are positive (p-values: 0.008 and 0.000, respectively). Surprisingly, *RISK* has a negative association with performance (p-value: 0.000).

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Insert Table 6 about here

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We begin the analysis by drawing the conclusion that family firms, in general, do not perform better than non-family firms. The coefficient on *FAMILY* is not statistically significant in the univariate and multivariate analyses (see Model 2). We then find that the coefficient on *FOUNDER* tends to have a positive association in both the univariate and various multivariate models. We make use of different multivariate models with varying control variables. We also find that being internationalized does not automatically mean that the firm performs better: the coefficient on *FORSAL* is not statistically significant in the univariate and multivariate models. Finally, Model (7) contains the most important finding. When we study the relationship between founding family ownership and international activity, we find that founder-controlled firms with no foreign sales (see Model (5)) are not performing better (i.e., the coefficient on *FOUNDER* is not statistically significant), and we find that in general firms with international



activities (see Model (6)) do not perform better (i.e., the coefficient on *FORSAL* is not statistically significant). However, when founder-controlled firms increase their international activities, as illustrated in Model (7) the performance is higher (p-value: 0.013).

The same observation is made for the general label of family firms. Family-firms with no foreign sales (see Model 2) are not performing better (i.e., the coefficient on *FAMILY* is not statistically significant). We also find that in general firms with international activities (see Model 3) do not perform better (i.e., the coefficient on *FORSAL* is not statistically significant). However, when family firms increase their international activities, as illustrated in Model 4, the performance is higher (p-value: 0.019). It is though important to point out, that founder-controlled firms perform even better than family firms (the coefficient for the interaction effect between *FOUNDER* and *FORSAL* is 0.107 (p-value: 0.013) while the coefficient for the interaction effect between *FAMILY* and *FORSAL* is 0.0837 (p-value: 0.019).

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Insert Table 7 about here

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Table 9 presents an analysis of relationships between performance, geographical diversification and ownership. The sample is somewhat smaller than that employed in the previous analysis (i.e., Table 8) because of sample restrictions. Models (2) and (5) show essentially the same as before, namely that family firms are not performing better whereas founder-controlled firms do so (p-values: 0.149 and 0.006). Model (1) suggests that geographical diversification has no explicit positive effect on performance, but Model (7) finds that when founder-controlled firms internationalize their performance benefits from a concentration of the international activities to relatively few geographical regions (p-value: 0.067).

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Insert Table 8 about here

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The finding that internationalized founding family perform better is obviously interesting. The question is then how to internationalize. Table 10 sheds some light on this topic as we analyze associations between performance, founder-control and international acquisitions. The sample with firms making acquisitions is, as before, a smaller sample from the years 2005 to 2013. As in the previous analysis reported in Table 8, the coefficient on *FOUNDER* is consistently positive and statistically significant; documenting that founding family firms perform better than other firms (p-values: 0.000 in the univariate analysis, and below 0.078 in the multivariate analyses). We also find that firms making international acquisitions perform better than other firms (p-values below 0.079). But interestingly, Model (4'7) shows that the coefficient on the interaction variable *FOUNDER*  $\times$  *FORACQ*<sup>VAL</sup> is not statistically significant whereas the coefficients on *FOUNDER* and *FORACQ*<sup>VAL</sup> are so. Thus, founding family firms perform better (and they perform better when they are internationalized), but they do not perform better the year after they make substantial foreign acquisitions.

## 5. DISCUSSION AND CONCLUSIONS

We perform an analysis of complex relationships between corporate performance, international activities and ownership structure. In comparison with many other studies, our manually collected data extends existing research in several ways. It both confirms and surprises us. On the one hand, we actually find little support that internationalization activities benefit firms in the form of better corporate performance. On the other hand, we find that founder-controlled firms that are internationalized perform considerably better.

Founder-controlled firms are interesting in many ways because they have owners very reluctant to let go of control over business decisions. A priori, they are thus decision-makers that are likely to make more cautious step-by-step decisions. So we asked if firms with these type of decision-makers will make different decisions and perform differently than other firms?

With the help of different measures for internationality, we found that founder-controlled firms are less internationalized than other firms. In more detail, they have a lower ratio of foreign sales to total sales. They are also less geographically diversified and make fewer international acquisitions. This is in line with the Uppsala Internationalization Process Model, that argues for a gradual increase of international activities. Within the Uppsala model, an emphasis has been made on avoiding risk-taking (c.f. Vahlne, Hamberg, & Schweizer, 2017). Founder-controlled firms are subject to more cautious behavior, greater risk-avoidance and desire to maintain control. Given those peculiarities, we find that founder-controlled firms follow the arguments presented in the Uppsala Model.

Moreover, we further demonstrate that when founder-controlled firms internationalize they perform better than other firms. The finance literature has already presented strong theoretical and empirical arguments for a better financial performance of founder-controlled firms. The same peculiarities of founder-controlled firms that lead to a lower degree of internationalization, i.e. desire to maintain control, risk-avoidance and conservative and

cautious behavior apply to the finding of better performance when internationalizing compared to other firms. Because founder-controlled firms are more cautious in their behavior, they take on smaller risks, and also invest in long-term strategies, which in turn leads to a better financial performance.

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**Table 1: Descriptive statistics for test and control variables**

Variable	Mean	Median	Std. Dev.	Min	Max
<i>Dependent Variable</i>					
International sales ( <i>FORSALES</i> )	0.559	0.590	0.320	0.000	1.000
Geographic diversification ( <i>FORDIV</i> ) (n=1923)	3.828	3.000	3.432	0.000	12.000
Total acquisition value ( <i>TOTACQ<sup>VAL</sup></i> ) (n=1423)	1.365	0.000	2.984	0.000	32.000
International acquisition value ( <i>FORACQ<sup>VAL</sup></i> ) (n=1423)	327.214	0.000	2072.348	0.000	50516.000
Average international acquisition value ( <i>FORACQ<sup>AVG</sup></i> ) (n=1423)	177.901	0.000	1628.216	0.000	50516.000
<i>Independent Variables</i>					
Family firms ( <i>FAMILY</i> )	0.709	1.000	0.454	0.000	1.000
Founder-controlled firms ( <i>FOUNDER</i> )	0.179	0.000	0.383	0.000	1.000
<i>Control Variables</i>					
Profitability ( <i>ROA</i> )	0.023	0.054	0.164	-0.734	0.352
Tobin's Q ( <i>TQ</i> )	1.921	1.440	2.485	0.308	66.653
Firm size ( <i>SIZE</i> )	112.814	3.119	1148.005	0.892	28586.880
Firm age ( <i>AGE</i> )	1.400	1.362	0.492	0.000	2.617
Risk ( <i>RISK</i> )	0.121	0.100	0.075	0.034	1.483
Financial leverage ( <i>FINLEV</i> )	1.516	1.237	1.190	0.116	6.921
Intangible assets intensity ( <i>INTANGIBLES</i> )	0.232	0.195	0.216	0.000	4.661
Employee intensity ( <i>EMPLOYEE</i> )	0.717	0.578	1.064	0.003	25.005
Efficiency ( <i>EFFICIENCY</i> )	1.346	1.235	0.800	0.023	11.067
Liquidity ( <i>LIQUIDITY</i> )	0.129	0.079	0.135	0.000	0.881
Dual-class shares ( <i>DUAL</i> )	0.528	1.000	0.499	0.000	1.000
Ownership concentration ( <i>OWNCON</i> )	0.505	0.504	0.224	0.000	1.000

Note: The sample consists of 2,055 observations unless otherwise stated.



**Table 2: Correlation matrix (n=2055)**

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) FORSALES	1.000														
(2) FAMILY	<b>-0.086</b>	1.000													
(3) FOUNDER	<b>-0.180</b>	<b>0.299</b>	1.000												
(4) TQ	0.031	0.008	<b>0.052</b>	1.000											
(5) ROA	0.040	0.017	<b>0.121</b>	0.014	1.000										
(6) SIZE	<b>-0.167</b>	0.004	-0.029	<b>0.060</b>	<b>0.068</b>	1.000									
(7) AGE	<b>0.258</b>	0.002	<b>-0.050</b>	<b>-0.058</b>	<b>0.198</b>	-0.014	1.000								
(8) RISK	<b>-0.084</b>	-0.036	<b>-0.058</b>	<b>0.095</b>	<b>-0.525</b>	-0.041	<b>-0.259</b>	1.000							
(9) LEVERAGE	-0.027	-0.009	<b>-0.102</b>	<b>-0.061</b>	<b>-0.179</b>	-0.013	<b>0.069</b>	<b>0.113</b>	1.000						
(10) INTANGIBLES	0.025	-0.010	<b>-0.132</b>	-0.029	<b>-0.092</b>	-0.020	<b>-0.068</b>	0.034	-0.041	1.000					
(11) EMPLOYEE	0.009	<b>0.074</b>	0.024	0.032	<b>-0.115</b>	-0.033	0.015	<b>0.062</b>	<b>0.095</b>	0.039	1.000				
(12) EFFICIENCY	<b>-0.321</b>	<b>0.084</b>	<b>0.128</b>	<b>0.053</b>	<b>0.172</b>	<b>0.181</b>	<b>-0.060</b>	<b>-0.099</b>	<b>0.185</b>	<b>-0.135</b>	<b>-0.078</b>	1.000			
(13) LIQUIDITY	0.007	-0.017	<b>0.153</b>	<b>0.224</b>	<b>-0.070</b>	<b>-0.044</b>	<b>-0.191</b>	<b>0.156</b>	<b>-0.302</b>	<b>-0.188</b>	-0.009	-0.043	1.000		
(14) DUAL	0.036	<b>0.266</b>	<b>0.323</b>	-0.017	<b>0.171</b>	<b>-0.082</b>	<b>0.223</b>	<b>-0.168</b>	<b>-0.062</b>	<b>-0.160</b>	<b>0.067</b>	-0.018	-0.002	1.000	
(15) OWNCON	<b>-0.138</b>	<b>0.236</b>	<b>0.340</b>	-0.034	<b>0.147</b>	<b>0.056</b>	<b>0.043</b>	<b>-0.098</b>	0.016	<b>-0.254</b>	-0.009	<b>0.083</b>	-0.038	<b>0.433</b>	1.000

**bold** shows significance at the .05 level

**Table 3: International activities and founding family ownership**

	FORSAL				
	Univariate	(1)	(2)	(3)	(4)
FAMILY	-0.0646 (0.103)	-0.0284 (0.448)			
FOUNDER	-0.145*** (0.003)		-0.104** (0.029)	-0.105** (0.025)	-0.111** (0.017)
TQ	0.00427 (0.529)	0.00757 (0.279)		0.00797 (0.258)	0.00896 (0.214)
SIZE	-0.0000462*** (0.000)				-0.0000314*** (0.001)
AGE	0.153*** (0.000)	0.137*** (0.000)	0.131*** (0.001)	0.131*** (0.001)	0.131*** (0.001)
RISK	-0.271 (0.143)	-0.372** (0.026)	-0.361** (0.027)	-0.386** (0.020)	-0.397** (0.017)
FINLEV	-0.00550 (0.662)	0.0119 (0.333)	0.00962 (0.428)	0.00993 (0.414)	0.00782 (0.520)
INTANGIBLES	-0.0158 (0.841)	-0.0453 (0.573)	-0.0488 (0.539)	-0.0494 (0.531)	-0.0497 (0.521)
EMPLOYEE	0.00453 (0.670)	-0.00420 (0.606)	-0.00333 (0.647)	-0.00403 (0.593)	-0.00423 (0.593)
EFFICIENCY	-0.126*** (0.000)	-0.125*** (0.000)	-0.118*** (0.000)	-0.120*** (0.001)	-0.112*** (0.001)
LIQUIDITY	0.0472 (0.738)	0.0975 (0.465)	0.168 (0.202)	0.138 (0.285)	0.124 (0.333)
DUAL	0.0272 (0.506)	0.0304 (0.457)	0.0425 (0.303)	0.0423 (0.305)	0.0334 (0.419)
OWNCON	-0.175* (0.056)	-0.228** (0.016)	-0.189** (0.041)	-0.185** (0.046)	-0.163* (0.075)
Constant	-	0.649*** (0.000)	0.631*** (0.000)	0.626*** (0.000)	0.621*** (0.000)
<i>N</i>	2055	2055	2055	2055	2055
adj. <i>R</i> <sup>2</sup>	-	0.186	0.194	0.197	0.209

*p*-values are in parentheses. Year fixed effects and firm-clustered standard errors are tested for in all models.

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

**Table 4: Geographic diversification and founding family ownership**

		FORDIV					
	Univariate	(1)	(2)	(3)	(4)	(5)	(6)
FAMILY	-0.698 (0.215)	0.179 (0.653)	-1.074* (0.053)				
FOUNDER	-0.709 (0.103)			-0.0827 (0.839)	-0.791 (0.129)	-0.190 (0.632)	-1.071** (0.044)
TQ	-0.0760 (0.359)	-0.233*** (0.010)	0.0639 (0.512)	-0.227** (0.012)	0.0624 (0.523)	-0.237** (0.011)	0.0514 (0.582)
SIZE	2.561*** (0.000)	2.425*** (0.000)		2.398*** (0.000)		2.444*** (0.000)	
AGE	2.568*** (0.000)	0.846** (0.047)		0.843** (0.048)		0.866** (0.041)	
RISK	-2.030 (0.217)	0.667 (0.515)	-1.593 (0.273)	0.681 (0.519)	-1.096 (0.476)	0.800 (0.456)	-0.910 (0.567)
FINLEV	0.339** (0.035)	0.304*** (0.005)	0.356** (0.021)	0.302*** (0.005)	0.341** (0.033)	0.253** (0.020)	0.232 (0.136)
INTANGIBLES	-0.0690 (0.938)	0.263 (0.692)	-0.289 (0.741)	0.278 (0.673)	-0.451 (0.607)	0.423 (0.531)	-0.154 (0.852)
EMPLOYEE	0.314*** (0.000)	0.252** (0.043)	0.214*** (0.010)	0.257** (0.039)	0.190** (0.030)	0.284** (0.030)	0.249*** (0.004)
EFFICIENCY	-0.762*** (0.002)	-0.371* (0.053)	-0.825*** (0.002)	-0.363* (0.063)	-0.816*** (0.005)		
LIQUIDITY	-3.553*** (0.005)	0.533 (0.602)	-3.151** (0.028)	0.518 (0.609)	-2.909** (0.048)	0.663 (0.509)	-2.737* (0.065)
DUAL	1.175** (0.017)	0.360 (0.366)	1.534*** (0.009)	0.414 (0.320)	1.453** (0.015)	0.425 (0.310)	1.528** (0.013)
OWNCON	0.593 (0.561)	-0.262 (0.764)	-0.542 (0.654)	-0.150 (0.862)	-0.613 (0.597)	-0.175 (0.839)	-0.691 (0.560)
Constant	- (0.000)	-5.069*** (0.000)	4.466*** (0.000)	-4.962*** (0.000)	4.002*** (0.000)	-5.565*** (0.000)	3.035*** (0.000)
N	1923	1923	1923	1923	1923	1923	1923
adj. R <sup>2</sup>	-	0.479	0.117	0.479	0.105	0.473	0.074

*p*-values are in parentheses. Year fixed effects and firm-clustered standard errors are tested for in all models.

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

**Table 5: International acquisitions and founding family ownership**

	FORACQ <sup>TOT</sup>			FORACQ <sup>VAL</sup>			FORACQ <sup>AVG</sup>		
	Univar	(1)	(2)	Univar	(3)	(4)	Univar	(5)	(6)
FAMILY	-0.113 (0.728)	-0.548* (0.063)		-155.7 (0.370)	-191.4 (0.320)		-126.0 (0.357)	-154.9 (0.319)	
FOUNDER	0.258 (0.672)		0.298 (0.628)	-316.9*** (0.002)		-235.3* (0.066)	-185.0*** (0.004)		-110.2 (0.106)
TQ	-0.0241 (0.514)	0.0413 (0.383)	0.0340 (0.467)	-19.96* (0.065)	-4.023 (0.795)	-4.732 (0.737)	-13.72* (0.066)	-3.674 (0.603)	-4.682 (0.473)
SIZE	0.000402*** (0.000)	0.000369*** (0.000)	0.000374*** (0.000)	-0.0308*** (0.003)	0.0621*** (0.007)	0.0552** (0.010)	-0.0177*** (0.005)	0.0370** (0.017)	0.0335** (0.021)
AGE	0.736** (0.016)	0.551* (0.052)	0.615** (0.038)	376.2* (0.074)	256.6 (0.239)	263.2 (0.202)	122.9 (0.210)	47.35 (0.658)	56.42 (0.572)
RISK	1.949 (0.146)	1.927 (0.143)	1.884 (0.141)	-590.3 (0.317)	-755.1 (0.268)	-600.9 (0.364)	-583.7 (0.172)	-801.9 (0.176)	-717.2 (0.204)
FINLEV	0.213* (0.053)	0.129 (0.190)	0.135 (0.179)	44.53 (0.270)	100.5** (0.014)	97.14** (0.019)	34.34 (0.146)	69.45** (0.023)	68.07** (0.026)
INTANGIBLES	1.293** (0.017)	1.548** (0.026)	1.485** (0.030)	677.4** (0.036)	699.3** (0.011)	671.0** (0.012)	545.3** (0.024)	544.6** (0.011)	523.3** (0.010)
EMPLOYEE	0.142 (0.435)	0.108 (0.488)	0.0931 (0.540)	38.10 (0.302)	-0.877 (0.984)	-3.487 (0.936)	11.68 (0.657)	-10.97 (0.737)	-13.66 (0.688)
EFFICIENCY	0.385 (0.119)	0.329 (0.128)	0.255 (0.214)	-317.1*** (0.001)	-282.0*** (0.002)	-278.3*** (0.002)	-190.0*** (0.003)	-170.4*** (0.004)	-174.3*** (0.004)
LIQUIDITY	-3.814*** (0.000)	-2.822*** (0.000)	-2.826*** (0.000)	-619.7 (0.271)	-228.0 (0.728)	-75.39 (0.908)	-422.9 (0.185)	-191.6 (0.584)	-104.7 (0.757)
DUAL	0.651** (0.036)	0.974*** (0.002)	0.808** (0.013)	363.8** (0.018)	573.4*** (0.006)	567.0*** (0.008)	177.8* (0.061)	334.8* (0.056)	317.5** (0.042)
OWNCON	0.502 (0.404)	-0.540 (0.449)	-0.896 (0.183)	-410.1* (0.095)	-743.2* (0.061)	-670.2* (0.079)	-259.3 (0.155)	-378.3 (0.157)	-365.9 (0.233)
Constant	- (0.652)	-0.387 (0.652)	-0.487 (0.536)	- (0.312)	397.9 (0.312)	222.9 (0.542)	- (0.165)	441.7 (0.165)	333.1 (0.232)
<i>N</i>	1423	1423	1423	1423	1423	1423	1423	1423	1423
adj. <i>R</i> <sup>2</sup>	-	0.095	0.090	-	0.040	0.040	-	0.019	0.017

*p*-values are in parentheses. Year fixed effects and firm-clustered standard errors are tested for in all models.

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

**Table 6: Corporate performance, international activities and founding family ownership**

	Univariate	ROA						
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
FORSAL	0.0107 (0.674)	0.0177 (0.422)		0.0168 (0.447)	-0.0424 (0.170)		0.0211 (0.337)	0.00182 (0.941)
FAMILY	0.00448 (0.759)		-0.0150 (0.230)	-0.0145 (0.247)	- 0.0644*** (0.003)			
FAMILY x FORSAL	0.0592 (0.183)				0.0837** (0.019)			
FOUNDER	0.0580*** (0.000)					0.0202 (0.112)	0.0225* (0.073)	-0.0265 (0.214)
FOUNDER x FORSAL	0.123** (0.026)							0.107** (0.013)
SIZE	0.0000101*** (0.008)	0.0000036 0 (0.578)	0.000003 08 (0.621)	0.000003 56 (0.572)	0.000003 64 (0.507)	0.000003 45 (0.588)	0.000004 09 (0.525)	0.000003 50 (0.594)
AGE	0.0568*** (0.000)	0.0187* (0.061)	0.0203** (0.034)	0.0180* (0.073)	0.0181* (0.071)	0.0227** (0.018)	0.0199** (0.046)	0.0215** (0.034)
RISK	-1.128*** (0.000)	-0.949*** (0.000)	-0.952*** (0.000)	-0.946*** (0.000)	-0.943*** (0.000)	-0.954*** (0.000)	-0.946*** (0.000)	-0.942*** (0.000)
FINLEV	-0.0240*** (0.000)	-0.0232*** (0.000)	- 0.0231*** (0.000)	- 0.0232*** (0.000)	- 0.0230*** (0.000)	- 0.0226*** (0.000)	- 0.0227*** (0.000)	- 0.0224*** (0.000)
INTANGIBLES	-0.101*** (0.001)	-0.0474** (0.036)	-0.0466** (0.040)	-0.0458** (0.043)	-0.0471** (0.038)	-0.0480** (0.033)	-0.0470** (0.035)	-0.0449** (0.046)
EMPLOYEE	-0.0156 (0.195)	-0.00804 (0.273)	-0.00768 (0.290)	-0.00762 (0.289)	-0.00810 (0.261)	-0.00831 (0.275)	-0.00824 (0.274)	-0.00747 (0.294)
EFFICIENCY	0.0350*** (0.007)	0.0311*** (0.005)	0.0298*** (0.005)	0.0318*** (0.006)	0.0319*** (0.007)	0.0278*** (0.005)	0.0301*** (0.006)	0.0302*** (0.006)
LIQUIDITY	-0.0682 (0.359)	-0.0422 (0.477)	-0.0405 (0.503)	-0.0425 (0.476)	-0.0392 (0.501)	-0.0479 (0.420)	-0.0512 (0.380)	-0.0565 (0.312)
DUAL	0.0576*** (0.000)	0.0175 (0.137)	0.0206* (0.085)	0.0202* (0.094)	0.0229* (0.059)	0.0146 (0.204)	0.0139 (0.233)	0.0154 (0.184)
OWNCON	0.150*** (0.000)	0.0303 (0.305)	0.0329 (0.251)	0.0364 (0.225)	0.0387 (0.186)	0.0155 (0.582)	0.0191 (0.517)	0.0167 (0.567)
Constant	- -	0.0685* (0.098)	0.0839** (0.021)	0.0730* (0.075)	0.105*** (0.010)	0.0828** (0.026)	0.0695* (0.090)	0.0781* (0.054)
N	2055	2055	2055	2055	2055	2055	2055	2055
adj. R <sup>2</sup>	-	0.348	0.349	0.350	0.355	0.349	0.350	0.356

*p*-values are in parentheses. Year fixed effects and firm-clustered standard errors are tested for in all models.

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

**Table 7: Corporate performance, geographic diversification and founding family ownership**

	ROA							
	Univariate	(1)	(2)	(3)	(4)	(5)	(6)	(7)
GEODIV	0.00777*** (0.000)	-0.00276 (0.119)		-0.00281 (0.111)	-0.00419* (0.091)		-0.00266 (0.130)	-0.00209 (0.253)
FAMILY	0.0114 (0.448)		0.0182 (0.149)	0.0185 (0.142)	0.00942 (0.626)			
FAMILY x GEODIV	-0.000965 (0.751)				0.00219 (0.400)			
FOUNDER	0.0649*** (0.000)					0.0360*** (0.006)	0.0355*** (0.006)	0.0554*** (0.006)
FOUNDER x GEODIV	-0.00795* (0.085)							- 0.00590* (0.067)
SIZE	0.0680*** (0.000)	0.0773*** (0.000)	0.0732*** (0.000)	0.0796*** (0.000)	0.0796*** (0.000)	0.0719*** (0.000)	0.0780*** (0.000)	0.0780*** (0.000)
AGE	0.0555*** (0.000)	0.0106 (0.341)	0.00816 (0.453)	0.0107 (0.337)	0.0118 (0.287)	0.00969 (0.365)	0.0121 (0.272)	0.0112 (0.316)
RISK	-0.0897 (0.236)	-0.00969 (0.837)	-0.00880 (0.851)	-0.00662 (0.887)	-0.00437 (0.926)	-0.0291 (0.537)	-0.0268 (0.565)	-0.0308 (0.501)
FINLEV	-0.0242*** (0.000)	-0.0335*** (0.000)	- 0.0343*** (0.000)	- 0.0334*** (0.000)	- 0.0333*** (0.000)	- 0.0335*** (0.000)	- 0.0327*** (0.000)	- 0.0328*** (0.000)
INTANGIBLES	-0.0904*** (0.002)	-0.0476** (0.031)	-0.0503** (0.023)	-0.0497** (0.024)	-0.0509** (0.021)	-0.0468** (0.030)	-0.0462** (0.031)	-0.0459** (0.031)
EMPLOYEE	-0.0151 (0.202)	-0.00746 (0.279)	-0.00858 (0.235)	-0.00791 (0.262)	-0.00823 (0.248)	-0.00838 (0.250)	-0.00774 (0.277)	-0.00795 (0.267)
EFFICIENCY	0.0398** (0.012)	0.0552*** (0.001)	0.0559*** (0.001)	0.0548*** (0.001)	0.0546*** (0.001)	0.0541*** (0.001)	0.0530*** (0.001)	0.0527*** (0.001)
LIQUIDITY	-0.0566 (0.499)	-0.0876 (0.180)	-0.0849 (0.189)	-0.0868 (0.178)	-0.0872 (0.177)	-0.0969 (0.128)	-0.0987 (0.121)	-0.0976 (0.125)
DUAL	0.0601*** (0.000)	0.0167 (0.195)	0.0114 (0.358)	0.0126 (0.318)	0.0129 (0.307)	0.00959 (0.440)	0.0108 (0.390)	0.00984 (0.437)
OWNCON	0.148*** (0.000)	0.0897*** (0.003)	0.0831*** (0.005)	0.0822*** (0.005)	0.0834*** (0.005)	0.0722** (0.017)	0.0717** (0.018)	0.0721** (0.018)
Constant	- -	-0.333*** (0.000)	-0.332*** (0.000)	-0.346*** (0.000)	-0.341*** (0.000)	-0.315*** (0.000)	-0.328*** (0.000)	-0.329*** (0.000)
N	1923	1923	1923	1923	1923	1923	1923	1923
adj. R <sup>2</sup>	-	0.322	0.322	0.324	0.324	0.326	0.327	0.328

*p*-values are in parentheses. Year fixed effects and firm-clustered standard errors are tested for in all models.

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

**Table 8: Corporate performance, international acquisitions and founding family ownership**

	ROA							
	Univariate	(1)	(2)	(3)	(4)	(5)	(6)	(7)
FORACQ <sup>VAL</sup>	0.00000150 * (0.079)	0.0000028 6* (0.055)		0.000002 74* (0.061)	0.000001 47 (0.191)		0.000003 02** (0.048)	0.000002 98** (0.049)
FAMILY	0.00805 (0.576)		-0.0144 (0.299)	-0.0138 (0.316)	-0.0149 (0.288)			
FAMILY x FORACQ <sup>VAL</sup>	0.00000150 (0.342)				0.000003 01 (0.299)			
FOUNDER	0.0577*** (0.000)					0.0267* (0.073)	0.0274* (0.066)	0.0269* (0.078)
FOUNDER x FORACQ <sup>VAL</sup>	- 0.00000723 (0.307)							0.000006 86 (0.247)
SIZE	0.00000537 *** (0.000)	- 0.0000043 2 (0.112)	- 0.000004 07 (0.130)	- 0.000004 24 (0.119)	- 0.000004 27 (0.118)	- 0.000003 48 (0.188)	- 0.000003 65 (0.174)	- 0.000003 67 (0.172)
AGE	0.0313** (0.014)	0.0257** (0.028)	0.0252** (0.033)	0.0245** (0.038)	0.0242** (0.041)	0.0278** (0.018)	0.0270** (0.022)	0.0270** (0.022)
RISK	-0.0499 (0.476)	-0.0233 (0.632)	-0.0282 (0.561)	-0.0262 (0.587)	-0.0261 (0.589)	-0.0385 (0.448)	-0.0367 (0.466)	-0.0371 (0.462)
FINLEV	-0.0202*** (0.001)	-0.0270*** (0.000)	- 0.0268*** (0.000)	- 0.0270*** (0.000)	- 0.0270*** (0.000)	- 0.0263*** (0.000)	- 0.0266*** (0.000)	- 0.0266*** (0.000)
INTANGIBLES	-0.0773*** (0.004)	-0.0444** (0.039)	-0.0407* (0.056)	-0.0426** (0.044)	-0.0435** (0.040)	-0.0420** (0.049)	-0.0440** (0.038)	-0.0441** (0.038)
EMPLOYEE	-0.00544 (0.252)	-0.00260 (0.584)	-0.00228 (0.631)	-0.00228 (0.625)	-0.00236 (0.611)	-0.00282 (0.576)	-0.00281 (0.570)	-0.00280 (0.572)
EFFICIENCY	0.0391*** (0.000)	0.0497*** (0.000)	0.0501*** (0.000)	0.0509*** (0.000)	0.0511*** (0.000)	0.0465*** (0.000)	0.0474*** (0.000)	0.0474*** (0.000)
LIQUIDITY	0.0203 (0.801)	-0.0335 (0.650)	-0.0368 (0.621)	-0.0361 (0.627)	-0.0371 (0.618)	-0.0471 (0.525)	-0.0468 (0.527)	-0.0465 (0.530)
DUAL	0.0469*** (0.001)	0.0330** (0.025)	0.0377*** (0.010)	0.0361** (0.014)	0.0359** (0.014)	0.0305** (0.037)	0.0288** (0.050)	0.0287* (0.050)
OWNCON	0.0777** (0.021)	-0.00826 (0.820)	-0.00578 (0.877)	-0.00374 (0.920)	-0.00344 (0.927)	-0.0261 (0.479)	-0.0241 (0.516)	-0.0238 (0.522)
Constant	- (0.000)	-0.00585 (0.844)	0.00111 (0.971)	0.000035 6 (0.999)	0.00116 (0.970)	0.00584 (0.844)	0.00519 (0.860)	0.00509 (0.863)
N	1423	1423	1423	1423	1423	1423	1423	1423
adj. R <sup>2</sup>	-	0.147	0.147	0.148	0.148	0.149	0.151	0.150

*p*-values are in parentheses. Year fixed effects and firm-clustered standard errors are tested for in all models.

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

## ENDNOTES

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<sup>i</sup> Swedish publicly listed firms are mandated to follow IFRS 8 (Segment reporting). IFRS 8 requires reporting across business segments, including geographical segments. However, the standard does not require a firm to disclose revenues for its domestic operations and home market.

<sup>ii</sup> A few firms choose not to report details on the locations of their employees. In such cases, we instead measure *GEODIV* based on the locations of foreign subsidiaries. This information is always available in notes to the financial statements.

<sup>iii</sup> The categories include Sweden, other Nordic countries, other EU countries, other European countries, USA and Canada, other American countries, African countries, Middle eastern countries, China, India, developed Asian countries (includes Japan, South Korea and Singapore), other Asian countries, and Oceanian countries. A detailed list of all countries is available on request.

<sup>iv</sup> Swedish corporate law prohibits dual responsibilities as CEO and Chairman, it allows only one corporate representative on the board of directors, and the board must consist of at least three members. Consequently, internal directors can never dominate Swedish boards in the way they can in US publicly listed firms.

<sup>v</sup> To normalize the sample distribution and allow for parametric statistical tests, we winsorize *ROA* at the 1% level.

<sup>vi</sup> To normalize the sample distribution and allow for parametric statistical tests, we winsorize *FINLEV* at the 1% level.

<sup>vii</sup> But we cluster standard errors at the firm-level.

<sup>viii</sup> SIS Ägarservice was founded by Sven-Ivan Sundqvist and between 1982 and 2015, he published detailed ownership statistics for all publicly listed Swedish firms. Until 1999, these were only available in a booklet format, but then also in an electronic format.

<sup>ix</sup> Given that both *FORSAL* and *ROA* are variables that remain somewhat constant over time, we argue that lagging variables will not help us solve causality problems.

<sup>x</sup> The sample size (n=1923) is slightly smaller than in the previous analyses (n=2055) because of 122 missing firm-year data points on geographical segments.

<sup>xi</sup> Details on acquisition data are excluded from the paper, but are available on request.