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ABSTRACT
Employing institutional theory and agency theory, this study examines the impact of home and host country's cultural and economic differences on the likelihood of utilizing family management in foreign subsidiaries of multinational family business groups. The results indicate that the larger the cultural differences between home and host country, the more likely it is that a family member will be assigned to lead a foreign subsidiary. A higher ownership stake in the foreign subsidiary strengthens that positive relationship. Economic differences, however, show a direct negative association with the likelihood of utilizing family management.

KEYWORDS
Institutional theory; agency theory; family business group; family management; ownership; leadership decisions

1. Introduction

Multinational enterprises (MNEs) that expand abroad face the challenge to coordinate and control their activities located simultaneously in various host countries (Chang, Mellahi, & Wilkinson, 2009; Collings & Isichei, 2018). While there exist abundant studies on control and coordination issues in the broader international business literature (e.g., Cray, 1984; Harzing, 1999; Gong, 2003; Gaur, Delios, & Singh, 2007; Gaur & Delios, 2015), the increasing importance of emerging multinationals has put new life into that debate (Chang et al., 2009; Colli & Colpan, 2016; Hoskisson, Wright, Filatotchev, & Peng, 2013). In particular, multinational family business groups (MFBGs), because of their economic dominance in many emerging markets and their distinctive governance focus on perpetuating family influence (Holmes Jr, Hoskisson, Kim, Wan, & Holcomb, 2018; Morck, Wolfenzon, & Yeung, 2005; Ramamurti & Singh, 2009), are seen as key to expand our understanding on control and coordination issues of emerging multinationals (Chrisman, Chua, Le

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Breton-Miller, Miller, & Steier, 2018; Manikandan & Ramachandran, 2015; Wright, Filatotchev, Hoskisson, & Peng, 2005).

A MFBG is a kind of family enterprise that can be viewed as a network with multiple domestic affiliations and foreign subsidiaries linked by ownership and personal ties (Granovetter, 1995; Morck et al., 2005). Many MFBGs have also started to expand abroad at a larger scale in search for growth opportunities (Manikandan & Ramachandran, 2015; Ramamurti & Singh, 2009). This raises the issue of coordinating and controlling foreign subsidiaries, which is commonly undertaken by two key means to foster such (Chrisman et al., 2018; Ilhan-Nas et al., 2018; Yaprak & Karademir, 2010). The first is the use of family expatriates in key management positions (Gaur et al., 2007; Vandekerkhof, Steijvers, Hendriks, & Voordeckers, 2015). Utilizing family expatriates is a means to develop a structured trust based informal communication network within the family enterprise (Chrisman et al., 2018; Chung & Dahms, 2016). Second, MFBGs can utilize various ownership stakes to enhance control over their foreign subsidiaries (Filatotchev, Strange, Piesse, & Lien, 2007; Gaur & Lu, 2007; Zahra, 2003). However, little is known about how MFBGs from emerging economies use these two means in combination. For instance, Filatotchev et al. (2007) show that MFBGs from emerging markets use different ownership stakes to control their foreign subsidiaries, but ignore the option of sending out family expatriates to fill key management positions. Conversely, Vandekerkhof et al. (2015) show that family managers are crucial for control and coordination within the family enterprise but ignore subsidiary ownership options. This gap is even more pronounced when considered in combination with the fact that institutions matter in that context as well (Gaur & Lu, 2007; Paik & Ando, 2011; Yaprak & Karademir, 2010), but are often ignored in empirical studies (e.g. Bannò & Sgobbi, 2016). Therefore, how and why a MFBG may utilize family management and ownership together in different institutional environments is a key question in addressing coordination and control issues in the field of international human resource management.

This study develops and empirically tests a framework based on institutional perspectives and agency theory. The institutional perspective examines how distinctive institutional environments affect subsidiary leadership decisions in an international business context (Kostova, 1999; Kostova, Roth, & Dacin, 2008; Peng, Sun, Vlas, Minichilli, & Corbetta, 2018). Institutions matter in particular for MFBGs from emerging markets because of the heterogeneous institutional environments in which their cross border transactions take place (Hoskisson et al., 2013; Wright et al., 2005; Yaprak & Karademir, 2010). However, due to the contextual focus of institutional theory, those studies rarely consider family enterprise specificities (e.g. Gaur & Lu, 2007; Gaur et al., 2007; Peng et al., 2018). Agency theory, at the same time, is predominantly concerned with governance mechanisms to alleviate agency problems between the principal (such as the shareholders) and the agent (such as the manager) in a firm (Fama & Jensen, 1983; Jensen & Meckling, 1976). However, firms do not make their decisions in a vacuum; instead, decisions are made in accordance with contextual factors such as prevalent institutional settings (Bae & Salomon, 2010; Wiseman, Cuevas-Rodriguez, & Gómez-Mejía, 2012). This is why agency theory, with its focus on the internal governance structure of firms is a suitable theoretical supplement to understand the effects of the external institutional arrangements on coordination and control decisions (Gaur & Delios, 2015). In particular, both perspectives share their focus on the multinational enterprise's decisions to optimise internal delegation and to effectively manage external institutional differences in international settings (Filatotchev et al., 2007; Harzing, 1999; Ilhan-Nas et al., 2018).

This study aims to address the void of a balanced conceptual framework in the literature, which combines internal and external contingencies to explain the interrelationships between institutions, ownership, and family management in subsidiaries of MFBGs. Accordingly, we propose and empirically test a framework based on institutional and agency theory to understand leadership decisions in foreign subsidiaries of MFBGs. In particular, our objectives are to understand the role of institutional differences, as well as the moderation of ownership stakes in family leadership decisions of MFBGs. Our arguments are twofold; first, we propose that institutional differences generate distinct challenges for foreign subsidiary control and coordination decision making. Second, ownership arrangements manifest an important moderating condition in that process. In particular, we investigate the impact institutional differences have on family manager expatriation and corporate governance (Arregle, Hitt, Sirmon, & Very, 2007), and thus contribute to the ongoing discussion of governance structures in foreign markets of emerging multinationals (Wright et al., 2005; Holmes et al., 2018). Furthermore, by utilizing a multi-level and longitudinal data set, this study contributes to understanding control and coordination issues in MFBGs over a prolonged time frame. This follows Vandekerkhof's et al. (2015) call for the use of longitudinal data to investigate decision-making in family enterprises. We also reduce advanced economy bias in the field by utilising a dataset from the mid-range emerging economy of Taiwan (Hoskisson et al., 2013) to enhance the understanding of international human resource management strategies in MFBGs.

2. Agency theory and institutional perspectives on MFBGs foreign subsidiary leadership decisions

Agency theory is predominantly concerned with governance decisions about delegation issues between the principal and the agent (Jensen & Meckling, 1976). Delegation issues encompass for instance "limited information availability [and] idiosyncratic goals independently held by the principal and agent" (Wiseman et al., 2012, p. 204). The governance decision to alleviate this agency problem is socially embedded and hence context dependent (Wiseman et al., 2012). For a MFBG, the controlling family needs to reduce potential delegation issues between headquarter and the foreign subsidiaries inside its multiple-affiliations network (Chrisman et al., 2018; Gaur & Delios, 2015). In this study, we distinguish between two kinds of means used by MFBGs to coordinate and control their foreign subsidiaries. The first are family managers as expatriates and the second are ownership stakes taken in the foreign subsidiary.

From an agency theory perspective, family members are crucial for MFBGs because those allow for tried and trusted communication, knowledge exchange, and transfer of family firm values across the business group (Bannò & Sgobbi, 2016; Erdener & Shapiro, 2005; Fama & Jensen, 1983). They allow ensuring that the actions of the subsidiary are in line with the family expectations and hence provide strategic alignment between subsidiary and family owner (Anderson & Reeb, 2003; Chrisman et al., 2018). This sets MFBGs apart from non-family enterprises that lack this option to develop a structured informal communication network based on family ties to reduce delegation issues (Arregle et al., 2007; Chung & Dahms, 2016). The advantages of such a management practice are often seen as outweighing the shortcomings of family management usage such as a potential crowding out of external managerial talents (Ready, Hill, & Conger, 2008) or the potential lack of family manager competence (Tsang, 2002). For a MFBG that operates around the world, utilizing family management is a kind of cultural control mechanism that can mitigate a potential goal misalignment between headquarters and the foreign subsidiaries (Ilhan-Nas et al., 2018; Harzing, 1999)

Another pillar of agency theory concerning corporate governance strategies are the ownership stakes taken in foreign subsidiaries (La Porta, Lopez-de-Silanes, & Shleifer, 1999), which are crucial means to maintain coordination and control (Bannò & Sgobbi, 2016; Filatotchev et al., 2007). This is especially important for our research because MFBGs from emerging economies are often exposed to a notorious lack of access to efficient capital markets (Hoskisson et al., 2013; Filatotchev et al., 2007) and are simultaneously averse to outsider influence that comes with external capital (Arregle, Naldi, Nordqvist, & Hitt, 2012; Gómez-Mejia, Makri, & Kintana, 2010). Therefore, MFBGs prefer to rely on internal funding for their internationalisation, which includes for instance to channel profits between sometimes unrelated business divisions (Morck et al., 2005; Ramamurti & Singh, 2009). This reliance on internal financing is often expressed in the development of sophisticated internal financial markets that include in-house loans but then goes on up to the establishment of fully-fledged banks within the business groups (Gopalan, Nanda, & Seru, 2014; Holmes et al., 2018). Hence, alternative ownership modes, such as pyramidal ownership, are comparatively more common in the context of emerging MFBGs (Fattoum-Guedri, Guedri, & Delmar, 2018; Holmes et al., 2018; Morck et al., 2005). However, others have argued that such strategies can also have negative consequences for instance for minority shareholders, which might be disadvantaged through potential 'tunnelling' practises. This creates principal-principal agency conflicts, between owner family and minority shareholders (Peng et al., 2018; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). Nevertheless, a shortage of management capabilities within the family and potential financial constraints are not uniformly affecting decision making in MFBGs across all host countries. We believe that the concept of institutional uncertainty can help to develop a more solid understanding of leadership decisions in foreign subsidiaries of MFBGs than agency theory on its own.

Institutions provide "the rules of the game", are country-specific and remain largely heterogeneous among countries (North, 1990). Hence, the differing institutional settings between countries on formal (e.g. economic) and informal (e.g. cultural or normative) levels (Cuervo-Cazurra, Maloney, & Manrakhan, 2007; Kostova & Zaheer, 1999; Westney, 2005) contribute to institutional uncertainty in decision making (Berry, Guillén, & Zhou, 2010; Henisz & Delios, 2001; Paik & Ando, 2011) and create additional costs through liability of foreignness (Cuervo-Cazurra et al., 2007; Zaheer, 1995) and information processing (Henisz & Delios, 2001; Ilhan-Nas et al., 2018).

For example, institutional differences are exemplified in taken for granted assumptions, such as contract fulfilments, or staff incentive systems (Ghemawat, 2001; Kostova & Zaheer, 1999; Peng et al., 2018) which create higher information processing costs (Henisz & Delios, 2001; John, Litov, & Yeung, 2008; Wright et al., 2005). Liabilities of foreignness are costs caused by the inability to adapt effectively to host country institutions as well as potential active discrimination against foreign firms (Zaheer, 1995; Zaheer, Schomaker, & Nachum, 2012).

However, institutional perspectives alone still leave certain questions unanswered. For instance, the theory emphasises a tendency for companies to adapt legitimacy seeking behaviour in the host country in order to reduce liability of foreignness (Kostova & Zaheer, 1999; Kostova et al., 2008; Peng et al., 2018). Such behaviour is exemplified in the adaptation of local management practice, often with the help of host country managers (Harzing, 1999; Gong, 2003). This has been questioned, however, by findings from Japanese MNE's that show a continuing preference for home country managers (e.g. Gaur et al., 2007; Gong, 2003). MFBGs add to that complexity in having the option to choose a family member as a manager (Vandekerkhof et al., 2015). Hence, applying agency and institutional theory is seen as necessary to explain governance decisions in complex structures such as MFBGs (Ilhan-Nas et al., 2018).

The next section will elaborate on how institutional and agency factors can explain leadership decisions in foreign subsidiaries of MFBGs.

2.1. Economic and cultural differences and their impact on family management in foreign subsidiaries

Economic and cultural differences between home and host countries create institutional uncertainty and have therefore a profound impact on MFBGs governance structure (Berry et al., 2010; Cuervo-Cazurra et al., 2007; Ghemawat, 2001)[1].

Economic differences between home and host country can manifest themselves, for example, in varying degrees of access to, and availability of, distribution channels and supply chains, labour and other production factors, as well as differing consumer income levels or customer quality demands (Dikova, Sahib, & Van Witteloostuijn, 2010; Ghemawat, 2001; Henisz & Delios, 2001). Hence, economic differences between countries create opportunities and challenges on rent creation and exploitation (Ghemawat, 2001). For instance, economic similarity between home and host country might allow the replication of home-grown managerial practises in the focal foreign subsidiary (Dow & Karunaratna, 2006). This replication of practises also has implications for coordination and control. On the one hand, agency theory suggests that headquarters need to design control mechanisms to align the foreign subsidiary's action with the headquarter goals (Chrisman et al., 2018). On the other hand, institutional theory states that the efficiency of such control mechanisms depends on the context in which they are employed. For instance, it is commonly distinguished between output control and behavioural or cultural control mechanisms (Harzing, 1999; Chang et al., 2009). Output control is an impersonal form of control that is largely based on context invariant outcome targets. This differs from cultural and behavioural control mechanisms that are a more direct and informal type of control. For instance, assigning a Japanese expatriate to a host country characterized by institutional dissimilarity, such as larger cultural differences, is seen as an example of cultural control mechanism in the case of Japanese MNCs (Gaur et al., 2007). This is because the usage of expatriates goes beyond the fulfilment of impersonal performance targets in that expatriates also bring with them corporate culture and manifest corporate values in the subsidiary.

Efficient control over a subsidiary located in a host country characterized by economic dissimilarity is likely to be feasible by the implementation of outcome-based control mechanisms (Ghemawat, 2001; Harzing, 1999). In such locations, a multinational can assign a manager that is familiar with the local market demands and other particularities to overcome the additional costs caused by economic dissimilarity between home and host country (Dow & Karunaratna, 2006; Gong, 2003). That is because such dissimilarities are unlikely to impact family business culture and values. For example, small product adaptations to local market demands in order to satisfy host country consumers is not changing the family firms' internal decision-making structure or values (Ilhan-Nas et al., 2018; Arregle et al., 2012; Gong, 2003). Family managers are finite and utilizing this kind of family management as cultural control mechanism in a MFBG might not bring the hoped-for benefits in an economically dissimilar host country due to differing control needs of the subsidiary and the MFBG. MFBGs need to consider carefully to place family managers in those locations that can leverage their advantage as trusted communication channels when goal alignment cannot be fully achieved by outcome control mechanisms alone (Erdener & Shapiro, 2005; Tsang, 2002; Yaprak & Karademir, 2010). Therefore, by utilising agency theory and institutional theory arguments, we propose that economic differences will create a situation in which the deployment of family management is not the optimum way to mitigate potential agency problems between the headquarters and the foreign subsidiary. This leads to our first hypothesis.

H1: Larger economic differences between home and host country decrease the likelihood that the family business group will utilize family management.

Larger cultural differences increase the costs of communication and knowledge transfer between foreign subsidiaries and the headquarters (Kogut & Singh, 1988; Peng et al., 2018). Cultural differences can also have an impact on the transferability of managerial practises (Kostova, 1999). This is because managerial practises are often highly context dependent and hence not easily transferable, which has implications for coordination and control in the multinational. Furthermore, it also affects the relationships between the subsidiary and businesses and non-business entities in the host country through liability of foreignness (Zaheer, 1995; Rugman, Verbeke, & Nguyen, 2011), which subsequently increases the difficulties to gain access to host country networks (Johanson & Vahlne, 2009). For example, unfamiliarity with local behaviours and language might upset potential suppliers even before actual business negotiations began and hence negatively impact legitimacy of the subsidiary (Ghemawat, 2001; Dahms, 2015). Hence, given the shortage of managerial resources in MFBGs, larger cultural differences are an important cost factor for family enterprises.

From an agency theory perspective, the utilisation of family management is beneficial for internal communication, management practise transfer, and subsequently the preservation of distinctive family values (Erdener & Shapiro, 2005; Zahra, 2003). Family management serves as a trust building tool to reduce potential principal-agent conflicts (Eddleston, Chrisman, Steier, & Chua, 2010; Ilhan-Nas et al., 2018) and to align subsidiary strategic development with family specific goals and values (Gómez-Mejía et al., 2010). However, where to utilize scarce family managers is a key question (Erdener & Shapiro, 2005). In the case of Japanese MNCs for example, the threats caused by cultural differences outweigh the anticipated gains from legitimacy seeking behaviour and thereby lead to a utilisation of cultural control in Japanese MNCs, such as a preference for assigning home country expatriates (Gaur et al., 2007; Gong, 2003). In other words, higher cultural dissimilarity between home and host countries are associated with greater uncertainty compared to economic differences, especially in the context of family value preservation (Gómez -Mejia et al., 2010; Peng et al., 2018). For instance, different cultural contexts might imply differing interpretations of family value importance in managerial decision making and hence lead to a misaligned implementation of family directions at the subsidiary level. As a result, family values might be eroded in the longer term. Therefore, in order to ensure goal alignment and coherence between the headquarter and the subsidiaries in those host countries characterized by higher cultural dissimilarity, a MFBG will prefer to utilize family management rather than considering reduced cost of local network access for instance. This leads to our second hypothesis.

H2: Larger cultural differences between home and host country increase the likelihood that the family business group will utilize family management.

2.2. The moderating effect of direct and indirect family ownership in subsidiary leadership decisions

The number of family members that can fill management positions in subsidiaries is limited (Tabor, Chrisman, Madison, & Vardaman, 2018).

As a result, the family must choose in which host country and foreign subsidiary to place family members in order to maximize their impact. We argue that family ownership stake in the subsidiary is a complementary factor that moderates the relationship between institutional differences and the likelihood to utilize family management. In particular, institutional uncertainty could be augmented by differing levels of ownership (John et al., 2008; Fattoum-Guedri et al., 2018). Ownership stake is crucial given the reluctance to integrate external top managers and restricted access to efficient financial markets by MFBGs from emerging economies (Hoskisson et al., 2013; Manikandan & Ramachandran, 2015; Wright et al., 2005). Hence, ownership stake is an important control mechanism because it provides a say in the composition of subsidiary leadership (Belderbos & Heijltjes, 2005; Gaur & Lu, 2007), and serves as a signal for family entrenchment (Filatotchev et al., 2007; Gómez-Mejía et al., 2010; Zahra, 2003).

The controlling family (or families) can utilize direct or indirect (or pyramidal) ownership to control foreign subsidiaries (Almeida & Wolfenzon, 2006; Fattoum-Guedri et al., 2018; Morck et al., 2005). Such distinction is important given that MFBGs make regularly use of both modes (Chung, 2014; Lin, 2016). Indirect ownership means that the family cross-holds stock in affiliated firms and foreign subsidiaries (Almeida & Wolfenzon, 2006). For example, the family can directly invest in an affiliated firm (we can call it firm A), and then utilize this focal affiliated firm (firm A) to be the shareholder of another firm (we can call it firm B) to prevent, for instance, the disclosure of the shareholding. Therefore, the family directly controls firm A but indirectly also controls firm B[2] (Chung & Chan, 2012; Morck et al., 2005).

Agency theory postulates that family direct ownership of the subsidiary increases the controlling family's incentive to actively manage the entity (Chung & Chan, 2012; Morck et al., 2005) whereas indirect ownership provides the option to take on a dormant management role. However, family indirect ownership may cause principal-principal agency problems between the family shareholders and the minority shareholders through tunneling practices (Claessens, Djankov, & Lang, 2000; La Porta et al., 1999; Young et al., 2008). For the family, indirect ownership provides the advantage of relatively small financial stakes with comparatively small risk (Filatotchev et al., 2007; Kouvelis, Axarloglou, & Sinha, 2001; Rangan, 1998) and resulting greater investment flexibility (Almeida & Wolfenzon, 2006; John et al., 2008). However, regardless of the ownership type, family ownership in foreign subsidiaries implies commitment (Almeida & Wolfenzon, 2006), allows to exert an influence on the governance of the foreign subsidiary (Holmes Jr. et al., 2018), and comes with potential impact on family reputation at home as well as abroad.

In host countries characterized by greater economic differences between home and host country, a MFBG might not necessarily assign a family manager to lead the focal foreign subsidiary if the headquarters can implement sufficient outcome control mechanisms (Ghemawat, 2001; Harzing, 1999). However, if the family exerts a higher family ownership stake in the focal foreign subsidiary, it signals the importance of the local market and the subsidiary itself for the MFBG (Filatotchev et al., 2007; Zahra, 2003). From the agency theory viewpoint, higher ownership might therefore increase the usage of family management to ensure family influence in the development of the focal subsidiary.

In line with that argument, ownership stake might also affect the association between greater cultural differences and the likelihood to use family management. From the agency theory viewpoint, utilizing family management is a feasible cultural control mechanism to overcome the potential threat from cultural dissimilarity (Gómez -Mejia et al., 2010; Peng et al., 2018). Accordingly, a higher family ownership stake in the focal foreign subsidiary located in a host country with greater cultural differences is likely to enforce the desire of the family to maximize cultural control over the entity.

This leads to our last set of hypotheses:

H3a: Family ownership (direct and indirect) will weaken the negative relationship between economic differences and the utilization of family management in a MFBG.

H3b: Family ownership (direct and indirect) will strengthen the positive relationship between cultural differences and the utilization of family management in a MFBG.

3. Research method

3.1. Sample and data description

Taiwan is a mid-range emerging economy, such as South Korea or Hong Kong in East Asia (Hoskisson et al., 2013) and has a long history of multinational family business groups (Lasserre & Schütte, 2006). Taiwanese family business groups are also recognized as important representatives of family enterprise strategy and internationalization research in Asia (e.g., Chung, 2014; Luo & Chung, 2005, 2013).

Our sample of MFBGs has been selected from the top-100 business groups in Taiwan since they play a critical role in the Taiwanese economy, accounting for more than 70% of the island's GNP during the examined time period from 1999 to 2003 (China Credit Information Service, 2001, 2002, 2003, 2004, 2005). We chose this time window because it encompasses a period of relative institutional stability and it is also the time of increased international activity of Taiwanese business groups (Chung, 2014). The data has been obtained from China Credit Information Service (China Credit Information Service, 2001, 2002, 2003, 2004, 2005). While there is a plethora of definitions on what constitutes family business groups in the literature (e.g. Chua, Chrisman, & Sharma, 1999; O'Boyle, Pollack, & Rutherford, 2012; Steiger, Duller, & Hiebl, 2015), we chose a sample specific definition that aligns with relevant studies. Accordingly, in line with others (e.g. Anderson & Reed, 2003; Miller & Le Breton-Miller, 2005), our study follows the "family-owned" definition used in the China Credit Information Service directories. The China Credit Information Service directories defines a family business group along three dimensions. First, family members of one family (or families) control ownership in the business group. Second, key decision-making positions inside the group are filled with family members and the third requirement is that there is evidence of succession from one generation to the next (Luo & Chung, 2005, 2013). With regarding to ownership control, the controlling family (or families) in a family business group, meet a 20% ownership control criteria in those public affiliated firms in the group (Claessens et al., 2000; La Porta et al., 1999). Additionally, in terms of occupying the key decision-making positions inside this group, the China Credit Information Service justifies the "inner circle" members in the group as those key decision-makers (Luo & Chung, 2005) and we can observe that the family members of different generations from the controlling family occupy the key decision-making positions in the group and decide the strategic direction in a family business group (Morck et al., 2005). In other words, for a family business group, the controlling family controls the ownership and management power in the group from generation to generation.

3.2. Sample size, variables, and data analysis

3.2.1. Sample size

51 family business groups have been examined from 1999 to 2003[3], with a total of 245 family business group observations at the group level[4], and a total of 4780 observations at the foreign subsidiary level for those family business groups. As shown in Table 1, the 51 family business groups are distributed across 14 industrial sectors. The average number of foreign subsidiaries and the host countries is 20.06 and 4.7 respectively. We have over 30 different host countries in our sample[5].

3.2.2. Variables

Dependent variables (Y): Utilizing family management in a foreign subsidiary. The dependent variable identifies whether the foreign

Table 1. Family business groups data analyzed by industrial sector*.

	Total No. of FBG	Average Age	Size (Average Assets) (U.S. Million)	Average No. of Affiliation	Average No. of Foreign Affiliations	Average No. of Engaged Host country	Average Changed No. of Foreign Affiliations	Average Economic Differences	Average Cultural Differences	Average Percentage of Family Members as the Head of Foreign affiliation
Manufacturing	**31**	**41.52**	**5450.02**	**57.48**	**26.24**	**5.62**	**6.15**	**0.58**	**2.18**	**0.47**
Non-metal Mineral	3	46.33	3034.52	38.13	19.67	5.00	6.53	0.55	1.51	0.62
Textile, Apparel and Leather	6	38.28	6245.37	48.62	17.48	4.72	4.76	0.61	1.92	0.45
Food	2	37.50	6851.29	104.00	37.10	5.40	3.90	0.74	1.98	0.12
Chemical and Plastic	3	40.40	15105.74	45.27	22.67	4.67	12.67	0.82	1.82	0.83
Transportation	2	51.00	4557.87	83.00	23.40	3.90	3.20	0.63	2.67	0.30
Electronic and Household Appliances	8	36.64	4183.84	67.72	37.56	8.49	7.92	0.50	2.37	0.52
Paper Manufacturing	2	49.00	1613.09	41.50	15.80	3.20	4.10	0.62	1.99	0.24
Steel and Metals Equipment	1	39.00	888.30	13.00	5.80	3.00	2.40	0.41	2.47	0.34
Electronic Wire and Mechanics Equipment	3	44.00	5044.27	69.60	37.80	5.47	4.40	0.52	2.38	0.44
Constructing	1	56.40	1427.03	19.80	9.80	5.00	3.20	0.48	2.81	0.36
Service	**19**	**30.04**	**11460.58**	**45.17**	**11.00**	**3.41**	**5.57**	**0.51**	**2.03**	**0.40**
Financial Service	11	27.40	15997.69	40.35	12.14	3.26	5.77	0.46	2.11	0.36
Logistics Service	1	36.00	2191.98	22.80	4.40	2.40	2.00	0.66	2.11	0.46
Transportation	2	34.50	6820.87	38.50	12.80	6.10	9.00	0.64	1.47	0.45
Constructing Investment	5	30.81	3649.76	51.95	9.52	2.62	5.38	0.55	2.13	0.49
Others	**1**	**42.00**	**11091.10**	**105.40**	**7.20**	**4.00**	**0.80**	**0.51**	**1.99**	**0.67**
Summary	**51**	**36.78**	**7771.18**	**52.52**	**20.06**	**4.70**	**5.88**	**0.56**	**2.15**	**0.45**

Note: 1.*All data calculated at year-end 1999 to 2003. We calculate the data by averaging the within-group data over 5-years, and then calculate the average data within a specific industrial sector. Industrial sector definitions of business groups based upon nature of core company business. If the core company of the business group is both engaged in manufacturing and service sectors, this business group will be classified to other category.

2. This table reveals the family business groups description, not the foreign affiliations description in each group.

subsidiary's CEO is a family member or not. We termed it "utilizing family management in a foreign subsidiary". Utilizing family management is a kind of cultural control mechanism for the family enterprise in overseas markets (Erdener & Shapiro, 2005; Harzing, 1999). According to the data from the China Credit Information Service and other public information, we identify a family member as the CEO of a foreign subsidiary from multiple secondary databases, including the business group directories described above, public information from newspapers, magazines, websites, and journals. We utilize the last name of the person and also search on the internet and other public reports to identify whether the foreign subsidiary CEO has direct blood relationships with the founder or the siblings since they are all influential in the family enterprise network (Cruz, Gómez-Mejía, & Becerra, 2010; Erdener & Shapiro, 2005). In Taiwan, family business groups and the family members are the focus of financial and social reports (Chung, 2014; Luo & Chung, 2005). Thus, it is relatively easy to distinguish if the CEO in a foreign subsidiary is a family member or not. The variable is coded as "1" if the CEO of the foreign subsidiary is the family member and as "0" if the CEO is not a family member.

Independent variable (X1): Economic differences. Previous studies have shown that economic differences between countries influence the multinational company's operation and decisions (Luo & Chung, 2013; Oxley & Yeung, 2001; Rangan, 1998). This variable is measured by calculating the differences of the log transformed GDP per capita between home and host country year by year during the period examined (Oxley & Yeung, 2001). GDP per capita captures the wealth and the income of the population in a specific country and thus reflects the most important economic attribute that creates differences between countries (Ghemawat, 2001; Dikova et al., 2010).

Independent variable (X2): Cultural differences. The cultural dimension indicates the taken-for-granted and shared understanding of the social life of a country (Hofstede, 1980). Kogut and Singh (1988) developed the measurement on cultural differences between host and home country based on Hofstede's (1980) four cultural attribute scores (i.e. individualism, masculinity, uncertainty avoidance, and power distance)[6]. The cultural difference measure suggested by Kogut and Singh (1988) is typically utilized in the literature. This study codes the country scores and calculates the cultural differences to indicate the specific cultural differences between Taiwan and the host country year by year.

Moderating variable: Family ownership in the foreign subsidiary. ***"Family ownership in the foreign subsidiary"*** is measured by the direct and the indirect ownership type controlled by the family in a foreign subsidiary (Chung, 2014; Chung & Chan, 2012). We calculate the shares directly owned by family members by identifying the name of shareholders in a foreign subsidiary (Claessens et al., 2000; La Porta et al., 1999). Furthermore, we calculate the shares indirectly owned by the family members by measuring the sum of the proportion from the cross-holding shares held by other public or non-public affiliated firms in a family business group (Chung, 2014; Chung & Chan, 2012) [7]. By doing so, we calculate all the shareholding chains of all domestic affiliated firms and foreign subsidiaries to reach the exact shares percentage controlled by the family on the focal foreign subsidiary. Family direct and indirect ownership is calculated separately and identified as the "***Family direct ownership in the foreign subsidiary***" and "***Family indirect ownership in the foreign subsidiary***" to represent the exact ownership control from the family on the focal subsidiary respectively.

Control variables. This study controls for the potential influence of group-level and foreign subsidiary-level variables. For instance, we include general age dimensions such as age of the business groups (Gong, 2003), but also more international business related sources for learning such as the general international experience (Harzing, 1999; Paik & Ando, 2011). International experience impacts institutional difference associations because learning in the business group leads to adaptations in corporate governance. We also control for different family management entrenchment such as percentage of family members in the inner circle (Luo & Chung, 2005) and founder leadership (Cruz et al., 2010). Variations among those variables could have potentially deluding effects on our family manager as expatriate dependent variable. International strategy, such as global integration, can also influence staffing strategies, hence we also control for industry effects (Paik & Ando, 2011). The last set of control variables ensures that we minimise potentially misleading distance effects such as geographic distance (Ghemawat, 2001), which could be impacting our main economic and cultural factors. Table 2 lists the complete set of control variables.

3.2.3. Data analysis

The leadership decision in foreign subsidiaries is a strategic decision that occurs at the subsidiary level; however, other characteristics of the nested family business group can influence each foreign subsidiary. Therefore, we use a hierarchical linear model that incorporates both time-series and multi-level methodology that fits with the multi-level and longitudinal nature of the data (Bryk & Raudenbush, 1992; Ployhart & Vandenberg, 2010). The White test is utilized to test for homoscedasticity across the groups (Brown & Forsythe, 1974). The test rejects the null assumption of homoscedasticity across the groups. In other words, the nested group

Table 2. Control variables list.

Name	Measurement	References
Group-level Control Variables		
Group size	The family business group's total assets	Gong (2003) and Khanna and Rivkin, (2001)
Group age	The years from the family business group's founding year to the current year	Gong (2003) and Khanna and Rivkin (2001)
General international experience	The total foreign assets of the business group in each year	Harzing (1999), Paik and Ando (2011)
International diversification	The entropy measurement is defined as ID= $\Sigma_i[S_i \ln(1/S_i)]$, where S_i is defined as the sales attributed to global market region i, and $\ln(1/S_i)$ is the relative weight given to each global market region (the logarithm of the inverse of its sales). The foreign market regions are classified as Africa, Asia and Pacific, Europe, America and the Oceania.	Hitt, Hoskisson, and Kim (1997), Paik and Ando (2011)
Percentage of family members in the inner circle	The number of family members factored into the total number of members in the "inner circle" (the core individuals who direct decision making in Taiwan's business group)	Luo and Chung (2005)
Founder leadership	A dummy-coded variable to indicate whether the family founder still serves as the key decision-maker in this family business group	Cruz et al. (2010), Morck et al. (2005)
Foreign subsidiary-level control variables		
Subsidiary industrial trait	The dummy-coded of electronic manufacturing, non-electronic manufacturing, or service industry in the foreign subsidiaries to specify the industry impact	Belderbos and Heijltjes (2005), Paik and Ando (2011), Chung (2014)
foreign subsidiary's asset	The foreign subsidiary's assets in a specific year	Gaur et al. (2007), Gong (2003)
foreign subsidiary age	The years from the foreign subsidiary's founding year to the current year	Gaur et al. (2007), Gong (2003)
Relative size of the foreign subsidiary compared with the core company	The percentage of the foreign subsidiary's asset to the core company's asset to represent the resource dependence between the core company and the foreign subsidiary in a business group	Belderbos and Heijltjes (2005)
Host country's GDP	The GDP in the host country to represent the relative importance of the host country's market and future potential consumption capability	Henisz and Delios (2001)
Geographic distance	The geographic distance between the host country and the home country	Ghemawat (2001)
Home country's economic fluctuation	Take into consideration the potential country-specific unobservable or omitted variables that may influence the multinational family business group's internationalization decision from emerging economies. It is measured by the GDP growth rate in the host country, i.e., Taiwan, year by year during the period.	Lasserre and Schütte (2006), Manikandan and Ramachandran (2015); International Institute for Management Development (1999-2003, 2006)

may generate group-level impact on the target dependent variables. The longitudinal pattern of the data might generate intra-level correlations that occur in multi-level data as well as bias generated from contemporaneous correlation (Bryk & Raudenbush, 1992; Dansereau, Yammarino, & Kohles, 1999). Since this study considers a binomial dependent variable we utilise the logistic regression model in STATA 9.0 software to allow estimation in the presence of heteroscedasticity, autocorrelation, and contemporaneous problems across groups and foreign subsidiaries (Baum, 2006; Ployhart & Vandenberg, 2010). The Hausman test result indicates a fixed-effect logistic model is feasible instead of a random-effect logistic model (Baum, 2006).

4. Results

Bivariate correlations between variables are provided in Table 3. We firstly test for the impact of group and foreign subsidiary control variables on the likelihood of utilizing family management in foreign subsidiaries in family business groups. Second, the causal relationships among control variables, independent variables, moderated variables, and dependent variables are tested (from M1 to M5 in Table 4). The Wald Chi-square values are significant for all models. That means that the models satisfy the model-of-fitness and model setting requirements. The results also indicate that several group and foreign subsidiary control variables generate a statistically significant impact on foreign subsidiary leadership decisions.[8]

The results show that larger economic differences decrease the likelihood of utilizing family management in foreign subsidiaries ($b = -0.43$, $P \leqq 0.05$) while cultural differences positively increase the likelihood of utilizing family management ($b = 0.54$, $P \leqq 0.01$), thus supporting hypothesis 1 and hypothesis 2.

For the moderators, family direct and indirect ownership generate a positive effect on the relationship between cultural differences and the utilization of family management ($b = 0.30$ for direct ownership, $P \leqq 0.05$; $b = 0.25$ for indirect ownership $P \leqq 0.05$). This is graphically presented in Figures 1–3[9], Hypothesis 3 b is supported. However, family ownership remains statistically non-significant as moderator of the relationship between economic differences and the utilization of family management. Thus, Hypothesis 3a is not supported. We discuss the results next.

5. Discussion and conclusions

Family owned multinational business groups from emerging economies are of growing importance in the world but are hitherto little understood

Table 3. Correlation matrix.

	Mean	S. D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Foreign subsidiary's leader is family member	0.45	0.50																	
2. Economic differences	0.56	0.39	−0.10**																
3. Cultural differences	2.15	1.23	0.14**	−0.43**															
4. Group's age	36.78	13.91	0.03*	0.12**	−0.07**														
5. Group's asset	7771.18	1218.12	−0.10**	0.02	0.01	0.08**													
6. Founder leadership	0.54	0.50	0.11**	0.10**	−0.04**	−0.07**	0.13**												
7. Percentage of family member in inner circle	0.78	0.27	0.20**	−0.08**	0.03*	−0.02	0.01	−0.04**											
8. Group's foreign experiences	1688.10	1530.68	−0.01	0.01	0.04**	0.08**	0.53**	0.16**	−0.03*										
9. Level of international diversification	0.55	0.32	−0.04**	−0.12**	0.13**	−0.06**	0.07**	0.04**	−0.04**	0.24**									
10. Foreign subsidiary's age	5.75	5.25	−0.01	0.01	0.01	0.02	0.06**	−0.04*	0.02	−0.07**	−0.04**								
11. Foreign subsidiary's asset	144.73	67.98	0.09**	0.03*	0.03*	−0.04**	0.05**	0.05**	0.01	0.13**	0.04*	0.01							
12. Relative size of foreign subsidiary	0.03	0.10	0.03*	0.01	−0.04**	−0.02	−0.05**	−0.01	0.01	−0.06**	−0.06**	0.02	0.01						
13. Host country's GDP	1736.67	717.07	0.03*	−0.10**	0.41**	−0.03*	0.08**	0.01	−0.01	0.13**	0.07**	−0.01	−0.02	−0.04**					
14. Geographic distance	6969.52	6087.55	0.15**	−0.50**	0.69**	−0.08**	0.02	−0.02	0.05**	0.06**	0.11**	0.01	0.05**	−0.04*	0.38**				
15. Home country's economic fluctuation	0.03	0.02	0.01	0.01	−0.03	−0.01	−0.05**	−0.01	−0.02	−0.01	−0.09**	0.01	−0.02	−0.01	−0.03	−0.02			
16. Family direct ownership	0.90	0.41	−0.01	−0.03	0.01	−0.03*	0.02	−0.01	−0.02	0.01	0.01	−0.01	0.01	−0.01	−0.01	0.01	−0.01		
17. Family indirect ownership	0.12	0.11	0.22**	−0.11**	0.13**	0.04**	−0.17**	0.07**	−0.04*	−0.12**	−0.04**	−0.01	0.14**	0.01	0.01	0.15**	0.02	0.02	

Note: (two tailed); Group's asset, Group's foreign asset, and Foreign affiliation's asset are indicated by US. million dollars; The unit of GDP is US. billion dollars; The unit of geographic distance between the home country and the host country is kilometer; The industry trait of the family business groups and the foreign affiliations is not indicated in the correlation table.

*if $P \leqq 0.05$, **if $P \leqq 0.01$

Table 4. The effects of economic and cultural differences on the leadership decisions.

Y = Foreign subsidiary 's CEO is a family member	M1	M2	M3	M4	M5
IVs-Subsidiary level					
Economic differences		**−0.43 (0.18)***	**−0.39 (0.17)***	**−0.44 (0.18)***	**−0.40 (0.18)***
Cultural differences		**0.54 (0.10)****	**0.54 (0.10)****	**0.55 (0.10)****	**0.57 (0.10)****
Moderated effect-Subsidiary level					
Economic differences* Family direct ownership			0.51 (0.49)		0.66 (0.50)
Economic differences* Family indirect ownership				0.79 (0.52)	−0.84 (0.53)
Cultural differences* Family direct ownership			0.24 (0.16)		**0.30 (0.15)***
Cultural differences* Family indirect ownership				**0.22 (0.13)***	**0.25 (0.13)***
Control Vs.-Subsidiary level					
Electronic foreign subsidiary	0.58 (0.20)**	0.51 (0.20)**	0.50 (0.20)**	0.55 (0.20)**	0.55 (0.20)**
Non-electronic foreign subsidiary	(dropped)	(dropped)	(dropped)	(dropped)	(dropped)
Service foreign subsidiary	0.90 (0.14)**	0.71 (0.16)**	0.71 (0.16)**	0.68 (0.16)**	0.68 (0.16)**
Foreign subsidiary's age	0.07 (0.01)**	0.06 (0.01)**	0.07 (0.01)**	0.06 (0.01)**	0.06 (0.01)**
Foreign subsidiary's asset	0.12 (0.02)**	0.12 (0.02)**	0.12 (0.02)**	0.11 (0.02)**	0.12 (0.02)**
Relative size of foreign subsidiary	1.93 (0.58)**	1.91(0.59)**	1.90(0.59)**	1.77(0.61)**	1.76(0.61)**
Geographic distances	0.01 (0.01)**	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)+
Host country's GDP	−0.01 (0.01)**	−0.01 (0.01)**	−0.01 (0.01)**	−0.01 (0.01)**	−0.01 (0.01)**
Home country's economic fluctuation	−1.81 (1.45)	−1.66 (1.47)	−1.80 (1.46)	−1.76 (1.41)	−1.80 (1.48)
Family direct ownership			0.61 (0.18)**	0.87 (0.18)**	0.48 (0.18)**
Family indirect ownership					0.83 (0.19)**
Control Vs.-Group level					
Group's industry trait	(dropped)	(dropped)	(dropped)	(dropped)	(dropped)
Group's age	−0.02 (0.04)	−0.02 (0.05)	−0.02 (0.05)	−0.02 (0.04)	−0.02 (0.05)
Group's asset	−0.18 (0.24)	−0.16 (0.24)	−0.16 (0.24)	−0.15 (0.24)	−0.13 (0.24)
Founder leadership	−0.37 (1.37)	0.43 (1.39)	0.53 (1.39)	0.49 (1.43)	0.58 (1.43)
% of family member in inner circle	0.17 (0.58)	0.18 (0.58)	0.22 (0.58)	0.13 (0.58)	0.10 (0.58)
General international experiences	−0.29 (0.14)*	−0.29 (0.15)*	−0.31 (0.15)*	−0.27 (0.15)*	−0.29 (0.15)*
Level of international diversification	−0.25 (0.24)	−0.26 (0.24)	−0.28 (0.24)	−0.23 (0.24)	−0.25 (0.24)
Log likelihood	**−1531.1973**	**−1511.8582**	**−1502.4642**	**−1489.9053**	**−1484.7079**
LR Chi-2	**354.63****	**384.65****	**398.22****	**423.34****	**433.73****
Number of foreign subsidiaries	**3268**	**3258**	**3249**	**3249**	**3249**
Number of family business groups	**41※**	**41※**	**41※**	**41※**	**41※**

Note: 1. Standard deviation data given in parentheses; $^{+}$if $P \leqq 0.10$, *if $P \leqq 0.05$, **if $P \leqq 0.01$; 2. ※10 groups (209 obs.) dropped due to all positive or all negative outcomes; 3. Group's industry trait omitted due to no within-group variance.

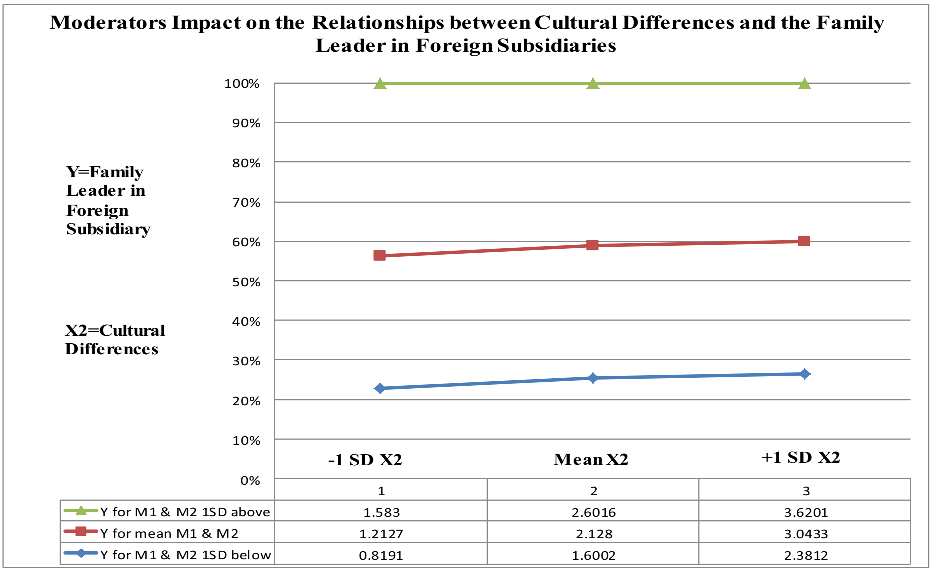

Figure 1. Moderated impact of family direct and indirect ownership on cultural differences.

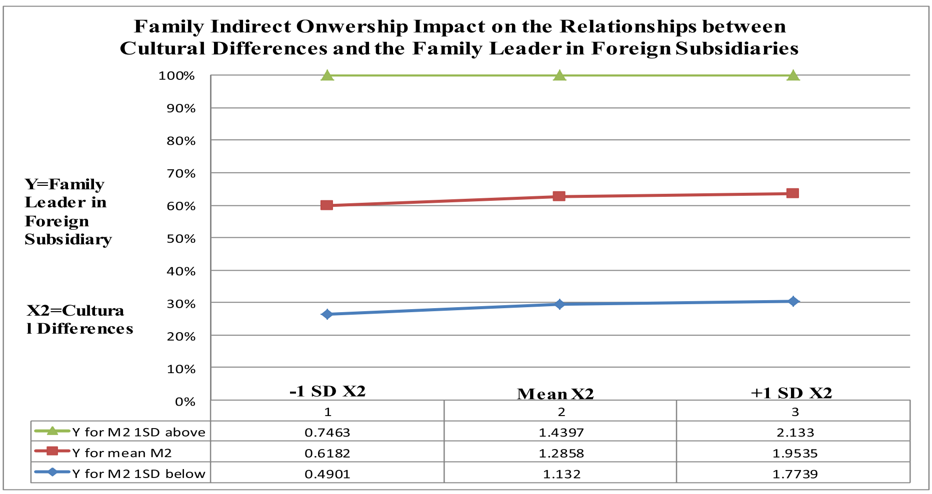

Figure 2. Moderated impact of family direct ownership on cultural differences.

(Hoskisson et al., 2013; Manikandan & Ramachandran, 2015; Wright et al., 2005). Employing agency and institutional theory, this study investigated family leadership decisions for subsidiaries located in institutionally different host countries under consideration of varying degrees of ownership stakes. These are crucial elements for understanding the strategic development of MFBGs because the family intends to achieve internal consistency and goal congruence among all the internationally dispersed subsidiaries within the group (Chung & Chan, 2012; Luo & Chung, 2013). This is desirable from the viewpoint of the controlling

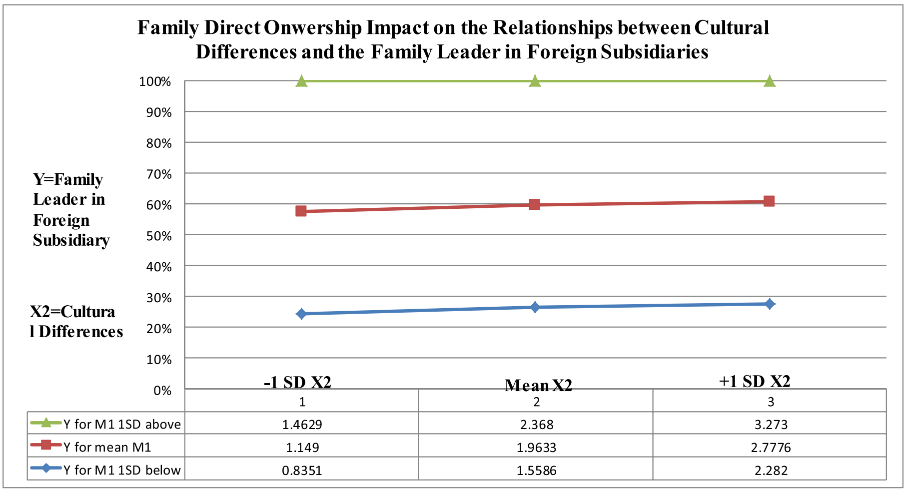

Figure 3. Moderated impact of family indirect ownership on cultural differences.

family in order to manifest its influence in the internationalisation process. The main argument of our study is that family leadership decisions in foreign subsidiaries vary with economic and cultural uncertainty. Our expectations have been largely supported by our empirical results.

We found that greater institutional uncertainty, caused by larger cultural differences between home and host country, results in MFBGs preferring family managers to lead a foreign subsidiary. The results contribute to the wider notion that cultural differences create higher costs for communication and knowledge transfer (Kogut & Singh, 1988; Rugman et al., 2011). This is also because cultural differences might be perceived as a specific threat to distinct family values and family centred corporate culture and justifies the use of scarce family managers. In our case, MFBGs prefer to ensure internal coordination and control over lowering costs of doing business in the host location via the use of local managing directors to ease access to local networks for instance (Kingkaew & Dahms, 2019; Johanson & Vahlne, 2009). However, this was not the case in host countries that show greater economic differences to the home country.

The results indicate that if the subsidiary is located in a host country that is economically dissimilar from the home country, the MFBG is more likely to choose a non-family member as manager. This was in line with our theoretical expectations. For instance, MFBGs appear eager to either catch up with their rivals from advanced economies or to exploit other location specific factors such as labour cost or labour skill differentials. Accordingly, employing non-family managers to gain localization advantages (Rugman et al., 2011) or access host country networks for instance (Johanson & Vahlne, 2009), the MFBG tends to rely on outcome control to ensure the foreign subsidiary's actions align with the headquarters intentions (Harzing, 1999). This finding is contrary to studies conducted on MNEs from advanced economies such as overseas leadership decisions of Japanese multinationals that showed a preference for home country managers with increasing institutional differences (Gaur et al., 2007; Gong, 2003). Our result indicates that economic differences appear to be more comfortably dealt with by MFBGs, leading to a lower likelihood to utilize family management. In other words, even though scholars have indicated distinctive leadership decisions in Japanese MNCs to ensure goal alignment between the headquarters and subsidiaries (Gaur et al., 2007; Gong, 2003), our findings highlight that family enterprises have different considerations on utilizing family and non-family management based on institutional uncertainty that is perceived as manageable through indirect and formal control mechanisms. Accordingly, the utilisation of family management in MFBGs is seen as a more appropriate mechanisms for cultural control (Erdener & Shapiro, 2005; Tsang, 2002).

The second strategic coordination and control mechanism that we investigated was ownership stake (Almeida & Wolfenzon, 2006; Filatotchev et al., 2007; Lin, 2016). In line with our expectations, we found that direct and indirect ownership positively moderate the decision to use a family manager in culturally different host countries. This could indicate that MFBGs feel less secure in dealing with outsider capital influence and its potential negative implications for corporate reputation in culturally different host countries. Hence, both mechanisms, i.e. family management and higher ownership stakes, are used in complementary manner to mitigate the effects of cultural institutional uncertainty. However, no such moderation has been found for the association between economic differences and family management. This might be because economic differences between home and the host country are perceived as more predictable by the MFBGs.

Our study contributes to current literature in the following ways. Firstly, we show the interplay and contingency between family corporate governance means and institutional differences in coordination and control decision-making processes of MFBGs from emerging economies. This study therefore narrows the gap in current understanding of how institutional uncertainty between home and host countries helps to explain leadership decisions in foreign subsidiaries (Bae & Salomon, 2010; Chang et al., 2009). Second, we contribute to the empirical coordination and control literature on MFBGs from emerging economies. In particular, we use a large sample of Taiwanese MFBGs and multilevel research design, which provides potentially more generalizable results for such business forms than studies conducted in an advanced economy context (e.g. Chang et al., 2009; Gaur et al., 2007).

Nevertheless, our results also indicate a degree of similarity between East Asian and family enterprises from elsewhere. For example, Arregle and his colleagues show that external stakeholder influence has an impact on internationalization decisions of Swedish enterprises (Arregle et al., 2012). A similar pattern also appears in US (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010), Spanish (Gómez-Mejía et al., 2010), and Italian (Bannò & Sgobbi, 2016) family enterprises. Our study adds to that in a sense that the influence of outsiders, either in the form of external managers, shareholders, or host country stakeholders, appears to make family enterprises react in a way to control or at least to mitigate such influence. We expand that discussion in showing that such patterns hold predominantly for subsidiaries located in host countries with larger cultural differences.

Lastly, our study might also add to the growing body of literature that investigates the role of non-family managers in family businesses (e.g. Tabor et al., 2018). In particular, most of those studies have predominantly focussed on the internal workings of family businesses staffing decisions. For example, Hiebl and Li (2018) identified in their literature review that the main conceptual frameworks used were agency theory, stewardship theory, and the resource-based view of the firm. Our study adds to that because we indicate that such decisions are also influenced by institutional considerations in an internationalisation context. Hence, a multiple lens approach might be of use to adress non-family manager staffing decisions.

5.1. Limitations and future research

Our research also has limitations. First, this study focussed on the largest MFBGs from Taiwan. However, our approach ignores smaller and medium sized companies and hence businesses that are more resource constrained. Furthermore, we focus on one home country of MFBGs. We hope that future research could expand into other countries, especially other mid-range emerging economies (Chung & Dahms, 2018; Hoskisson et al., 2013) in order to help us to develop a broader understanding of coordination and control decision pattern in MFBG's.

Additionally, further case studies could help highlighting the intricacies of the inner workings of MFBGs. For instance, larger economic differences between countries might make some countries a more desirable location than others. That means undesirable locations could be used as punishments for some family managers. Due to data limitations, our study is not able to investigate that issue further. Furthermore, we focussed on the managing director of the foreign subsidiary. However, other studies showed that, for instance, the Chief Financial Officer can also play a crucial role in family business decision making (e.g. Hiebl, 2014).

While our dataset provided us with valuable insights using time series and panel data, there are also certain detailed information that it cannot provide. One example is the speed of entry or certain entry modes such as strategic alliances. Those issues, while undoubtedly important, remain outside the scope of the current study. Lastly, we focused on explaining the effects of institutional differences on the deployment decision of family leadership in foreign-owned subsidiaries. This approach was taken in order to also highlight the complementary nature of agency theory and institutional theory to provide a comprehensive theoretical framework. However, it might well be that there are other host country specific characteristics, such as the relative economic development stage, that might also play a role. Future studies may also expand our findings and examine whether leadership decisions vary with the qualifications of the family/non-family managers as control mechanism in family enterprises. Our dataset does not allow to derive such insights.

Notes

1. That is not to say that economic and cultural differences are exhaustively representing institutional differences between countries. Ghemawat (2001) for instance identifies four different dimensions; the organisational theorist Scott (1995) identifies three. However, studies indicate that economic and cultural differences are important factors that explain a substantial amount of institutional variation between countries (e.g. Berry et al., 2010; Dikova et al., 2010).
2. The rationale is to magnify relatively small levels of ownership to achieve control of the business group with less direct ownership of stock (Almeida & Wolfenzon, 2006; Claessens et al., 2000; Morck et al., 2005). This kind of investment provides greater financial flexibility (Rangan, 1998) and indicates a lower risk preference of the firm.
3. This study utilizes 5 years of data in the analysis. The use of such longitudinal data can result in some family business groups moving in and/or dropping out of the top-100 business groups. To ensure that the impact of the business was not a temporary fluke, or more reflective of accounting manipulations than of substantive impact, we required that each family business group be part of the top-100 business groups for at least three years during the five-year time periods we examined. The result was a sample of 51 family business groups.
4. Concerning the sample size: 51 [number of family business groups] * 5 [number of data sets] -8 [missing data for one year for 8 groups] - 2 [missing data for two years for 1 group] = 245.
5. The countries reach from Asia (for example, Japan, South Korea, Singapore, China, Philippines, Malaysia, or India), to America (for example, U.S.A., Canada, Mexico), Europe (for example, France, Germany, Ireland, United Kingdom, Poland, Czech, Italy, Finland, or Denmark), and the Pacific Ocean Region (Australia and New Zealand).
6. The cultural distance index developed by Kogut and Singh (1988) tries to capture the differences of Hofstede's (1980) four cultural attribute scores between the home and the host country. The specific index is : $CD_{ik} = \sum_{j=1}^{4}\{(D_{ij} - D_{ik})2/V_i\}/4$ where

D_{ij} stands for the index for the ith cultural dimension and jth country, V_i is the variance of the index of the ith dimension, and CD_{ik} is the cultural difference of the jth country from the home country (Taiwan).

7. The family in a business group can directly invest in an affiliated firm (we can call it firm A), and then utilize this focal affiliated firm (firm A) to be the shareholder of another affiliated firm (we can call it firm B) to prevent the disclosure of the shareholding. Therefore, the calculation of the indirect ownership on firm B is to calculate the total shares owned by the controlling family in this affiliation chain. For example, suppose that family members have directly 25% of the shares for firm A, and firm A owns 100% of firm B. On the other hand, firm B in turn owns 17% of firm A. Thus, in this simple case, the founding family has 42% of the control rights in firm A, 25% directly and 17% through a pyramidal chain.
8. In particular, the MFBG's general international experience as well as the foreign subsidiary's age, asset, and the industry show statistically significant impacts on the foreign subsidiary leadership decision.
9. The formula is: Y = a+b1(X1)+b2(X2)+c1(X1*M1)+c2(X1*M2)+c3(X2*M1)+c4 (X2*M2)+ … (control variables impact). When plotting the graph of the moderated impact, we must plot the baseline to get the corresponding value of the moderation (one is the mean value of the moderation, and the other two are the one deviation value of the moderation). In Figure 1-3, we indicate the significant positive impact from two moderated variables (M1: family direct ownership, and M2: family indirect ownership) on the relationship between cultural differences (X2) and family management (Y). We illustrate Figure 1 as an example. In Figure 1; the baseline is the red line. This red line is plotted when M1 and M2 are the mean value (mean value of M1 = 0.90, and mean value of M2 = 0.12), and thus we plot the red line utilizing the value of X and Y. Furthermore, we consider to add one deviation of M1 and M2 and plot the green line (add one deviation of M1 (deviation of M1 = 0.41) to the mean value of M1, so now M1 = 0.90 + 0.41 = 1.31, same as M2, so M2 = 0.23 (Mean value of M2 = 0.12, and deviation of M2 = 0.11, 0.12 + 0.11 = 0.23). Additionally, we consider to delete one deviation of M1 and M2 and plot the blue line (now, M1 = 0.90-0.41 = 0.49, M2 = 0.12-0.11 = 0.01). We plot Figure 2 and Figure 3 to see whether when only consider M1 or M2, the trend of the plot is the same.

Disclosure statement

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