

## Preferential hiring of relatives and family SMEs' internationalisation

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The authors declare that there is no conflict of interests.

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## **Preferential hiring of relatives and family SMEs' internationalisation**

### **Abstract**

A well-established argument in the family business literature is that the pursuit of noneconomic goals has a remarkable impact on family firms' strategic decisions, and particularly on their international expansion intentions. But scant research explores how family goals affect family firms' internationalization. Using survey and archival data on a sample of 1,201 Spanish family SMEs, we show that altruism-induced preferences —as captured by the adoption of the preferential hiring of relatives (PHR) as a primary goal— significantly reduces foreign sales intensity and limits family business operations to their local regions. Furthermore, we find that the external threat of local unemployment exacerbates the negative effect of selecting PHR as a priority on export intensity. Our findings extend previous research on the internationalization of family firms by highlighting the potentially adverse consequences of prioritizing noneconomic goals and how the firm's environment may interact with such goals to accentuate or impede SMEs' internationalization.

*Keywords:* family SMEs; internationalization; family goals; altruism; export intensity.

## **1. Introduction**

Internationalization of family small and medium sized enterprises (SMEs) is a highly relevant topic, mainly due to the fact that they represent the vast majority of firms in Europe and worldwide (OECD, 2020), and account for up to 32% of all exports in the five largest European economies (Cernat et al., 2020). Despite the opportunities that internationalization can bring to family SMEs in terms of productivity, growth, and chances of survival (Lahiri, 2020), some studies suggest that these organizations face unique barriers that hinder this strategy (Fernández and Nieto, 2005; Leonidou, 2004; Lobo et al., 2020) and their role in international trade falls short of their role in domestic markets. According to recent market analyses (Abel-Koch et al., 2018), 74% of Spanish non-exporting SMEs (mostly family-owned) believe they will never export and 30% of those without exporting experience point to the lack of specialized staff as a major obstacle to engage in exporting.

While researchers agree that family ownership affects internationalization decision-making, lively yet inconclusive scholarly debate exists about the specific consequences of this effect (Arregle et al., 2017; Debellis, 2021; Hafner, 2019; Kontinen and Ojala, 2010; Pukall and Calabrò, 2014). For instance, in comparison with their nonfamily counterparts, some researchers portray family SMEs as reluctant to going abroad because of their unique characteristics (Cernat et al., 2020). As an example, they argue that their export behaviour is restricted by the fear of losing family's SEW, the unwillingness to accept nonfamily expertise, and the lack of financial resources, human resources and managerial capabilities (Cerrato and Piva, 2012; Fernández and Nieto, 2005; Muñoz-Bullón, Sánchez-Bueno and Suárez-González, 2018; Gómez-Mejía, Makri and Kintana, 2010). However, an opposite view contends that family involvement may facilitate internationalization (Tasavori, Zaefarian and Eng, 2018; Zahra, 2003), while Sciascia et al.

(2012) found an inverted U-shaped relationship between family ownership and internationalization. Previous literature argues that the aforementioned mixed findings could be explained by heterogeneity within family firms (Chua et al., 2012; Westhead and Howorth, 2007) and new steps have been recently taken to incorporate this dimension in the analyses (Debellis, 2021; Hafner, 2019). However, despite the efforts in this direction, factors related to family influence within the organization have been often approximated by archival proxies —such as family ownership and control—, which allow family business researchers to infer, but not to conclude, that specific family-related factors are behind their international behaviour (Arregle et al., 2012). Consequently, there are still calls to “dig deeper into the bi-univocal relationship between noneconomic goals and internationalization behaviour” (Debellis, 2021, p. 11). Indeed, despite the potential ubiquity of altruistic behaviours among family SMEs (Becker, 1981; Fernández and Nieto, 2006; Schulze, Lubatkin and Dino, 2003), few studies have considered its role in family SMEs’ internationalization and its influence has mostly been based on measures of family involvement in the business (Calabrò, Brogi and Torchia, 2016; Yeung, 2000; Zahra, 2003).

In this paper, we answer the aforementioned calls by investigating whether having preferential hiring of relatives (PHR) as a primary goal impacts family SMEs’ export intensity and the extent to which the external environment changes this relationship. Combining arguments from the behavioural and resource-based view (RBV) theories, we contend that the PHR: (1) conditions the degree of knowledge and expertise to serve foreign markets that characterizes a firm’s personnel, as the pool and ability of family members is expected to be limited (Chrisman, Memili and Misra, 2014); and (2) increases the proportional representation of the family coalition within the organization (a phenomenon that is expected to be of higher relevance within SMEs compared to larger firms), which decreases the probability of engaging in conflicting-SEW

(socioemotional wealth)<sup>1</sup> strategic behaviours (Berrone, Cruz and Gómez-Mejía, 2012; Gómez-Mejía et al., 2007). Consequently, we propose that family SMEs' foreign sales intensity is negatively influenced by the prioritization of the PHR goal. Furthermore, we argue that the effect of prioritizing the PHR on foreign sales intensity is contingent on the rate of unemployment. The expectation is that a rise in unemployment could exacerbate the 'protecting relatives against risks' phenomenon, thus making the PHR goal more salient for the family. Through a survey, we identify the goals that 1,201 Spanish family SMEs prioritized and their foreign sales intensity between 2013-2015. Spanish SMEs constitute an ideal sample to study our line of reasoning empirically, because the unemployment rate in Spain peaked during our study period (INE, 2013) and the collapse of domestic demand tested the ability of family SMEs to internationalize in the search for growth opportunities outside the national borders.

We make three main contributions to the literature. First, our analysis brings up a new factor that could hinder family SMEs' internationalization: altruism-induced PHR. Beyond the widely studied human capital of founders, owners, and the management team, this paper shows that familiness also exerts an important influence on SMEs' internationalization through the human capital of employees. Our study answers the calls for more information on family goals (Chua et al., 2015; Kotlar and De Massis, 2013) and provides a more complete picture of family firms' strategic decisions and its determinants. To this aim, we conduct direct empirical tests of the effect of prioritizing the PHR (a noneconomic family goal) on business behaviour, rather than just discussing implied linkages. As a result, we are able to provide practitioners with new insights on the type of goal that shapes family SMEs' internationalization.

Second, our results show that the unemployment rate at the Spanish province level moderates how family-related factors influence SMEs' international behaviour. If the PHR goal prioritization is conceived as a 'protecting relatives against risks' phenomenon, it seems relevant

to consider the variation of macroeconomic conditions (Lahiri et al., 2020). In this regard, our paper further contributes to family firm research and shows how these firms cope with economic crises by promoting higher solidarity and cohesion within the firm, a promising avenue for future research after the Great Recession and the likely detrimental impact of the more recent coronavirus pandemic (Kraus et al., 2020).

Finally, this study contributes to the debate on the heterogeneity of family businesses to the extent that different categories of family SMEs, according to their (higher/lower) propensity to internationalization, are identified based on the influence of altruism-induced PHR. In this way, our study responds to recent calls to assess other potential sources of heterogeneity among family SMEs that could generate a more in-depth understanding of family SMEs' internationalization. Hopefully and perhaps more importantly, accounting for this heterogeneity in future diagnoses could lead to a more accurate adaptation and optimization of the programmes and policies that aim to promote this strategy (Ministerio de Industria, 2019).

## **2. Literature review and hypotheses**

### *2.1. PHR as an altruism-induced goal within family SMEs*

In contrast to the default assumption of selfish preferences in most management disciplines, research on family businesses has highlighted the importance of altruism within these organizations, as they are embedded in the parent-child relationships of the household (Becker, 1981; Berrone, Cruz and Gómez-Mejía, 2012; Chua, Chrisman and Bergiel, 2009; Schulze, Lubatkin and Dino, 2003; Zahra, 2003). Broadly, altruism is traditionally defined as the desire of catering to the welfare of the family unit (Becker, 1981), and it is associated with efficiency and economic rationality within the literature on family business internationalization. For example, under the stewardship perspective, Calabrò, Brogi and Torchia (2016) found that altruism and

trust positively mediate the impact of new generations' involvement on the degree of international activities. Adopting a similar lens, Zahra (2003) argued that altruism helps to create an organizational culture that encourages the exploration of international growth opportunities. In these studies, altruism means increasing communication, cooperation, and placing the firm's objectives ahead of personal and opportunistic views. For this reason, it is regarded as a driver of internationalization.

In our study, we deviate from the prevalent perspective and investigate other sides of altruism that remain underexplored. It is not by chance that other facets of altruism have been neglected by family businesses' internationalization research. Nowadays, families perform far fewer functions in both the twentieth and twenty-first centuries than in earlier centuries, primarily because the market and government mechanisms have evolved to prevent people from economic disasters (Becker, 1981). Before the days of unemployment compensation and the growth of the welfare state, unemployed people commonly relied on parents, children, and other family members for assistance. Later, the growth of public programmes weakened the ties of family members by eroding the traditional role of the family in protecting members against economic disasters such as prolonged unemployment. Although we do not deny these dynamics, we believe that the previously mentioned market and government mechanisms have been damaged—at least in the Spanish context— by the Great Recession (2008),<sup>2</sup> and the ensuing institutional weaknesses have reversed, to an important degree, the process described by Becker (1981). Undoubtedly, Spain offers an ideal context to analyse this phenomenon, given the high average unemployment rate (25.1%) during the study period (2013-2015) (INE, 2013).

In sum, we contend that economic crises led to an increase in the functions performed by the family. In contexts like Spain, PHR is a clear expression of these altruism-induced functions (Chrisman, Memili and Misra, 2014; Kotlar and De Massis, 2013), especially when it emerges as



one of the highest priorities. So, hereinafter, we contend that a family SME that prioritizes the offering of employment to family members over other goals that are strictly related to the economic aspects of the business is behaving altruistically (Kotlar and De Massis, 2013). In the next section, we hypothesize how PHR affects internationalization under the RBV and behavioural approaches.

## *2.2. PHR-related sources of heterogeneity among family SMEs and effect on internationalization*

Developing a global mindset and exploiting opportunities internationally is essential for SMEs to benefit from the growing liberalization of trading systems, the expansion of regional economic integration, and the increasing connectedness between economic agents (González and Sorescu, 2019). Given the ubiquity and economic significance of family SMEs in today's national economies (OECD, 2020), research into their internationalization behaviour has increased dramatically over the last two decades (Debellis et al., 2021). Although family SMEs engage in a range of different foreign market entry modes, we look at exports to measure family SMEs' internationalization, the most common way to enter international markets (Fernández and Nieto, 2006; Leonidou and Katsikeas, 1996; Pukall and Calabrò, 2014). Different theoretical frameworks have been used to look into the internationalization of SMEs (Debellis et al., 2021; Kontinen and Ojala, 2010; Pukall and Calabrò, 2014), such as the eclectic paradigm (Dunning, 1980), transaction cost economics (Williamson, 1981), the RBV (Barney, 1991; Wernerfelt, 1984), and behavioural theories (Cyert and March, 1992), among others.

Because this paper investigates the PHR phenomenon as a way to explain why some family SMEs internationalize more than others, we contend that heterogeneity could come from resource-related (family-based human capital) and goal-related (behavioural implications of family-centred goals) sources. In accordance, we draw upon the RBV and behavioural theories to

explain family SMEs' internationalization. Table 1 summarizes the gaps identified by relatively recent and comprehensive review articles on the family firms' internationalization strategy, which we aim to fill with this study.

[Insert Table 1 about here]

### *2.2.1. Resource-related heterogeneity*

The RBV of the firm has long been used to explain the uniqueness of family firms' internationalization (Arregle et al., 2017; Dick et al., 2017; Pukall and Calabrò, 2014; Serrano et al., 2021; Zucchella et al., 2019), as a firm's resource endowment is proved to be related to its ownership type (Fernández and Nieto, 2006; Gallo and Pont, 1996; Graves and Thomas, 2006; Hitt et al., 2006). From a resource-based perspective, when going global, a family SME needs access to an additional bundle of resources compared to purely domestic SMEs (Hsu et al., 2020). In this respect, many studies have focused on the lack of resources (for example, see Fernández and Nieto, 2006). In particular, the lack of human capital in the shape of managerial capabilities has been a recurring theme in the literature (Graves and Thomas, 2006, 2008; Rabino, 1980).

However, thus far, the human capital of entrepreneurs and managers has received much more attention than the human capital of employees (Cerrato and Piva, 2012). Compared to domestic family SMEs, international family SMEs need additional people involved in tasks such as communicating with foreign customers, setting logistic arrangements, and handling export-related documentation (Hennart, Majocchi and Forlani, 2019). One example, among many, is that specialized knowledge and expertise is needed to deal with packaging/labelling requirements. Instructions contained inside the packaging or on it must be written in particular languages, must incorporate specific information, and labels and quality standards/specifications should be adapted, all of these aimed at meeting foreign tastes and preferences (Leonidou, 2004).

Ultimately, the absence of this specialized knowledge and expertise means that the firm lacks the adequate export personnel to handle the excess work demanded by foreign sales (López-Rodríguez, Dopico and Puente, 2018).

In terms of resources, the preferential hiring of family members for reasons unrelated to efficiency (i.e., altruistic reasons) affects the knowledge and skills embodied in the people that are needed to serve foreign markets. When the PHR is a priority, human resource problems may arise due to the lack of expertise to deal with such export activities, as the pool and quality of family members is expected to be limited (Chrisman, Memili and Misra, 2014). In other words, the PHR increases the probability of ending up with sub-optimal human capital to deal with and promote potential foreign sales.

### *2.2.2. Behaviour-related heterogeneity*

Drawing on behavioural theories (Kahneman and Tversky, 1979; Wiseman and Gómez-Mejía, 1998), extant research has examined why family firms' strategic behaviour may differ from that of their nonfamily counterparts and why the behaviour among family firms varies with certain individual characteristics (Chua et al., 2012). An important assumption underlying existing studies is that family firms' distinctive behaviour is influenced by family-centred goals (Berrone, Cruz and Gómez-Mejía, 2012; Chrisman et al., 2012; Chua, Chrisman and Sharma, 1999; Gómez-Mejía et al., 2011; Kallmuenzer et al., 2018; Kotlar and De Massis, 2013; Kotlar et al., 2014), which collectively began to be known after Gómez-Mejía et al. (2007)'s study as SEW. Aversion to the loss of SEW is a primary driver of family firm's strategic behaviour. Accordingly, family SMEs will behave conservatively when strategic choices are incompatible with family-centred or noneconomic goals (see, for example, Gómez-Mejía et al., 2007). Drawing on behavioural precepts, prior research finds that family firms generally exhibit lower

levels of internationalization than nonfamily firms (see, for instance, Gómez-Mejía, Makri and Kintana, 2010). Again, the explanation for these findings lies in the misalignment between firm economic and family goals.

Focusing on family SMEs (rather than large publicly listed family corporations) is particularly interesting in this context because the PHR from a small employment pool significantly increases the proportional representation of the family coalition within the organization, and in turn the behavioural implications of noneconomic goals. When the PHR is a primary goal, family members can be easily employed and they can exercise more influence by capitalizing on expertise and knowledge in the domestic market, rather than venturing into international markets where they have less experience. Moreover, going global requires increased external ties (foreign stakeholders, resources, and knowledge of institutions), which also reduces the value of the current family's social capital. The potentially harmful effects of internationalization on the family SEW or affective endowment —namely, the conservation of the family's social capital and the utility derived from being altruistic to family members— could be felt more strongly when the family coalition within the firm increases through the PHR. Overall, this logic strengthens the family's aversion toward risky strategic behaviours, leading it to focus on local markets (Pongelli et al., 2021; Gómez-Mejía, Makri and Kintana, 2010; Gómez-Mejía et al., 2011).

Overall, consistent with the resource-related (Section 2.2.1) and goal-related (Section 2.2.2) arguments developed in the previous paragraphs, we formulate our first hypothesis:

*Hypothesis 1.* Family SMEs that regard PHR as a primary goal will exhibit lower levels of internationalization.

### *2.3. Moderating effect of unemployment in the relationship between PHR and internationalization*

Thus far, we have hypothesized that PHR is related to altruistic behaviours and, in turn, to a lower degree of internationalization. However, although a behaviour that consists of prioritizing the employment of family members to enhance their own welfare is likely to be altruism-induced, some family SMEs might employ family members for other reasons unrelated to altruism. One such possible motive could be that they know the skills of relatives better than those of potential external candidates. Accordingly, family managers can use this privileged information to assign relatives to appropriate tasks more efficiently.

In order to test the altruism explanation of the PHR effect, we focus on a specific mechanism/context under which the PHR is more likely to be interpreted as the willingness of protecting family members against economic disasters (i.e., to be altruism-induced). Indeed, prior studies have shown that family firms are more likely to protect jobs and wages in crisis conditions (e.g., see Van Essen et al., 2015; and Rivo-López et al., 2020). Therefore, altruism-induced PHR (i.e., noneconomically-driven PHR and hence the negative impact of the PHR on internationalization strategies) should be more pronounced when the unemployment rate is higher, and workers face increasing job insecurity and social exclusion. As a result, if altruistic PHR hinders internationalization, we would expect this relationship to be stronger in areas with higher unemployment rates.

In sum, PHR is less likely to be related to sub-optimal resources and the behavioural implications of noneconomic goals if family SMEs employ relatives for (efficiency) reasons other than altruism. In contrast, when unemployment is a threat, PHR is more likely to be related to altruism and, in turn, to lead to an erosion of the human capital of the firm and a reduction in

the willingness to adopt strategies that seem to clash with the preservation of family SEW. In light of the arguments presented above, we formulate our second hypothesis:

*Hypothesis 2.* The negative impact of PHR on internationalization should be exacerbated when unemployment increases.

Figure 1 shows the conceptual model proposed and details the relationships investigated.

[Insert Figure 1 about here]

### **3. Methodology**

#### *3.1. Sample and data collection*

Our sample is the result of combining two data sources: primary data collected through a survey and secondary information from the SABI database, which is provided by Bureau van Dijk. The starting point for the definition of the sample is a study conducted by the Spanish Family Business Institute (*Instituto de la Empresa Familiar* or IEF, by its name in Spanish) in collaboration with the Spanish Network of Family Business Chairs (IEF, 2015).<sup>3</sup> The final sample of family SMEs mainly consists of micro and small firms (30.7% and 60.6%, respectively), a composition that is representative of the Spanish corporate sector. In fact, the ubiquity and economic significance of this type of firm in Spain justify the interest of this study. Additional technical details on the survey are available in the IEF report.

Firms are classified into family and nonfamily considering the degree of ownership concentration. More precisely, in the case of firms with concentrated (dispersed) ownership, family firms are those in which all members of the family collectively own at least 50% (20%) of the business (see IEF's, 2015, report for more details on the several steps taken to define family firms). Many of the variables that come from the survey, including our dependent variable *foreign sales intensity*, refer to activities developed by the firms in the period 2013-2015.

Consequently, we match the survey data to longitudinal information (2012-2015, including predictors lagged by one year) from the SABI database, which provides detailed accounting and financial information of Spanish companies. Because of the data requirements to test the proposed hypotheses, our final sample consists of 1,201 Spanish family SMEs (3,250 firm-year observations) with complete information in both sources (i.e., survey and SABI).

### *3.2. Dependent variables*

We use a measure of internationalization (*foreign sales intensity*) that has been extensively used in prior research (one recent example is Serrano et al., 2021): the ratio of foreign to total sales (FSTS). Respondents to the survey were asked to approximate the proportion of sales generated by exports during the study period (2013-2015). This information increases the value of the analyses, as the FSTS ratio of a representative sample of Spanish family SMEs—which mainly consists of micro and small firms—is not covered by any source of secondary data. We test the reliability of the survey responses by comparing them with the FSTS ratio extracted from SABI (which is only available for 76 firms). Strong positive correlations (Pearson correlation coefficient of 0.56, significant at the 0.001 level) were detected between the information gathered through the questionnaire and the archival data from SABI. Such a correlation supports the validity of the measure used in the regression analyses.

Alternative measures were used to check the robustness of the results, such as the number of world regions in which the company operates (Sciascia et al., 2012; Zahra, 2003) (from the survey) and the ratio of regional to total sales (RSTS); i.e., excluding the rest of national and foreign sales (also from the survey). The rationale for the latter alternative measure comes from the fact that heterogeneity across regions within the same country may also entail an increase in operational complexity. For example, normative or cognitive aspects may vary significantly

across regions. In the context of internationalization, we contend that looking at the other side of the coin gives us a good approximation of firms' localness.

### 3.3. Main independent variable and moderator

Our main independent variable is the preferential treatment of family members in the hiring process (PHR). In the survey, respondents were asked to prioritize a maximum of two goals from a set six goals that were selected and identified as crucial for Spanish family SMEs by experts and researchers of the network of Family Business Chairs and the Research Department of the IEF.<sup>4</sup> A dummy variable takes the value of 1 when the family SME prioritizes *offering employment opportunities and an adequate standard of living to family members* and zero otherwise. We employ a forced binary scale in order to limit potential *social desirability bias* (Podsakoff et al., 2003). This is a more conservative approach as respondents were forced to commit themselves to prioritize this goal over the rest. Lastly, we measured *unemployment* as the percentage of the total province workforce that is actively seeking employment and currently unemployed. Unemployment in the moderated regressions was centred by subtracting its mean value.

### 3.4. Control variables

Following prior studies on the determinants of internationalization (Alessandri, Cerrato and Eddleston, 2018; Cerrato and Piva, 2012; Fernández and Nieto, 2006), our models include in the right-hand side other firm and CEO characteristics that affect the internationalization of family SMEs. More precisely, we control for: *CEO education* (Hsu, Chen and Cheng, 2013; Ramón-Llorens, García-Meca and Duréndez, 2017), measured on a three-point scale that reflects the highest level of education attained (0 = without university degree, 1 = with bachelor degree, 2 = with bachelor degree in business economics or with master degree); *CEO tenure*, calculated as



the number of years since the CEO has been responsible for a firm's operations; *CEO family*, a dummy variable that takes the value of 1 when the CEO is part of the family and zero otherwise; the generational stage (*first generation* in charge versus later generations) (Muñoz-Bullón, Sánchez-Bueno and Suárez-González, 2018); firm size, measured as the natural logarithm of the firm's number of *employees* (Majocchi, Bacchiocchi and Mayrhofer, 2005; Zahra, 2003); *sales growth*, calculated as current year sales minus last year sales divided by last year sales; *industry*, a set of industry dummies at the two-digit level of the U.S. SIC classification; firm performance, measured as the return on assets (*ROA*); firm *age*, measured as the number of years since the foundation of the firm; and *innovation*, computed using four items<sup>5</sup> of the survey aimed at capturing innovation intensity during (2013-2015): whether the firm has introduced new or significantly improved (1) goods and services; (2) production processes, logistic systems, or support activities (computing, buying, etc.); (3) organizational methods (procedures, work organization, external relationships, etc.); and (4) marketing strategies (packaging, promotion, channels, prices, etc.) Lagged values for employees, sales growth, and ROA allow us to control for potential reverse causality concerns.

### 3.5. Empirical strategy

Since family SMEs are nested within geographical areas (provinces) and industries, the data is analysed using multilevel or hierarchical modelling methods. This structure is likely to give rise to correlated or non-independent data, in the sense that family SMEs operating in the same industry and/or province will often tend to be similar in terms of internationalization level. Given that our dependent variable (foreign sales intensity) is a fraction of the firm total sales and hence it is bounded between zero and 1 (for instance, 70% of all family SMEs do not export at all), the most appropriate regression analysis is the Tobit estimation procedure (Wiersema and Bowen,

2009). Chi-square tests between competing models support the use of multilevel or hierarchical Tobit models that decompose the total foreign sales intensity variation into separate industry- and province-specific variance components. Additionally, the models in which we use (1) the number of world regions where the company does business and (2) the export propensity, as dependent variables, were estimated with a series of nonlinear multilevel ordered logit and multilevel logistic methods, respectively.

#### 4. Results

Table 2 provides the means, standard deviations, and correlations among the study variables. Family SMEs ( $n = 1,201$ ) in the sample have an average age of 31 years and 13 employees. On average, they generated 6% of their sales from international markets ( $sd = 0.15$ ) and 60% within the region they operate ( $sd = 0.41$ ), and about 30% of our sample firms are involved in export activities, which is in line with Abel-Koch et al. (2018)'s report. PHR is identified as a priority for 25% of the sample.

[Insert Tables 2 and 3 about here]

We report our main results in Table 3. Model 1 is a null or empty model; i.e., a model for the mean of foreign sales intensity with no explanatory variables that splits the residual into two components, corresponding to the industry- and province-levels in the data structure. We examine the appropriateness of this random slopes multilevel specification for predicting foreign sales intensity *vis-à-vis* other specifications using likelihood ratio tests. Model 1 with random slopes for both the industry- and province-levels was preferred against a model without industry-level variation ( $\chi^2 = 1,227.48, p < 0.000$ ), a model without province-level variation ( $\chi^2 = 737.27, p < 0.000$ ), and a fixed unique slope model ( $\chi^2 = 1,326.04, p < 0.000$ ). Model 2 in Table

3 is our baseline model, which includes only the control variables. In Models 3 and 4, the independent variables are added to the controls.

Hypothesis 1 proposed that family SMEs that prioritize PHR would exhibit a lower foreign sales intensity than the rest of family SMEs. In Model 3, the coefficient on PHR is negative and statistically significant ( $\beta = -0.096, p < 0.001$ ), suggesting that the prioritization of PHR systematically reduces firms' foreign sales intensity. The same result holds when the unemployment moderator is added in Model 4 ( $\beta = -0.072, p < 0.01$ ). With respect to its economic significance, the marginal effect of PHR on the FSTS ratio (in the Tobit procedure, simply the corresponding  $\beta$ ) shows that pursuing the PHR lowers the FSTS ratio by approximately 9%.

In Model 4, we include the interaction of PHR with the province unemployment rate. This allows us to both mitigate potential endogeneity problems—as we generate exogenous variations (Bun and Harrison, 2019)—and outline the PHR as a phenomenon aimed at ‘protecting relatives against unemployment’. Hypothesis 2, which contended that a higher unemployment rate would exacerbate the negative impact of PHR on firm's foreign sales intensity, is supported by Model 4 of Table 3 ( $\beta = -0.019, p < 0.001$ ). To aid in the interpretation of these results, the interaction is further illustrated in Figure 2a, where we present the effect of the interaction term as estimated in Model 4 of Table 3. Interestingly, when unemployment rises, the predicted margins for FSTS significantly decrease only for firms that selected the PHR as a priority. Indeed, selecting the PHR goal decreases FSTS for a family SME by approximately 3% when unemployment is equal to its 25<sup>th</sup> percentile (18.53%); by 8% when unemployment is equal to its 50<sup>th</sup> percentile (21.24%); and by 16% when unemployment is equal to its 75<sup>th</sup> percentile (26.03%). Therefore, the results obtained are also economically relevant and support Hypothesis 2.

[Insert Figure 2 about here]

#### 4.1. Robustness checks

In order to address some potential limitations of our empirical strategy, we conduct several additional analyses. These allow us to check the robustness and validity of our results.

##### 4.1.1. Alternative measures of internationalization

Table 4 shows the results when we use *regional sales intensity* and *number of regions* as dependent variable. *Regional sales intensity* is calculated as the ratio of sales from the regional market where the firm is located to total sales (RSTS); i.e., leaving out national sales outside the home region and foreign sales. This variable is a proxy measure for a firm's depth of localness. Additionally, we measured internationalization as the *number of regions* in which the firm has foreign activities (Hitt et al., 2006; Symeou, Zyglidopoulos and Williamson, 2018). In Models 1 and 2 (Table 4), we find that the presence of PHR priorities is related with higher RSTS, which is consistent with the expected relationship proposed in Hypothesis 1 ( $\beta = 0.068, p < 0.001$  and  $\beta = 0.054, p < 0.01$ , respectively). Moreover, province unemployment significantly affects the positive relationship between PHR and RSTS ( $\beta = 0.010, p < 0.01$ , Model 2). As shown in Figure 2b, in line with Hypothesis 2, under high levels of unemployment, PHR leads to an even higher level of localness.

Models 3 and 4 represent multilevel ordered logistic regressions that predict the number of regions served by each firm. The results indicate that PHR is negatively and significantly related to the number of regions entered ( $\beta = -0.495, p < 0.001$  and  $\beta = -0.349, p < 0.05$ , respectively). Model 4 additionally includes an interaction term between PHR and province unemployment. The interaction term is negative and significant ( $\beta = -0.101, p < 0.001$ ). Thus, results support Hypotheses 1 and 2 when using these two alternative measures of internationalization.

[Insert Table 4 about here]

#### 4.1.2. Addressing endogeneity concerns

Two potential endogeneity concerns could question the validity of our analyses. First, omitted variables or confounders, such as firm's unobserved characteristics that correlate with PHR could be explaining possible lower levels of internationalization. Given this possibility, we believe that controls like the presence of a nonfamily CEO, CEO educational level, tenure, and generation of the family allow us to mitigate an omitted variable bias as they are likely to capture (at least partly) other firm's unobserved factors like the management style.

Second, the preferential treatment of family members in the hiring process may not occur randomly but rather may be a rational response to specific circumstances. For instance, the family may be prompted to hire relatives who are willing to work at below-market wages (Gómez-Mejía et al., 2007) when a collapse of domestic demand is accompanied by poor degrees of internationalization. If so, causality might run in both directions. In this context, including an interaction of the endogenous regressor (PHR prioritization) with an exogenous covariate (province unemployment rate) in Model 4 (Table 3) has two consequences: (1) we generate exogenous variations (in altruism concerns) that perfectly fit the theoretical concept of altruism-induced PHR we seek to disentangle and (2) it potentially alleviates reverse causality endogeneity concerns (Bun and Harrison, 2019).

Additionally, we control for the possibility that selecting the PHR goal is endogenously determined by using a two-stage instrumental variable approach (Stata's *ivtobit* command). In particular, we select three instruments that, based on previous literature, are likely to affect the PHR prioritization —*CEO gender*, *CEO family*, and *province unemployment*. The theoretical arguments that justify the selection of these instruments are as follows: (1) women are more

prone than men to develop altruistic behaviours (Pucheta-Martínez and Bel-Oms, 2019); (2) having a family CEO is a condition that strengthens the possibility of achieving the PHR goal (Calabrò et al., 2013); and (3) province unemployment is likely to influence the PHR goal selection. The new regression results, which are not reported to save space but are available from the authors upon request, confirm our initial finding that prioritizing PHR affects family SMEs' internationalization negatively.

#### *4.1.3. Other endogeneity problems*

Given our empirical setting, endogeneity is also likely to arise from common method biases. Collecting both dependent and independent variables from the same source (the survey) can have potentially serious effects on our research findings. To check for common method biases, we now define the predictor and response variables using different sources; namely, survey and SABI database, respectively. In particular, although the number of missing values increases considerably, SABI database provides information about export activities (in fact, only 7% of the sample firms have reported any export activity at all). We address this limitation by replacing all missing observations with a zero. Then, we create a dummy variable for export propensity and regress it against PHR and controls. Columns 5 and 6 (Table 4) show the results of this multilevel logistic model. As expected, family SMEs with PHR priorities have significantly less probability of being an exporter ( $\beta = -1.011, p < 0.01$  and  $\beta = -1.079, p < 0.01$ , respectively), although the interaction term with the unemployment rate is not statistically significant (Model 6). Thus, with this alternative empirical strategy we cannot fully rule out any kind of common method bias.

Finally, it is worthwhile to note that the survey's design minimizes the problem of *social desirability bias*. In the context of Spanish family SMEs, altruistic PHR could be understood as a culturally acceptable and appropriate behaviour that could lead to answers that just reflect social

desirability (Podsakoff et al., 2003). Using a forced binary scale, instead of an ordinal multi-category answer format, to capture PHR priorities helps us to alleviate the risk of socially desirable responses. With the design used in the questionnaire, respondents must prioritize one particular goal over the rest, thus contributing to rule out spurious relationships.

## **5. Discussion**

### *5.1. Theoretical contributions*

There is much more to learn about family SMEs' internationalization, especially given the miscellaneous home-country contexts. Although the majority of SMEs are family firms, research on the internationalization strategy has devoted substantial attention to the comparison of family and nonfamily firms, and previous results on the effects of family involvement on this phenomenon are inconsistent (Arregle et al., 2017). Due to recent extensive reviews (Arregle et al., 2017; Kontinen and Ojala, 2010; Pukall and Calabrò, 2014), numerous potential sources of heterogeneity within family SMEs' internationalization have begun to be explored (Chua et al., 2012; Hennart, Majocchi and Forlani, 2019). But specific nonfinancial concerns like altruism have not been considered so far, with the notable exceptions of Calabrò et al. (2016) and Zahra (2003). Nevertheless, these studies consider altruism as aligned values between the family and participative decision-making, and they conclude that it influences internationalization positively.

In our study, we capture altruism by the preferential treatment of family members in the hiring process. This behaviour can be regarded as a way of catering for the family welfare. In the context of SMEs, CEO's capacity to make altruistic transfers (employment) is viewed in positive terms. Conversely, terms such as nepotism often evoke a variety of agency costs in the context of large family businesses (Firfiray et al., 2018). We put forward the argument that PHR could be an important factor that inhibits internationalization in such contexts where welfare states lose their

capacity to protect individuals against risks. The COVID-19 pandemic and the ensuing recession (2020) will heighten the theoretical and practical relevance of this study as, similar to what happened during the Great Recession (2008), families are likely to start to perform those functions that were previously conducted by market and government mechanisms in times of economic prosperity (Becker, 1981). Particularly, we hypothesized that PHR impacts internationalization by increasing (1) the likelihood of finding sub-optimal export personnel to develop export operations and (2) the proportional representation of the family coalition (and in turn, SEW-concerns) within the organization. This phenomenon could be classified as an external factor related to the domestic sphere of the exporter (Leonidou, 2004), and one could say that we are dealing with lack of government/market mechanisms that provide the aid/incentives that family SMEs need for export activities.

In our view, this study makes at least three contributions to the literature. First, we explore the role of altruism as an export barrier and not as an internationalization driver (Calabrò, Brogi and Torchia, 2016; Zahra, 2003), since we argue that, in the context of SMEs, altruism-induced PHR influences family SME's amount of resources available for export activities and their willingness to engage in strategic choices that threaten family's SEW. Our results provide support for the negative association between PHR and family SMEs' internationalization. Second, given that we regard the PHR as an altruistic practice, we further demonstrate that the negative effect of PHR on internationalization is exacerbated when unemployment is higher, which reveals a way in which the institutional context may shape family SMEs' internationalization strategies. This is in line with the theoretical reasoning raised by Firfiray et al. (2018), who suggest that the PHR goal might be more salient—and therefore exert more influence on strategic decisions—in contexts characterized by high uncertainty and weak institutional structures. Third, advancing previous recent works (e.g., Alessandri, Cerrato and



Eddleston, 2018), our study provides new empirical evidence on why some family SMEs internationalize significantly less than others, but this time considering altruistic PHR as another source of heterogeneity.

## *5.2. Implications*

This work has remarkable implications for practitioners and policymakers alike. *Small business managers* should clearly anticipate and understand how serving foreign markets alters the optimal human capital that is required compared to operating exclusively in the domestic market. Our results are a reminder for managers of how their internationalization decisions may be unconsciously biased depending on whether the PHR goal is more salient for the family. Accordingly, when considering the expansion of the operations beyond the national borders, managers should proactively be able to reduce the harmful effects of PHR on internationalization by taking corrective measures and resorting to both internal and external resources with the aim of complementing family members' exporting skills.

For *public policymakers*, our findings highlight that family firms are not a homogeneous group. If policymakers can account for this heterogeneity, it could lead to a more accurate segmentation of the corporate sector and a better adaptation and optimization of the programmes and policies aimed at promoting SMEs' internationalization. Therefore, special schemes for exporters should be designed with the goal of providing the additional bundle of resources that are needed for export activities. For example, educational initiatives that attempt to improve the exporting skills of family firm employees could overcome the lack of expertise derived from altruism-induced PHR to deal with export activities. Also, policymakers should foster operational and promotional programmes that are designed having PHR's effects on human capital endowment in mind. Expert advice and supplying firms with information about foreign markets

(for instance, regarding customer lists and technical standards) are examples of potential initiatives. Of course, a reduction in restrictions and regulation could alleviate the burden imposed by the paperwork involved in the export process and the need for additional specialized staff. Less cumbersome regulation could ultimately remove the barriers that hinder the internationalization of family SMEs, especially of those that prioritize altruism-induced PHR and operate in areas where unemployment poses a threat to society.

### *5.3. Limitations and directions for future research*

This study is not without limitations and thereby provides opportunities for further research. First, our sample is limited to the unique context of SMEs in Spain, which clearly constitutes a limitation for external validity. The generalizability of our findings is somewhat restricted to those countries with a similar traditional role of the family (e.g., Italy, Portugal, and Greece). Therefore, comparative cross-country research may be considered as a fruitful path for future works. For example, exploring how specific macroeconomic conditions across countries affect the family SMEs' lack of specialized staff for export activities could be a promising new line for international business scholars.

Second, our results should be interpreted with caution because they come from a cross-sectional sample. Our dependent variable refers to the international activity over a three-year period (2013-2015). This allows us to test the persistence of the relationship over this time period, introduce additional variance, and potentially overcome the problems of causality inherent in cross-sectional data. Nonetheless, future longitudinal analyses that are able to establish direct causality may strengthen and corroborate our findings.

Third, we acknowledge that PHR and foreign sales intensity are proxies for altruism and internationalization, respectively. However, we opted for the lesser of two evils given the absence

of readily available data when working with a sample that mainly consists of micro and small family firms. Still, we think that combining archival with survey data is an acceptable approach and, despite these shortcomings, we believe it is interesting to work with samples that are representative of the European corporate sector. The way in which the PHR goal is operationalized gives this study a marked exploratory character, and we hope that future research could develop and implement more fine-grained measures of altruism-induced PHR. In order to generate a richer and more in-depth understanding of altruism behaviours within family SMEs, further studies could rely on qualitative methods to examine this phenomenon.

Finally, the framework developed in this article can be used to investigate other strategic behaviours that are likely to be affected by sub-optimal human capital and to disentangle the behavioural implications that result from altruism-induced PHR. For instance, PHR could be negatively related with product diversification. Therefore, the examination of other strategic decisions that increase operational complexity could lead to a deeper understanding of the effects of the PHR within family firms.

## **6. Conclusion**

Our study investigates the effect of family-centred altruistic goals —as captured by the preferential hiring of relatives (PHR)— on family SMEs' internationalization. We hypothesized that the prioritization of this goal (1) clashes with the availability of the staff needed to manage export activities in an optimal way and (2) increases the proportional representation of the family coalition within the organization. This, in turn, decreases the probability of engaging in strategic endeavours that may not be in line with SEW priorities. Empirical results show that selecting PHR as a primary goal significantly reduces firms' foreign sales intensity and limits family firms' operations to their local region. In addition, we further demonstrate that the effect of PHR on internationalization is exacerbated when contextual factors increase the importance that family

firms attach to the PHR goal achievement. Specifically, we find that local unemployment moderates the relationship between PHR and internationalization, so that the negative impact of PHR on internationalization is exacerbated when local unemployment increases. Our findings contribute to a better understanding of the heterogeneity of family firms by examining how a specific family-centred goal influences the internationalization of family businesses.

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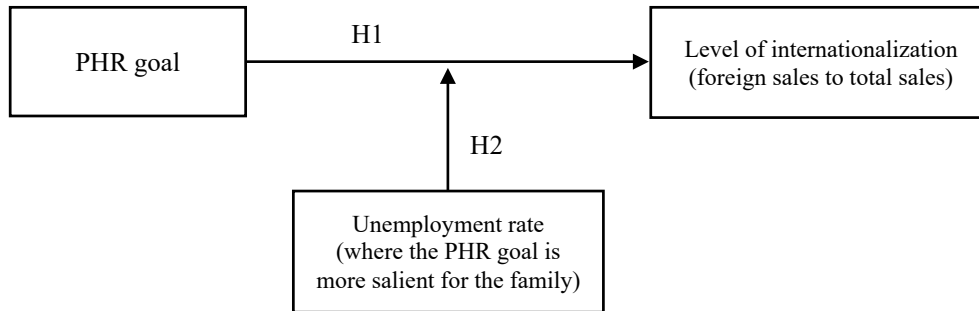
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## Notes

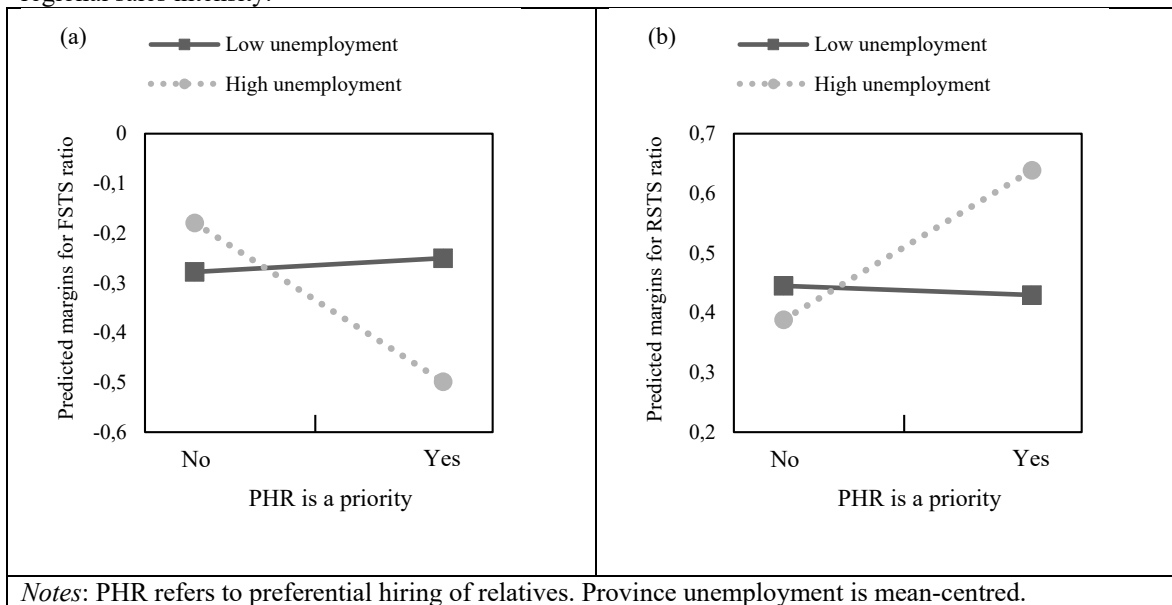
1. Socioemotional wealth (SEW) is a broad construct which includes the desire to maintain family control, the preservation of the founder's legacy across generations, enhancing the family's social capital, and the utility derived from being altruistic to family members, among others (Berrone, Cruz and Gómez-Mejía, 2012; Gómez-Mejía et al., 2007).
2. The economic crisis lasted longer in Spain than in other countries, covering the period from 2008 until 2014. The unemployment rate rose to a record high of 27% in the first quarter of 2013.
3. Using the same questionnaire, the Family Business Chairs of the Universities of León, Salamanca, Valladolid, and the European University Miguel de Cervantes supplemented the sample with 360 additional firms with their headquarters in the region of Castile and León (also using stratified sampling to ensure representativeness by size and sector).
4. CEOs who were interviewed had to select from the following six goals: (1) offering job opportunities and an adequate standard of living to family members; (2) family control over firms' activities; (3) increase profits; (4) firm survival; (5) increase market value; and (6) increase business size.
5. As expected, these items are highly correlated, so we built the variable *innovation* through principal component analysis (PCA). We expect each variable to load highly on only one factor which represents innovation intensity. The Kaiser-Meyer-Olkin measure verified the sampling adequacy, KMO = 0.71. Also, all KMO values are > 0.69, which is above the acceptable limit of 0.5, and Bartlett's test of sphericity indicates that correlations between items were sufficiently high for PCA.

## Figures and tables

**Figure 1** Conceptual model of the investigated relationships



**Figure 2** Interaction effect of PHR and province unemployment rate on (a) foreign sales intensity, (b) regional sales intensity.



**Table 1** Literature review

Author(s)	Year	Time Span	Sample	Findings
Arregle et al.	2016	2004-2013	Meta-analysis of 76 studies (41 countries)	Their results highlight that future research needs to consider the institutional environments in which the family firms are embedded.
Debellis et al.	2021	1990-2020	Systematic literature review of 134 articles (26 journals)	In the plethora of studies analysed, the measures of family ownership and management have been adopted as proxies for a wide range of family firms' strategic drivers, including altruism (Zahra, 2003). They argue that future research should identify and capture individual goals to explore how such mechanisms influence internationalization decisions.
Hafner	2019	1991-2018	136 scholarly articles	Although the theoretical foundations of many studies implicitly rely on family goals, the empirical evidence on the explicit impact of individual aspects of family culture on diversification levels is limited.
Lahiri et al.	2020	2000-2020	52 articles focusing on family SME internationalization	Their strategy tripod-inspired synthesis suggests that three factors—resource-based, institution-based, and industry-based—impact family SME internationalization. While several links depicted in the strategy tripod framework have been relatively well examined, other links lack adequate analysis. They highlight different behavioural orientations as crucial missing links that characterize the family SME internationalization scholarship.
Pukall and Calabrò	2013	1980-2012	72 journal articles	They call for a deeper investigation of how the individual dimensions of SEW influence the process of family firm internationalization.

**Table 2** Descriptive statistics and pairwise correlations

Variables	mean	sd	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. FSTS	0.06	0.15	1.00													
2. RSTS	0.59	0.41	-0.44***	1.00												
3. No. regions	0.61	1.17	0.34***	-0.47***	1.00											
4. PHR	0.25	0.44	-0.06***	0.05***	-0.07***	1.00										
5. Unemployment	22.61	5.44	0.04*	0.04*	-0.04**	0.03*	1.00									
6. Firm age	31.02	21.91	-0.04*	-0.00	0.10***	-0.01	-0.03	1.00								
7. Employees	2.59	0.88	-0.02	-0.06***	0.19***	-0.09***	0.03*	0.11***	1.00							
8. Sales growth	-0.00	0.05	0.02	-0.05***	0.03	0.01	-0.01	-0.02	0.09***	1.00						
9. ROA	3.04	9.67	0.07***	-0.11***	0.09***	0.01	-0.01	-0.05***	0.03	0.25***	1.00					
10. Innovation	0.01	0.79	0.03*	-0.11***	0.17***	0.03*	-0.03*	0.01	0.17***	0.08***	0.09***	1.00				
11. CEO education	0.76	0.86	0.09***	-0.11***	0.16***	-0.08***	-0.04**	0.10***	0.08***	0.01	0.02	0.12***	1.00			
12. CEO family	0.92	0.27	-0.07***	0.06***	-0.08***	0.09***	-0.01	0.00	-0.12***	0.00	0.02	-0.00	-0.19***	1.00		
13. CEO tenure	18.38	11.39	-0.06***	0.05***	-0.02	0.06***	-0.01	0.22***	0.03*	-0.01	-0.02	-0.05***	-0.24***	0.19***	1.00	
14. 1 <sup>st</sup> generation	0.55	0.50	0.04**	-0.05**	-0.05***	0.03	0.03*	-0.43***	-0.06***	0.01	0.04*	-0.03	-0.13***	0.00	0.07***	1.00

Notes: \*, \*\*, and \*\*\* indicate significance at the 5 percent, 1 percent, and 0.1 percent level, respectively.

**Table 3** Random slopes from multilevel Tobit regressions

	(1)	(2)	(3)	(4)
	FSTS	FSTS	FSTS	FSTS
Firm age		-0.000	-0.001	-0.001
		(0.001)	(0.000)	(0.000)
Employees <sub>t-1</sub>		0.005	0.000	0.001
		(0.011)	(0.011)	(0.011)
Sales growth <sub>t-1</sub>		-0.091	-0.092	-0.080
		(0.201)	(0.200)	(0.198)
ROA <sub>t-1</sub>		0.003**	0.003**	0.003**
		(0.001)	(0.001)	(0.001)
innovation		0.067***	0.067***	0.068***
		(0.013)	(0.013)	(0.012)
CEO_education=1		0.142**	0.138**	0.136**
		(0.027)	(0.027)	(0.027)
CEO_education=2		0.161**	0.156**	0.150**
		(0.025)	(0.024)	(0.024)
CEO family		-0.064 <sup>+</sup>	-0.044	-0.055
		(0.038)	(0.038)	(0.038)
CEO tenure		-0.001	-0.001	-0.001
		(0.001)	(0.001)	(0.001)
First generation		0.082***	0.085***	0.088***
		(0.022)	(0.022)	(0.022)
PHR			-0.096***	-0.072**
			(0.023)	(0.023)
Unemployment <sub>t-1</sub>				0.004
				(0.004)
PHR × unemployment <sub>t-1</sub>				-0.019***
				(0.005)
Constant	-0.325***	-0.377***	-0.363***	-0.365***
	(0.057)	(0.079)	(0.079)	(0.079)
Random slopes variances				
$\sigma_{\tau}^2$	0.113***	0.113***	0.112***	0.114***
	(0.033)	(0.033)	(0.033)	(0.033)
$\sigma_{\gamma}^2$	0.219***	0.207***	0.212***	0.219***
	(0.028)	(0.027)	(0.027)	(0.029)
$\sigma_{\epsilon}^2$	0.091***	0.083***	0.082***	0.080***
	(0.005)	(0.004)	(0.004)	(0.004)
Observations	3,416	3,250	3,250	3,250

*Notes:* This table reports the results of multilevel Tobit models (left-censored) that examine the effect of preferential hiring of relatives (PHR) on foreign sales intensity (FSTS). Industry affiliation was controlled at the two-digit U.S. SIC level; standard errors are provided in parentheses; +, \*, \*\*, and \*\*\* indicate significance at the 10 percent, 5 percent, 1 percent, and 0.1 percent level, respectively.

**Table 4** Robustness checks

	(1)	(2)	(3)	(4)	(5)	(6)
	RSTS	RSTS	No. regions	No. regions	Export propensity	Export propensity
Firm age	0.000** (0.000)	0.000** (0.000)	0.003* (0.001)	0.002* (0.001)	0.009 (0.006)	0.010 (0.006)
Employees <sub>t-1</sub>	0.007 (0.010)	0.007 (0.010)	0.233** (0.075)	0.237** (0.075)	1.887*** (0.197)	1.900*** (0.198)
Sales growth <sub>t-1</sub>	-0.063 (0.130)	-0.066 (0.130)	-0.910 (1.305)	-0.803 (1.305)	-2.185 (3.603)	-2.346 (3.633)
ROA <sub>t-1</sub>	-0.002* (0.001)	-0.002* (0.001)	0.018** (0.007)	0.019** (0.007)	0.059*** (0.016)	0.059*** (0.016)
Innovation	-0.040*** (0.010)	-0.040*** (0.010)	0.691*** (0.084)	0.706*** (0.084)	0.356* (0.181)	0.352+ (0.182)
CEO education=1	-0.105*** (0.022)	-0.102*** (0.022)	0.901*** (0.181)	0.885*** (0.181)	0.853* (0.378)	0.855* (0.379)
CEO education=2	-0.038+ (0.020)	-0.034+ (0.020)	0.923*** (0.161)	0.896*** (0.161)	-0.023 (0.333)	0.006 (0.336)
CEO family	0.020 (0.033)	0.026 (0.033)	-0.566* (0.254)	-0.648* (0.256)	-1.483** (0.479)	-1.471** (0.481)
CEO tenure	0.003*** (0.001)	0.003*** (0.001)	0.005 (0.006)	0.004 (0.006)	-0.006 (0.013)	-0.005 (0.013)
First generation	-0.087*** (0.017)	-0.088*** (0.017)	0.440** (0.135)	0.451*** (0.135)	0.716* (0.315)	0.729* (0.316)
PHR	0.068*** (0.018)	0.054** (0.019)	-0.495*** (0.149)	-0.349* (0.155)	-1.011** (0.365)	-1.079** (0.378)
Unemployment <sub>t-1</sub>		-0.002 (0.003)		0.019 (0.025)		-0.043 (0.051)
PHR × unemployment <sub>t-1</sub>		0.010** (0.004)		-0.101*** (0.031)		0.058 (0.068)
Constant	0.412*** (0.062)	0.406*** (0.062)			-13.021*** (1.352)	-13.115*** (1.378)
Random slopes variances						
$\sigma_{\tau}^2$	0.064*** (0.020)	0.065** (0.020)	4.137** (1.281)	4.206** (1.304)	11.078* (5.118)	11.135* (5.183)
$\sigma_{\gamma}^2$	0.139*** (0.012)	0.140*** (0.012)	10.639*** (1.509)	10.881*** (1.549)	14.192** (4.747)	14.729** (4.977)
$\sigma_{\varepsilon}^2$	0.108*** (0.003)	0.108*** (0.003)				
Observations	3,250	3,250	3,250	3,250	3,250	3,250

*Notes:* This table reports the results of multilevel models that examine the robustness of the effect of PHR on alternative measures of internationalization. Models 1 and 2 are multilevel Tobit models (left- and right-censored) that use regional sales intensity (RSTS) as dependent variable. Models 3 and 4 are multilevel ordered logistic models that use the number of regions as dependent variable. Models 5 and 6 are multilevel logistic models that predict the likelihood of being an exporter based on data obtained from the SABI database. Industry affiliation was controlled at the two-digit U.S. SIC level; standard errors are provided in parentheses; +, \*, \*\*, and \*\*\* indicate significance at the 10 percent, 5 percent, 1 percent, and 0.1 percent level, respectively.