# Family Firms Venturing into International Markets: A Resource Dependence Perspective

by

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## ABSTRACT

In today's global marketplace there are competitive pressures for all firms to internationalize. Family firms face specific resource challenges when it comes to their internationalization. Many of these challenges are inherent in their governance structure, which tend to distinguish them from other types of firms. Drawing on resource dependence theory, we expect the degree of openness/closeness in the governance structure of family firms to influence internationalization. We view family firms with an open governance structure as those with external owners, external CEO, external board members, and large top management teams. Longitudinal data from 325 family firms reveal that expansion *across* foreign markets (i.e. international scope) is favored by opening up all levels of the firm's governance structure, that is by having external ownership, external board members, external CEO and large TMTs. Penetration *within* foreign markets (i.e. international scale), on the other hand, is favored by opening up the top management level alone, that is by having an external CEO and a large TMT. These results encourage further looks into the resources that non-family actors bring to the business and their contribution to internationalization strategies.

## INTRODUCTION

Globalization has altered the nature and scope of strategy and competitiveness for most firms (Melin, 1992; Zahra & George, 2002). Increased market liberalization, the use of information and communication technology and innovative supply chain management practices have increased the opportunities to internationalize for all enterprises (George *et al.*, 2005; Westhead *et al.*, 2001), including family firms (cf. Fernández & Nieto, 2006; Tsang, 2002; Zahra, 2003).

The international business (IB) literature suggests that firms need to be well equipped with resources to successfully compete in international markets (Dunning, 2000; Eriksson *et al.*, 1997; Peng, 2001). Venturing into international markets seems to pose specific resource challenges to family firms (Tsang, 2002). While factors such as commitment, long-term orientation and unique capabilities may enhance the internationalization of family firms (Gallo & Sveen, 1991; Zahra, 2003), the lack of resources may hinder family firms from seizing global opportunities and dealing with the complexity inherent with international expansion. Researchers have, for instance, noted that the lack of managerial resources (Fernández & Nieto, 2006; Graves

& Thomas, 2006), financial resources (Gallo & García-Pont, 1996) and knowledge of international markets within the family (Okoroafo, 1999) constrains the internationalization of family firms. Yet, to date research has not provided compelling evidence of how family firms access the resources they need to grow outside their national borders. Studies are still scarce and results inconsistent.

Zahra's (2003) study focuses on the altruism inherent in family firms and finds that family ownership and involvement support internationalization because family members act as good stewards of the existing resources. In contrast Fernández and Nieto's (2006) study shows that resources provided by corporate, non-family owners spur export behavior among SMEs. These mixed results may reflect the fact that these studies compare family and non-family firms, and, thus, do not effectively account for heterogeneity among family firms (c.f. Westhead & Howorth, 2007).

Our study seeks to address this issue by utilizing the resource dependence perspective to investigate internationalization *among* family firms. The resource dependence perspective is relevant, because it allows us to introduce a new approach to understand how important strategic behaviors may differ between family firms. In particular, it permits us to focus on the extent to which family firms build linkages to their external environments in order to access non-family resources essential for their internationalization. The resource dependence perspective maintains that organizations must build linkages with actors in the external environment to access the resources they need to have success and even survive (Pfeffer, 1972; Pfeffer & Salancik, 1878). To build and maintain links between the organization and external resources is a task for a firm's governance structure (Boyd, 1990; Pfeffer & Salancik, 1878; Zahra & Pearce, 1989). We draw on resource dependence theory to examine the relationship between a family firm's governance structure and its level of internationalization.

Our key argument is that a family firm with an open governance structure can build links to the external environment and access non-family resources needed to spur its internationalization. However, our notion of governance is broader than that encompassing only firms' ownership or family involvement. Consistent with a resource dependence perspective, we define a firm's key governance structures as comprising the ownership, the board, and the top management (Brunninge *et al.*, 2007; Goodstein & Boeker, 1991; Rediker & Seth, 1995), and we regard family firms with open governance structures as those with external owners, external CEO, external board members, and large top management teams.

Our study contributes to the entrepreneurship and international business literatures by demonstrating how an open governance structure can spur the internationalization of small and medium sized family firms—which is considered by many scholars a form of entrepreneurial behavior in the pursuit of growth (Hitt *et al.*, 2001; Ibeh, 2003; Lu & Beamish, 2001, 2006). To family business research, we add an investigation of how links to the external environment can provide the resources needed for international development and expansion. Previous theory driven research on family firm strategy and governance has almost exclusively focused on the internal challenges and dynamics of these firms. Finally, we broaden the applicability of resource dependence theory through a fresh look at its explanatory power in relation to an important business strategy – internationalization – in private business organizations.

## THEORY AND HYPOTHESES

### Internationalization and family firms

Competing across national borders is more complex and resource-consuming than operating in the home market (Sanders & Carpenters, 1998). Activities such as researching foreign markets,

making products and service suitable for international customers, finding and contracting international buyers, moving goods and services across large distances, and making sure that products are managed properly on the way to their users pose significant challenges to firms, and especially to small firms (Knight & Liesch, 2002). Furthermore, internationalizing firms face a liability of foreignness—stemming from exchange risks of operating businesses in foreign countries, local authorities' discrimination against foreign firms, and unfamiliarity with local business conditions (Hymer, 1976/1960)— which diminishes only as they gain more knowledge (Zaheer & Mosakowski, 1997).

Accordingly, most IB scholars seem to agree that access to resources enhances a firm's internationalization prospects. The internalization perspective (Buckley & Casson, 1976, 1979) and the eclectic theory (Dunning, 1988, 2000) focus on the advantages of multinational enterprises' (MNEs), suggesting that they stem from MNEs' unique resources, mainly technological or market-based (Dunning, 2000; Dunning & Rugman, 1985). The link between resources and internationalization lies also at the heart of the Uppsala internationalization model (Johanson & Vahlne, 1977) and the international entrepreneurship (IE) literature (Autio *et al.*, 2000; McDougall *et al.*, 1994). In the Uppsala model, the accumulation of experiential knowledge through progressive internationalization enhances a firm's commitment to further internationalization (Johanson & Vahlne, 1977). Studies in the IE tradition find that, along with the founder's knowledge (Bloodgood *et al.*, 1996), other factors such as the firm's knowledge intensity (Autio *et al.*, 2000) or its access to networks (Blomstermo *et al.*, 2004) are relevant for the internationalization of young and small ventures (Westhead *et al.*, 2001). Likewise, George et al. (2005) (2005) argue that smaller firms are limited in their resources and international experience, and that their ownership structure may shape their risk orientation and, consequently, their internationalization.

Research on internationalizing family firms has highlighted a trade-off between the access to the resources needed to succeed in international markets and the family's control over the firm's strategic decisions. Internationalization requires financial, managerial and knowledge resources (Hitt *et al.*, 2006), whose access may be limited in closely held family firms (Schulze *et al.*, 2001). Venturing into international markets requires a significant amount of risk taking by family owners and managers (Zahra, 2005). Internationalization can thus be constrained by the family's tendency to avoid risk taking (Fernández & Nieto, 2006), the conservatism and resistance to change among family leaders (Gallo & Sveen, 1991; Ward, 1987) (Ward, 1987; Gallo & Sveen, 1991) and the lack of formal control and planning systems (Graves & Thomas, 2006).

When the family surpasses the fear of losing control (Casillas & Acedo, 2005; Gallo & García-Pont, 1996; Ward, 1987) and opens up the firm's governance structure to external, non-family actors, new resources externally to the family and to the firm are brought in, facilitating internationalization. Family firms are, indeed, in a better position to internationalize when working in collaboration with others (Fernández & Nieto, 2005). This motivates the use of a resource dependence perspective to explain internationalization of family firms. Differently from prior research, we do not posit that family ownership and management is, per se, positive (Zahra, 2003) or negative (Fernandez & Nieto, 2006) for a firm's internationalization. Rather, the resource dependence perspective allows us to take a broader perspective on internationalization and governance of family firms, putting the need for external resources  in focus.

**A resource dependence perspective**

According to the resource dependence perspective (Finkelstein, 1997; Pfeffer, 1972; Pfeffer & Salancik, 1878) organizations' strategic choices and actions are influenced by the external

environment in which organizations are located and, especially, on the pressures and constraints that emanate from this environment. Organizations are externally controlled and they depend on resources only available outside their formal boundaries to expand and survive over the long run (Pfeffer & Salancik, 1978). The need for resources, including financial and intangible resources such as knowledge, advice and legitimacy makes organizations dependent on external sources of these resources.

Although organizations are constrained by the situation they face in the external environment, there are opportunities to act. Firms can co-opt sources of constraints, that is, to secure at least temporary, more autonomy and greater potential to pursue a specific strategy. Moreover, since external resource constraints influence organizational and strategic outcomes, organizations also have the intention and sometimes the ability to negotiate their position within these constrains using tactics (Pfeffer & Salancik, 1978). Such tactics can include changing the governance structure with the purpose to ease the resource constraints by creating external links to the needed resources. However, gaining control over scare resources using tactics such as changing the governance structure may also create new constraints if they give rise to interdependence where the organization is more exposed to the actors providing these resources.

External resource dependencies also affect internal power dynamics. The people and groups that reduce uncertainty by providing the resources hold more power as a result of their critical role for the access of resources that are needed to pursue a specific strategy (Pfeffer & Salancik, 1978).

We share the view that a critical determinant of a firm's ability to deal with the complexity and resource need required for internationalization rests in its governance structure (Melin, 1992; Sanders & Carpenter, 1998). Since organizations are embedded in networks of interdependencies and social relationships (Pfeffer & Salancik, 1978), governance is about

creating links to the environment to access resources that are unavailable within the owning-family or the firm (Carney, 2005; Nordqvist & Goel, 2008). By creating links to the external environment, and opening up the governance structure to input and resources only available outside the family and the firm, we argue that family firms can overcome their lack of resources that constrains their ability to pursue certain strategic choices and, for instance, expand internationally. Opening up the governance structure for external resources can also be a way to address counterproductive vested interests, overcome political resistance that results from the prevailing distribution of power and thereby increase the chances of strategic change (Pfeffer & Salancik, 1978). This may be important since the perpetuation of power tends to constrain the strategic flexibility of an organization (Goodstein & Boeker, 1991).

Because the resource dependence perspective focuses on broad governance decisions, it is appropriate to define a firm's governance structure as embracing the ownership, the board, the CEO and the top management (Brunninge, Nordqvist & Wiklund, 2007; Goodstein & Boeker, 1991; Rediker & Seth, 1995). In a family firm, open governance structures refer to the extent to which the ownership, the board, the CEO position and the top management team are open to people external to the owning family. Inevitably, open governance means that the family will lose some control and that, to the extent that they provide critical resources, external individuals are in a position to influence strategic actions. From the resource dependence perspective there is therefore a trade-off between maintaining control and relying on family resources, and losing some control but increasing the chances to acquire needed non-family resources for pursuing international strategies. Next, we develop hypotheses regarding the association between open governance structures and internationalization of family firms.

**The Ownership**

Ownership is at the apex of a firm's governance structure. Family firms are often characterized by a concentrated ownership: that is one family controls the shares. An increase in external ownership is likely to provide more financial resources, and thereby to facilitate the firm's international expansion. Internationalization is, indeed, costly and needs to be financed (Buckley, 1989). Financial resources can also be used to access other resources needed to internationalize (Wiklund & Shepherd, 2003), e.g. hiring personnel with knowledge and experience of international markets; carrying our marketing research on overseas customers, etc. Beside financial resources, external owners can provide other types of resources, which are equally pivotal for the internationalization of family firms. Fernández and Nieto's (2006) study, for instance, shows that owners are sources of intangible resources, such as information, knowledge and legitimacy.

In addition to providing more resources, a change in ownership is likely to alter the existing power distribution and loosen up some of the political resistance within an organization (Pfeffer & Salancik, 1978). As Goodstein and Boeker (1991:309) note, there are strong reasons why "owners of a company might be likely to directly and indirectly influence strategic decisions on products and services". For instance, altering the ownership structure often reduces the managers' control over strategic choices and leads to a consideration of more strategic options – some of which may not even be in the immediate interest of the managers (Salancik & Pfeffer, 1980). Conversely, if ownership remains completely in the same hands, for instance, a family's, the firm is likely to experience a convergence around norms, values and strategic options (Tushman & Romanelli, 1985) that does not necessarily support expansion and risky strategic moves such as internationalization. Changes in ownership can disrupt this stability and rigidity and increase the responsiveness to competitive changes and new business opportunities

(Goodstein & Boeker, 1991). In short, selling out part of the equity to owners external to the family entails a more open governance structure. The new shareholders can help the family firm both to change attitudes and to obtain resources they need in order to internationalize, while the family still can maintain the formal control through keeping majority ownership. We therefore hypothesize that:

*Hypothesis 1: External ownership is positively associated with internationalization in family firms.*

**The Board of Directors**

The next level in a firm's governance structure is the board of directors. Pfeffer (1972) notes the important task of board members to provide links to the environment through which external resources may be accessed. By recruiting the right board members, the board can be an arena where important external resource dependencies can be managed and controlled (Pfeffer & Salancik, 1978). This role of the board has been widely investigated and confirmed in the corporate governance literature (e.g., Boyd, 1990; Hillman *et al.*, 2000).

Serving to connect the firm with external actors as well as to reduce uncertainty and external dependencies, the board can provide a family firm with four types of resources: (1) advice, counsel and know-how, (2) legitimacy and reputation, (3) channels for communicating information between external organizations and the firm, and (4) preferential access to commitments or support from important actors outside the firm (Pfeffer & Salancik, 1978). These are important resources for firms that pursue international strategies (Brush *et al.*, 2002; Buckley, 1989; Hitt *et al.*, 2006).

Firms face different levels of uncertainty and environmental dependency, and therefore differ in terms of size and composition of their board (Sanders & Carpenter, 1998). Board members have strong reasons to be actively involved in strategic processes such as internationalization, since they are legally liable for the performance of a firm. In addition to monitoring the CEO and the top management team, board members can be involved in the actual planning and implementation of international strategies through sharing their experience, knowledge and contacts from their previous international ventures (Sanders & Carpenter, 1998).

The most common way to capture the resource dependence role is to investigate the extent to which outside, external board members are represented on a board. Every board member brings specific attributes and links to external resources to the board. A higher ratio of outsiders on the board entails a greater heterogeneity of resources, such as expertise, skill and information that can be used during internationalization. In general increasing outsider representation tends to trigger more strategic actions initiated by the board (Goodstein & Boeker, 1991). The board's role in internationalization should thus be greater with more external board members. Moreover, outside board members are less involved in the day-to-day operations of the firm. They can therefore think freer on different strategic alternatives, focus on giving their counsel and advice to top management (Westphal, 1999) and act as agent for resource acquisition (Pfeffer & Salancik, 1978).

There is evidence that external board members can represent important resources in family firms' strategic processes (Corbetta & Salvato, 2004; Fiegener *et al.*, 2000). Voordeckers, Van Gils and Van den Heuevel (2005) note, for instance, that family firms with a strong focus on business-oriented objectives are more likely to have a external board members while Johannisson and Huse (2000) argue that external board members are important providers of resources such as advice, support and knowledge thanks to their links to social and professional networks outside a

specific family firm. Brunninge et al. (2007) find that outsiders on the board in closely held SMEs have a positive effect on strategic change, including moving into international markets. In short, having external members on the board contributes to opening up the governance structure of family firms. External board members can advice family firms during the internationalization process as well as provide access to resources they need. We therefore hypothesize that:

*Hypothesis 2: Increased representation of external directors on the board is positively associated with internationalization of family firms.*

**The CEO**

The CEO reports to the board and is therefore the next level in the governance structure. The CEO has traditionally been considered the motivating and driving force behind strategic changes and expansion (Boeker, 1997) and researchers have looked at the role of CEO characteristics for internationalization (Aaby & Slater, 1989; Chetty & Hamilton, 1993). According to the resource dependence perspective, the CEO is a human resource that is controlled, though not formally owned, by the firm through an employment contract. As such, s/he can be used to reduce uncertainly and pursue organizational strategies (Pfeffer & Salancik, 1978). Internationalization requires high quality human resources and especially managerial capability to do business overseas. A knowledgeable CEO is, therefore, pivotal for engaging in international strategies.

Lack of managerial capability has been noted as a major constraint to family firm's internationalization (Gallo & Garcia-Pont, 1996; Graves & Thomas, 2006; Fernández & Nieto, 2006). In family firms CEOs tend to have long tenures and be members of the owning-family. Such a unification of ownership and management may lead to less risk taking (Brunninge et al. 2007) and greater managerial entrenchment. Moreover, family firms that prefer to hire the CEO

from within the family may suffer from a shortage of family members that both have the training to become CEO and to carry out international businesses (Gallo & Garcia-Pont, 1996).

By contrast, a non-family CEO can bring in external resources, or links to such resources in the environment, allowing the implementation of strategies that previously were hindered by inertia or the lack of resources. A non-family CEO brings additional skills, perspectives and ideas on how and where to compete (Boeker, 1997). He or she may also alter the established power positions and disrupt political resistance and pursues new strategic actions (Tushman & Romanelli, 1985) based on the control of resources that previously did not exist in the organization (Pfeffer & Salancik, 1978).

Indeed, research has shown that, non-family CEOs are central to the ability of family firms to grow and endure in their competitive market space over time (Blumentritt *et al.*, 2007). In sum, although taking on a difficult challenge due to the often strong family and business cultures, external non-family CEOs contribute to opening up the governance structure of family firms and provide new perspectives, ideas and energy to pursue international strategies. We therefore hypothesize that:

*Hypothesis 3: Having an external CEO is positively associated with internationalization in family firms.*

**The Top Management Team**

The CEO is not alone in taking the executive responsibility for a firm's internationalization. In most firms there is a top management team (TMT)—that is, a group of managers with different tasks, competencies and areas of responsibility (Hambrick & D'Aveni, 1992). As Mintzberg (1973) notes, the work of top managers consists to a large extent of establishing and developing

ties with actors outside the organizations that represent resources and capabilities needed to develop and implement strategies. From a resource dependence perspective, a key role of TMT is therefore to build, maintain and improve links to the external environment that are crucial for the provision of resources (Pfeffer & Salancik, 1978). Hambrick and D'Aveni (1992:1449) note that "the resources available on a team result from how many people or on it." This means that TMT composition, especially its size, referring to how many people comprise the TMT, determines how many links to external resources a firm will have.

The size of the TMT is an important determinant of firms' level of international activity (Tihanyi *et al.*, 2000). A larger TMT has more and various links to the external environment. It also possesses different knowledge, experience and perspectives that can be important input to the process of internationalization (Finkelstein & Hambrick, 1996). Larger teams are, indeed, needed to process the large and diverse amount of information, evaluate the many different alternatives and provide more knowledge on how to tackle challenges that arise as a result of international business activities (Sanders & Carpenter, 1998). In addition, a larger TMT forms a less homogenous group of managers and it is, thereby, less likely to maintain the organizational status quo (Wiersema & Bantel, 1992), to be insulated, and to avoid new strategies that increase uncertainty (Boeker, 1997). Furthermore, many managers in the team offer a greater cognitive diversity since more functional areas are represented (Brunninge et al. 2007).

Though family firms tend to internationalize with smaller top management teams than non-family firms (Graves & Thomas, 2006), we expect larger TMT to positively influence internationalization. First, larger TMT are better endowed with the managerial capabilities and inclination that family firms need to handle complex international expansions (Gallo & Garcia-Pont, 1996; Okoroafo, 1999). Second, increasing the size of the TMT is a way for family firms to "handle the complexities and workload brought about by international expansion" (Graves and

Thomas, 2006:210). Third, adding non-family members to the top management team is critical to promote strategic renewal and expansion (Salvato, 2004). Larger TMTs, at least partly, counteract the dominant influence that individual family owners and managers tend to have over the firm's strategic direction. "Being one out of several TMT members, the individual member may feel more confident and safe to suggest alternative strategic ideas and to promote strategic change" (Brunninge et al. 2007:298). In short, a larger TMT is more likely to include non-family managers creating a more open governance structure. We therefore hypothesize:

*Hypothesis 4: The size of the TMT is positively associated with internationalization in family firms.*

## METHOD

### Sample and data collection

Following Westhead and Cowling (1999), family firms are defined on the basis of the following two criteria: 1) a firm in which one or more family members own at least 50% of the firm's shares; and 2) a firm that is perceived by the CEO as being a family firm. In Sweden there are not comprehensive lists of firms with these characteristics. Hence, we identified our eligible sample via a screening sample. We started with a sample designed to be representative of privately owned Swedish SMEs, comprising 2455 firms in four broadly defined industry groups: manufacturing, professional services, wholesale/retail, and other services. The sample was obtained from Statistics Sweden (SCB)—the Swedish Bureau of Census. These firms were interviewed over the phone during the first survey round. Out of the 2020 firms which responded to the phone interview, 461 firms reported that one family owned 50% or more of the business

and that they perceived themselves a being family firms. These 461 family firms were, thus, selected as eligible cases for our study and followed up longitudinally. Specifically, three years later, these firms were contacted again and surveyed by phone. The full sample with data for all the variables used in the study from both survey rounds was 325 (70% of the family firms responding to the first survey round).[1] Data for the study's independent were collected during the first survey round as well as from SCB. Data for the control variables were obtained from the respondents during the first survey round, and from SCB. Data for the dependent variables were collected during the second survey round.

The targeted respondent was the CEO. This choice was made in the light of the key role played by the CEO in SMEs. Within smaller firms, chief executives are directly involved in the business (Preisendorfer & Voss, 1990) and have first-hand information on what is going on in the firm (Yusof & Aspinwall, 2000). As already mentioned, the CEOs' answers to the survey's instruments were combined with a series of data collected from SCB.

Internationalization is risky and time consuming (Buckley, 1989). The variables that impact internationalization may also cause attrition from the study. To detect and correct for attrition bias we use the Heckit technique (Heckman, 1979). This modeling approach comprises two-steps. First, one should estimate a first-stage model to specify the selection equation and calculate an outcome variable, which is called Inverse Mills Ratio (IMR) or hazard rate or lambda. Then, one should use IMR as a control variable in the subsequent analyses. In this way it is possible to assess and possibly correct for attrition bias.

In our study, the first-stage model is developed based on a probit model estimating the probability that the 461 SMEs—which responded to the first survey round— drop out of the

[1] Having identified the study's sample through a screening sample makes it difficult to calculate and assess the study's response rate. Because of the design of the study, the response rate of family firms to the first survey round would be 100 %.

sample in the second survey round. The IMR obtained from this analysis is included in the subsequent analyses. The probit model includes a first set of variables that can predict drop-outs as well as firm internationalization. These variables are: major industry group, firm size, firm age, and past growth. The probit model should also include at least one more variable that predicts attrition, but does not have a direct effect on internationalization (Delmar & Shane, 2003). In a study of new firms, Dahlqvist, Davidsson & Wiklund (2000) find that whether or not a firm is located in a main metropolitan area is related to its marginal survival, but not to its performance, measured in terms of sales growth, employment growth and profitability. This result seems to suggest that a firm's location in main metropolitan areas may influence its survival, but not directly its expansion. Hence, we include a broad location dummy variable (major metropolitan areas vs. other locations) into the probit model estimating sample attrition. As displayed in the results, the study's findings remain the same after including the IMR, suggesting that attrition bias is not a concern in our study (Berk, 1983).

**Measures**

*Dependent variables*

We investigate two dimensions of a firm's internationalization: scale of internationalization and scope of internationalization; and we focus on export activities, being these among the most common activities carried out by SMEs in international markets (OECD, 2000). *Scale of internationalization* captures the degree of a firm's involvement in international markets. As such, it is not a state, but a continuous choice that managers make relative to domestic activities (Sullivan, 1994); and it is measured as the percentage of a firm's sales that are derived from export revenues (Fernhaber *et al.*, 2008; Lu & Beamish, 2001; Zahra, 2003). Similarly to George et al. (2005), we validated this measure by asking respondents to estimate the share of profits that

are obtained from foreign markets. The two measures—the firm's sales that are derived from export revenue and the firm's profits that are obtained from foreign markets— correlated at 0.86 ($p<0.001$), providing evidence of convergent validity. To further validated our measure, six month after the phone interview we sent a follow-up mail questionnaire to the companies in our sample. The respondents were asked to estimate what percentage of their sales came from 1) international customers the firm did not have three years before; and 2) products of services the firm was not selling or delivering to international markets three years before. Our measure of international scale correlates at 0.45 ($p<0.001$) with sales coming from new international customers; and at 0.45 ($p<0.001$) with sales coming from new products in international markets. These relationships provide some additional confirmation of the validity for our measure, and show that that common method variance is unlikely to be a problem.

Consistent with prior research, *international scope* is measured by the number of countries to which a firm is exporting its products or services (Lu & Beamish, 2001; Zahra, 2003). While the scale of internationalization captures the degree of involvement in international markets, international scope accounts for the geographic reach of a firm's foreign sales. Since SMEs are expected to sell more to neighboring countries than to psychic distant countries (Johanson & Wiedersheim-Paul, 1975), this measure indicates the extent to which a firm sells beyond its adjacent countries (Fernhaber *et al.*, 2008). We correlated our measure of international scope with the percentage of sales coming from international markets which the firm did not serve three years before. This question was included in the mail questionnaire which had been sent out to companies six months after the phone interview. The correlation was positive and significant (0.22, $p<0.001$), providing evidence of validity for our measure for international scope.

*Independent variables*

*External CEO* was measured by dummy coding whether or not the CEO was a member of the owner family. The ratio of *external directors* was calculated by dividing the number of external directors (that is persons who do not work in the company and do not belong to the owner family) by the total number of directors on the board. *TMT size* is calculated by the total number of TMT positions in the firm. *External ownership* is measured by the percentage of the firm's shares not held by members of the owner family.

*Control variables*

We include controls for several variables which may influence the scale and scope of a firm's internationalization.

Because internationalization may vary by industry sector (Andersson, 2004), the analysis includes three dummy variables reflecting the firms' *main industry group*: manufacturing, retail, and professional service. This information was obtained from SCB (Statistics Sweden). Likewise, the *size* of the firm may influence export activities (Wagner, 2001). Thus, we control for firm size— measured as the firms' sales at the time of the first survey round. This information was obtained from Statistics Sweden. In the analysis we also include *firm age* as a control, because the age of the firm may have an influence on the firm's ability to internationalize (Autio et al., 2000). The analysis also controls for *past performance*, because the relationship between performance and internationalization has been highlighted in prior studies (Lu & Beamish, 2001). We measure past performance by asking the respondents to compare the growth of their firm with the growth exhibited by their two major competitors, over the previous three years in terms: 1) sales; 2) company value; 3) net profit; and 4) cash flow (alpha 0.80). The items ranged from 'much worse than competitors' to 'much better than competitors' on a five-point scale.

We also include a set of variables which enable us to control for the effects of human capital. Prior research suggest that personal factors, or the CEO's human capital, influence the degree of internationalization in smaller firms (Brush *et al.*, 2002; Manolova *et al.*, 2002; Manolova *et al.*, 2007). Thus, we control for CEO demographic characteristics (age, gender, level of education) and CEO experience. The first two demographic characteristics are measured by self-reported *age* and *gender*. *Level of education* is measured by dummy coding whether or not the CEO had at least a bachelor degree. *Prior experience* is measured by three dummy variables. The first variable records whether or not the CEO reported having prior leadership experience. The second variable records whether or not the CEO reported having prior working experience from the same industry. The third variable records whether or not the CEO reported having prior working experience from other industries.

**Analysis approach**

We use fractional logit regression analysis to estimate the impact of the independent variable on the scale of internationalization; and negative binomial regression analysis to estimate the impact of the independent variables on the scope of internationalization.

Fractional logit regression analysis is an approach, developed by Papke and Wooldridge (1996), suitable for modeling fractional dependent variables. As pointed out by Wagner (2001), it is particularly appropriate for modeling the exports/sales ratio— which is a fractional variables with usually many observations at the lower limit. Using conventional regression might have generated impossible expected values—that is values which are outside the interval [0;1]. Fractional logit regression is also superior to two-step approach methods similar to the Heckit technique illustrated above, in which one model estimates the likelihood of being international for the whole sample; and the other model estimates the international scale only for those with

positive exports. These two step methods have been criticized on theoretical grounds. As Wagner puts it “[...] there is no such thing as a two-step decision – to export or not, and then how much to export” (for a more detailed illustration of fractional logit regression cf. Papke and Wooldridge, 1996). Negative binomial regression analysis is chosen to estimate the scope of internationalization because it is suitable for modeling count data; and it is favored over Poisson regression analysis because it handles the over dispersion of count data (for more information on negative binomial regression cf. Long & Freese, 2006).

## RESULTS

Table 1 shows the means, standard deviations, and partial correlations between all the variables included in the analyses.

Table 2 presents the results of the fractional logit regression estimating international scale, and Table 3 presents the results of the negative binomial regression estimating international scope. In both tables, Model 1 contains the control variables. The model includes 3 of the 4 industry dummies, as manufacturing is used as reference group. Model 2 introduces the effects of our independent variables. Model 3 adds the IMR to detect and correct for potential attrition bias. The results do not seem to be affected by attrition bias. The inclusion of the IMR variable as a control variable does not significantly change the levels of the significance of other parameters in the fractional logit regression analysis (Model 3, Table 2) and in the negative binomial regression analysis (Model 3, Table 3). If the significance levels of our hypothesized variables had changed, this would have been an indication that attrition bias was influencing our results (cf. Berk, 1983).

The results show that external ownership is positively and significantly related to the scope (Table 3) but not to the scale of internationalization (Table 2). These results partially

support Hypothesis 1. Also increased representation of external directors on the board is not significantly related to scale of internationalization (Table 2), yet it is positively and significantly related to the scope of internationalization (Table 3), providing partial support for Hypothesis 2. Consistent with Hypothesis 3, having an external CEO is positively and significantly related to scale of internationalization (Table 2) and to the scope of internationalization (Table 3). The size of the TMT is positively and significantly related to scale of internationalization (Table 2), and to the scope of internationalization (Table 3), supporting Hypothesis 4.

**DISCUSSION**

Internationalization is a resource demanding strategy that poses specific challenges to family firms, which oftentimes lack the financial, managerial and knowledge resources to internationalize. This study uses resource dependence theory to understand how family firms access these resources in their external environment. Specifically, we examine how an open governance structure is related to the internationalization of family firms. Our key argument is that through external ownership, external board representation, external CEO and a large top management team family firms with an open governance attract important, external non-family resources that positively affect their internationalization.

From a resource dependence perspective external ownership facilitates the acquisition of external resources that can be important for the internationalization of family firms. External ownership is also a source of power which can support internationalization efforts. Thus, we expected external ownership to be positively related with family firms' internationalization. Our findings reveal some but not universal support for this prediction. In particular we find that external ownership has a positive effect on the geographic reach the firm's foreign sales, but not

on their amount with respect to overall sales (i.e. international scale). One explanation is that the external resources that non-family owners bring to the business are useful for expanding across multiple foreign countries, but not for penetrating within foreign markets. A global strategy stretching the firm's operations across multiple countries entails large investments, especially for resource constrained smaller firms (Buckley, 1989); and its success may be very much dependent upon the financial resources brought in by external owners. In contrary, market penetration is less costly and can be carried out without major learning investments or building new distribution channels (Fujita, 1998).

Another explanation, rooted in the resource dependence theory, could be that external ownership is particularly important to overcome political resistance to expand the scope of the business (Pfeffer & Salancik, 1978; Salancik & Pfeffer, 1980; Goodstein & Boeker, 1991). Whereas family owners are concerned with minimizing risk-taking, external owners may be willing to take relatively more risks in order to pursue growth opportunities. External owners might also have a shorter term view on firm performance (Chaganti & Damanpour, 1991), favoring the simultaneous entry into a multiple new foreign countries over entering into one foreign market or intensifying the business international scale per se.

Our results regarding the impact of external ownership are consistent with the study of Fernández & Nieto (2006), who found internationalization to be negatively related to family ownership; yet, they are in contrast with Zahra (2003), who reported family ownership to be positively related to the scope of internationalization. These opposite results might be due one (or more) of several factors. First, though the hypotheses we tested are similar to the hypotheses tested by Zahra (2003), our results might be different because we defined family firms differently and because we tested our hypotheses on a different population of firms. We tested our hypotheses on a sample of family firms—defined as firms in which at least 50 % of the shares are

in the hands of one identifiable family. Zahra's (2003, p. 501) study uses data collected from non-family *and* family firms, defined as "businesses that reported some identifiable ownership share by at least one family". Interestingly, in Zahra's model the binary variable controlling for whether the firm is a closely held family firms was negatively and significantly related to the scale and scope of internationalization, suggesting that substantial family ownership hinders internationalization efforts. The country of origin of the family firms studied could also influence the results. As Zahra (2003) noticed, US family firms are slow to respond to increased foreign competition, while European family firms—such as the Swedish firms in our sample and the Spanish family firms in the sample studied by Fernandez and Nieto's (2006)—tend to be faster and have a stronger international orientation, at least in part due to their relatively small domestic markets. In attempting to take advantage of international opportunities, European family firms may be more in need of the resources provided by external owners than their US counterparts.

From a resource dependence perspective, the board of directors is a key governance structure which can provide firms with the resources needed for internationalization. Especially external board members often have connections with key industry players and are well suited to link the firm to the external environment in which these resources can be obtained (Pfeffer, 1972; Pfeffer & Salancik, 1978; Boyd, 1990; Hillman et al. 2000). We therefore expected that external members serving on the board would enhance the internationalization of family firms. We found only partial support for this prediction. Interestingly, similar to the case of external ownership, external board members are positively related to the scope of internationalization, but not to the scale of internationalization. This result can be explained considering that external members are, for the most part, successful business and industry leaders, who serve on a number of different boards (Johannisson & Huse, 2000), and who have limited amount of time to spend on the strategic work related to each board they serve on (Brunninge et al. 2007). Thus, external board

members may be little involved, or little utilized, in decisions concerning daily operations (Reid, 1989), such as the penetration within foreign markets. Their work is rather focused on giving advice on overall strategic issues involving a large degree of complexity and risk taking (Westphal, 1999; Goodstein & Boeker, 1991), such as increasing the firm's geographic reach around the world. Entering multiple countries places high demand on the ability to manage various forms of international operations (Pedersen & Welch, 2002). It also increases a firm's risks of being exposed to distant cultures and diverse competitive environments (Johanson & Wiedersheim-Paul, 1975), and it amplifies the liabilities of foreignness the firm faces, such trade regulations, powerful rivals and preferences for local products (Rugman & Sukpanich, 2006).

In line with the resource dependence perspective, it may further be that the resources provided by external board members—such as, communication channels, legitimacy and reputation (Pfeffer & Salancick, 1978; Johannisson & Huse, 2000)— are used more efficiently for decisions concerning the scope of internationalization, than for decisions concerning the scale of internationalization).

While openness through external representation in the two highest levels of a firm's governance structure enhances only the geographic reach of foreign sales, openness in the two lower levels contributes also to the scale of foreign sales. We found that having an external CEO and a large TMT affect both the scope and the scale of internationalization. These results are consistent with the resource dependence perspective and are in line with our predictions. The fact that having an external CEO is significantly related to internationalization supports the argument that external CEOs bring to the business valuable expertise on how to sell, market and distribute products and services; and that these functionally oriented competences, which may not available within the family, are critical for expanding into new foreign markets as well as for managing the operations within these international markets. This result is consistent with Boeker (1997) and

Blumentritt et al (2007), who propose that it is the non-family CEO's role to provide knowledge and links to external resources valuable expansion strategies such as internationalization.

Also the fact that TMT size is significantly related to internationalization further supports the robustness of the resource dependency perspective. This finding is in line with the argument that larger TMTs provide greater access to resources that are valuable for internationalization, such as skills, experience, networks, than smaller TMTs. In addition, it is consistent with prior IB studies that focus on the role of governance. Sanders & Carpenter (1998), for instance, found that a firm's TMT size was positively associated with its scale of internationalization.

In short, our findings are in line with the resource dependence perspective in explaining the relationship between openness of a family firm's governance structure and internationalization of its operations. We show that expansion *across* foreign markets is favored by opening up all levels of the firm's governance structure. Penetration *within* foreign markets, on the other hand, is favored by opening up the top management level alone. The insignificant effect of external ownership and external board members on scope of internationalization suggests an extension of the governance literature to account for the differences between the ownership and board level of governance, on the one hand and, the managerial level of governance, on the other hand.

**Limitations and future research directions**

Our study is not without limitations. First, although obtained based on a general theory that has been applied in a variety of contexts, the results should be carefully interpreted because they are drawn on a sample of Swedish firms and may not reflect the situation of family firms in other countries. As mentioned, Fernández and Nieto (2006) found similar results in a study of Spanish SMEs, while Zahra's (3003) findings in his US sample seem to tell at least partly another story. It

should, however, be mentioned that neither of these study's took the broad approach to governance as we have done in this article. We therefore encourage future research that investigates internationalization of family firms in other countries, and especially that make comparisons between countries.

Second, we use a broad sample that contains family firms of different industries. This clearly increases the generality of our results, but it also increases heterogeneity relative to what a more limited and uniform sample based on a specific industry would have done. Industry is an important factor for the internationalization of SMEs (Boter & Holmquist, 1996; Westhead et al., 2001). Researchers could focus on specific industries to further disentangle this effect. Given the general heterogeneity of the family firm population, we also encourage research that compares the internationalization of different types of family businesses. Such research could use, for instance, the F-PEC scale (Astrachan *et al.*, 2002) to generate different types of family firms that are relevant to compare.

Third, relying on resource dependence theory to investigate what determines internationalization of family firms means a relevant focus on family firms' scarcity of resources and their links to the external environment. While this external perspective on family business strategy is timely, it undoubtly provides a limited understanding of internationalization of family firms. The internationalization of family firms is likely to be associated with factors other than the openness of their governance structure. Researchers have already started to draw on various theories and concepts, such as internal capabilities and resources, risk taking, learning and stewardship and to explain internationalization in family firms. We also need studies that look into the link between internationalization and performance. Although we deliberately designed the study to not include the effect of internationalization on performance, not being able to

determine the link between internationalization and performance is a limitation of this article. We encourage scholars to examine this link in the future.

Further, we have not examined the opposite direction of our hypothesized associations in this study. It would be interesting to know to what extent internationalization affects the governance structure of a firm— that is, the reverse of what we have investigated in this paper. One could expect a two-way relationship between a firm's governance structure and the scale and scope of its international operations. International expansion might trigger changes in the firm's governance structure, e.g. changes in the board composition and TMT to also include non-family members with specific knowledge and experience about foreign markets.

**Implications**

Our study makes several contributions to the entrepreneurship, family business and internationalization literatures. First, we use the resource dependence perspective to explain the internationalization of family businesses. Our theoretical framework provides a different point of view than prior research. While most studies on family firms have focused on their internal dynamics (e.g.Habbershon *et al.*, 2003; Miller & Le Breton-Miller, 2003), the resource dependence perspective offers a much needed look at the role that links with the external environment play for the strategic behaviors of these organizations (Habbershon & Pistrui, 2002; Nordqvist & Goel, 2008).

Second, our study both supports and extends knowledge about the importance of resources in the internationalization of firms. Previously, Zahra (2003) and Nieto and Fernandez (2006) have argued that family ownership impacts resource endowment and internationalization. However, these studies provide mixed evidence. Zahra's (2003) study found a positive relationship between family ownership and internationalization while Fernandez and Nieto's

(2007) found that family ownership and internationalization were negatively related. Our study adds to this research a broader focus on the firm's governance structure rather than just ownership. Particularly it shows that an open governance structure can provide access to resources crucial for internationalizing of the family firm, but only available outside the family.

Additionally, previous studies on the internationalization of family firms have compared the internationalization of family firms with the internationalization of non family firms. Our study is different, in that it offers a timely and more fine grained look at what factors influence the degree and scope of internationalization within the family firm population (cf. Westhead and Howorth, 2007).

Third, there are still very few empirical investigations of the resource dependence perspective, especially on smaller, entrepreneurial firms (Pfeffer & Salancik, 2003). We contribute to the literature on the resource dependence perspective by examining the explanatory power of this framework within the context of internationalization and family firms. By using data from Sweden we also extend the geographical validity of the resource dependence perspective (Pfeffer & Salancik, 2003:xxiv).

Internationalization is an entrepreneurial behavior in the pursuit for growth (Lu & Beamish, 2006) and a critical strategy in today's global business environment. Therefore, the implications of this research are important for managers who seek to grow their business and for policy makers who seek to make this happen. We encourage family business owners and manager who consider internationalization as a growth strategy to open up for external, non-family actors in the firm's governance. Although this change may led to perceived and/or actual loss of control, it also tends to accelerate internationalization. If the managerial intentions are related to increasing the firm's geographic scope, adding external owners and board members may be a first good step. However, if family business owners and managers also want to increase the scale of

their international activities, they should consider increasing the external, non-family human resources available at the top management level. These insights are also useful for policy-makers who design support programs to increase international activities among small and medium-sized family business as a route for growth.

## Conclusion

In today's global business environment, the ability of a firm to expand across national borders is crucial for its survival and growth. The IB literature holds that firms need to be well-equipped with resources to successfully expand the scale and scope of their business activities in foreign countries. Previous researchers have argued that entering into international markets poses specific challenges to family firms. They often lack the financial, managerial and knowledge-based resources needed to internationalize, at the same time as family owner-managers often are reluctant to open up their firm for external resources, due to a fear of losing control and a heighten sense of risk-taking. We addressed this dilemma by drawing on a resource dependence perspective. In essence, we argued that family firms' with open governance structures are better positioned to build links those external, non-family resources that can facilitate their internationalization. We viewed open governance structures as those with external and non-family owners, board members, CEO and with a large top management teams. In line with our conceptual logic and predictions, we found that external ownership and the representation of external board members facilitates the scope of internationalization, whereas an external CEO and large TMT enhances both the scale and the scope of internationalization.

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Table 1: Means, Standard Deviations, and Correlations of Independent Variables

| | Mean | Sd | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Retail | 0,25 | 0,43 | - | | | | | | | | | | | | | | |
| 2. Professional services | 0,09 | 0,29 | -0,31*** | - | | | | | | | | | | | | | |
| 3. Other services | 0,41 | 0,49 | -0,35*** | -0,30*** | - | | | | | | | | | | | | |
| 4. Firm size | 83712,23 | 370448,60 | 0,07** | -0,01 | -0,02 | - | | | | | | | | | | | |
| 5. Firm age | 23,36 | 17,24 | -0,12*** | -0,01 | -0,05* | 0,08*** | - | | | | | | | | | | |
| 6. Past Performance | 3,57 | 0,65 | 0,01 | 0,03 | -0,01 | 0,05* | -0,01 | - | | | | | | | | | |
| 7. CEO gender | 1,06 | 0,24 | 0,09*** | -0,02 | 0,02 | -0,03 | -0,07** | -0,05* | - | | | | | | | | |
| 8. CEO age | 47,60 | 9,32 | 0,01 | 0,13*** | -0,02 | 0,01 | -0,12*** | 0,00 | 0,04+ | - | | | | | | | |
| 9. CEO business education | 0,65 | 0,48 | 0,04+ | 0,04 | -0,02 | 0,04 | 0,05* | 0,00 | 0,01 | -0,01 | - | | | | | | |
| 10. CEO prior management experience | 0,55 | 0,50 | 0,10*** | -0,09*** | 0,04+ | 0,06* | -0,03 | 0,05* | -0,08*** | -0,09*** | 0,18*** | - | | | | | |
| 11. CEO prior experience from same industry | 0,75 | 0,44 | 0,03 | 0,05* | 0,06* | 0,02 | -0,07** | 0,01 | -0,06* | -0,02 | -0,04+ | 0,04+ | - | | | | |
| 12. CEO prior experience from different industry | 0,56 | 0,50 | 0,03 | -0,11*** | 0,02 | 0,02 | 0,04+ | 0,03 | -0,03 | 0,00 | 0,12*** | 0,21*** | -0,29*** | - | | | |
| 13. External ownership | 5,55 | 12,65 | -0,03 | -0,09+ | 0,00 | 0,06 | 0,01 | 0,01 | 0,00 | -0,03 | 0,00 | -0,03 | -0,05 | -0,05 | - | | |
| 14. External directors | 0,27 | 0,26 | 0,04+ | -0,01 | 0,00 | 0,04 | 0,05* | 0,00 | -0,01 | -0,01 | 0,09*** | 0,11*** | 0,00 | 0,01 | 0,08+ | - | |
| 15. External CEO | 0,05 | 0,22 | 0,13*** | -0,16*** | -0,03 | 0,10*** | 0,13*** | -0,03 | -0,04+ | 0,08*** | 0,18*** | 0,26*** | -0,04+ | 0,14*** | 0,05 | 0,14*** | - |
| 16. TMT size | 3,46 | 2,09 | 0,05* | -0,04+ | -0,02 | 0,11*** | 0,07** | 0,14*** | -0,06* | 0,02 | 0,13*** | 0,15*** | 0,01 | 0,02 | 0,02 | 0,13*** | 0,23*** |

Note: ***p<0.001, ** p<0.01, * p<0.05, + p<0.1; Firm size is measured by total sales in 1997. Sales are expressed in Swedish Crowns (SEK; 1USD = approx 8 SEK)

Table 2 Fractional logit regression estimating international scale

| *Variables* | **Model 1** | **Model 2** | **Model 2** |
|---|---|---|---|
| Retail | -1.81 | -1.85 | -1.12 |
| | (-2.81**) | (-2.90**) | (-1.32) |
| Service | -4.78 | -5.04 | -4.95 |
| | (-5.41***) | (-5.54***) | (-5.37***) |
| Other services | -1.89 | -1.97 | -1.28 |
| | (-4.45***) | (-4.63***) | (-1.61) |
| Firm size | 0.00 | 0.00 | 0.00 |
| | (3.16**) | (2.80**) | (1.85+) |
| Firm age | 0.03 | 0.02 | 0.00 |
| | (1.19) | (0.95) | (0.07) |
| Past performance | 0.03 | -0.16 | -0.52 |
| | (0.11) | (-0.68) | (-1.47) |
| CEO age | -1.63 | -1.51 | -1.51 |
| | (-2.06*) | (-2.17*) | (-2.35*) |
| CEO gender | -0.01 | -0.02 | -0.03 |
| | (-0.62) | (-1.58) | (-1.67+) |
| CEO education | 0.15 | 0.10 | 0.06 |
| | (0.49) | (0.31) | (0.16) |
| CEO prior leadership experience | -0.34 | -0.44 | -0.46 |
| | (-1.01) | (-1.30) | (-1.36) |
| CEO experience same industry | 0.01 | 0.17 | 0.14 |
| | (0.02) | (0.40) | (0.33) |
| CEO experience other industry | 0.15 | 0.19 | 0.18 |
| | | (0.57) | (0.54) |
| External ownership (Percentage) | | 0.01 | 0.01 |
| | | (0.45) | (0.56) |
| External directors (ratio) | | 0.59 | 0.62 |
| | | (1.02) | (1.04) |
| External CEO | | 2.28 | 2.34 |
| | | (3.73***) | (3.99***) |
| TMT size | | 0.16 | 0.18 |
| | | (1.97*) | (2.06*) |
| IMR (correction for attrition bias) | | | 2.90 |
| | | | (1.23) |
| Constant | 0.22 | 0.62 | -2.51 |
| | (0.14) | (0.45) | (-0.88) |

Note: N= 329; Robust z statistics in parentheses; ***p<0.001, ** p<0.01, * p<0.05, +p<0.1

Table 3 Negative binomial regression estimating international scope

| *Variables* | **Model 1** | **Model 2** | **Model 3** |
|---|---|---|---|
| Retail | -1,77 | -1,74 | -0,56 |
| | (-2,3**) | (-2,47*) | (-0.67) |
| Service | -4,14 | -4,18 | -4,11 |
| | (-8,57***) | (-8,29***) | (-8.18***) |
| Other services | -1,51 | -1,70 | -0,39 |
| | (-3,29**) | (-3,74***) | (-0.56) |
| Firm size | 0,00 | 0,00 | 0,00 |
| | (0,31) | (-0,13) | (-0.56) |
| Firm age | 0,02 | 0,03 | -0,02 |
| | (0,87) | (1,37) | (-0.58) |
| Past performance | 0,22 | 0,08 | -0,45 |
| | (0,68) | (0,25) | (-1.16) |
| CEO age | -0,32 | 0,06 | 0,19 |
| | (-0,34) | (0,07) | (0.22) |
| CEO gender | -0,03 | -0,04 | -0,04 |
| | (-1,53) | (-2,11*) | (-1.96*) |
| CEO education | 0,60 | 0,37 | 0,25 |
| | (1,56) | (0,98) | (0.67) |
| CEO prior leadership experience | -0,51 | -0,63 | -0,79 |
| | (-1,24) | (-1,55) | (-1.94+) |
| CEO experience same industry | 0,23 | 0,80 | 0,63 |
| | (0,56+) | (1,81+) | (1.43) |
| CEO experience other industry | 0,81 | 1,13 | 0,90 |
| | (1,78) | (2,46*) | (2.04*) |
| External ownership (Percentage) | | 0,03 | 0,03 |
| | | (2,33*) | (2.07*) |
| External directors (ratio) | | 1,36 | 1,50 |
| | | (1,98*) | (2.20*) |
| External CEO | | 1,52 | 1,47 |
| | | (2,06*) | (2.03*) |
| TMT size | | 0,22 | 0,20 |
| | | (2,19*) | (2.08*) |
| IMR (correction for attrition bias) | | | 5,33 |
| | | | (2.35*) |
| Constant | 0,16 | 0,01 | -5,97 |
| | (0,92) | (0,00) | (-1.95+) |
| | | | |
| Log likelihood | -367.6229 | -359.52228 | -355.93815 |
| LR chi2 | 74.47*** | 90.67*** | 97.30*** |
| Pseudo R2 | 0.9 | 0.11 | 0.12 |

Note: N= 326; Robust z statistics in parentheses; ***p<0.001, ** p<0.01, * p<0.05; +p<0.1