 http://dx.doi.org/10.17287/kmr.2018.47.5.1175

Family Ownership and SME Performance: A Moderated Mediation Model of Internationalization and Institutional Ownership*

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This study draws on stewardship and agency theories to examine the impact of family ownership on the performance of family small- and medium-sized enterprises (SMEs), the mediating impact of internationalization, and the moderating impact of institutional ownership. Additionally, by integrating the mediating and moderating impacts, we propose a moderated mediation model for the performance of family SMEs. This study argues and finds in a study of listed Korean family SMEs that family ownership promotes performance. In addition, SMEs with high family ownership have the high performance at low levels of internationalization, low performance at medium levels of internationalization, and high performance again at high levels of internationalization. Institutional ownership also acts as a positive moderator in the family ownership-internationalization relationship and through both low and high levels of internationalization, and the positive indirect impact of family ownership on performance is stronger when institutional ownership is high.

Key words: Family Ownership, Internationalization, Institutional Ownership, Family SMEs, A Moderated Mediation Approach

Ⅰ. Introduction

Current studies posit that the family enterprise is a usual organizational form in both mature and emerging countries. In the United States, family-controlled and family-owned enterprises account for approximately 90% of all corporate entities (Poza, 2013). These enterprises comprise one-third of the Fortune 500 enterprises (Shleifer and Vishny, 1986) and S&P 500 enterprises (Anderson and Reeb, 2003). In East Asian nations, more than two-thirds of enterprises are managed by individuals or family members and, in Western Europe, approximately 44% of enterprises are family

최초투고일: 2018. 7. 11 게재확정일: 2018. 8. 28
* The authors sincerely appreciate helpful comments and suggestions from the editor and two anonymous reviewers, as well as that from participants at a number of seminars and conferences. The earlier version of this paper received the Best Paper Award from the Strategic Management Division, Korean Academic Society of Business Administration Annual Conference in 2016. All errors remain ours.

owned (Chu, 2009, 2011).

Despite the prevalence of family firms, our understanding of the performance implications of family ownership for firms is yet remains an open question. Previous empirical evidence is contradictory and inconclusive (e.g., Anderson and Reeb, 2003; Chu, 2011; De Massis, Kotlar, Campopiano, and Cassia, 2015; Gómez-Mejía, Cruz, Berrone, and De Castro, 2011; Miller, Minichilli, and Corbetta, 2013; Zhou, Tam, and Yu, 2013). Several limitations may contribute to such inconclusive findings. First, prior study with the findings of positive performance for family enterprises has concentrated on large American enterprises (e.g., Anderson and Reeb, 2003; Villalonga and Amit, 2006). Nonetheless, the assumed benefits of family ownership in the business have questioned in dynamic emerging economy contexts such as South Korea and dissimilar samples (e.g., Jun, Sheldon, and Rhee, 2010; Yoo and Rhee, 2013), including those of small and medium-sized enterprises (SMEs) (Lee and Chang, 2007; Miller, Lee, Chang, and Le Breton-Miller, 2009). Second, prior researches have largely concentrated on the direct effect of family ownership on the performance outcomes and have neglected its indirect, mediated impact. Indeed, some scholars note the fact that it is an academic challenge to explore the underlying mechanism of the impact of family ownership on firm performance (e.g., Madison, Holt, Kellermanns, and Ranft, 2015). A final limitation of prior studies is that they have overlooked the role of external stockholders that may influence internal owners' strategic decisions (Chen, Hsu, and Chang, 2014). Specifically, in spite of the crucial role of institutional investors (external stockholders), few studies examine their effect on the strategic decisions for better performance outcomes by family owners (internal stockholders) (Boyd and Solarino, 2016).

To fill the aforementioned gap in the literature, based on the stewardship and agency theories, we aim to explore the link between family ownership and SME performance by suggesting that the link is affected by internationalization. More specifically, we argue that SME operations are complicated phenomena that might include intermediate steps that do not directly affect performance. This point is crucial as recent theoretical developments in the SME governance scholarship emphasize why and how SMEs with a high share of family ownership enjoy superior performance (e.g., Chu, 2009, 2011; De Massis et al., 2015). As noted, the conflicting results in prior studies are attributable to the fact that extant scholars have mainly concentrated on the direct effect of family ownership on performance and have neglected its direct, mediated impact. Hence, we seek to shed light on this issue by investigating the underlying mechanism of the impact of family ownership on SME performance. We propose internationalization as a mediating factor that links family ownership to performance because international expansion is recognized as a valuable strategy for corporate growth and expansion. Besides, internationalization provides a potentially efficient way to maximize the performance and enhance the likelihood of long-term success (Chen et al., 2014; Sciascia, Mazzola, Astrachan, and Pieper, 2012; Zahra, 2003), particularly for "SMEs in highly competitive, small, or mature home markets like Korea" (Cho and Lee, 2018, p. 141). Given the potential impact of family ownership on strategic decisions such as international expansion (Sciascia et al., 2012) and the lack of studies that examine the relationship between family ownership, internationalization, and performance, we examine whether internationalization mediates the family ownership–performance relationship.

In addition, we consider that a shortage of resources combined with an external network, psychosociological, political, and cultural concerns are factors that may hinder the international expansion of SMEs (Cho and Lee, 2018; Lu and Beamish, 2001). Institutional investors such as banks, insurance companies, pension funds, and investment funds may affect enterprise strategy for internationalization by making long-term investments, offering important resources, and monitoring management decisions (Cho and Lee, 2017; Tihanyi, Johnson, Hoskisson, and Hitt, 2003). Institutional investors tend to actively monitor the decision-making for foreign expansions and have long-term investment horizons (Boyd and Solarino, 2016). However, as noted, most of the research on ownership structure overlooks a key point, that external stockholders could affect internal owners' strategic decisions (e.g., Chen et al., 2014). In particular, in spite of the crucial role of institutional investors, considered as external stockholders, few studies examine their effect on the strategic decisions like international expansion by SMEs' family stockholders (internal stockholders). Following Boyd and Solarino (2016), this study is cognizant of the complex relationships present in family-controlled enterprises. Hence, we consider governance features that affect agency influences. Investigating the institutional ownership's role might offer a richer explanation of the family ownership–internationalization relationship. We further consider a moderated mediation condition by integrating the mediating and moderating effects for seeking to explore whether institutional ownership moderates the family ownership–performance relationship mediated by internationalization. Exploring the moderated mediation model provides a richer understanding of the underlying mechanism of the indirect impact of family ownership on performance and of at what point the mediating effect of internationalization is encouraged by institutional ownership.

To address these issues, we use a sample of 232 listed Korean family SMEs in manufacturing sectors with less than 500 employees, by definition (Chu, 2009, 2011; Lee, Kelley, Lee, and Lee, 2012). We define family SMEs as those in which family members hold 5 percent or more of the ownership shares and at least one family member serves as CEO, president, chair, vice-president, or director. This definition is consistent with previous researches in the family business literature (Amann and Jaussaud, 2012; Chang and Shim, 2015; Villalonga and Amit, 2006), assessed over a 10-year (2003 to 2013) period. This period offered a unique context that featured the accelerated internationalization pace of Korean family SMEs. Korea is well suited to offer a suitable context because "SMEs constitute more than 99 percent of Korean firms" (Lee, 2010, p. 19). Family ownership is substantial and prevalent in most Korean enterprises (Chang, 2003; Choi et al., 2015; Rowley and Bae, 1998). Because "Korea is a large, open economy with a shortage of natural resources and small domestic markets, family SMEs is considered as the core driving force behind Korean economic development by virtue of their internationalization" (Cho and Lee, 2017, p. 52). Hence, we believe that, for Korean SMEs, family ownership is a crucial determinant of international expansion and performance. In addition, the increasing institutional ownership in the Korean economy plays a significant role in internationalization decision-making.

II. Theory and Hypotheses

Even if no lack of research on family firms exists, previous researches seldom explored how the family ownership-performance relationship is mediated by internationalization. This study notes that if the stockholders of a family create value for SMEs, they can affect managerial systems and the decision-making related to superior performance and internationalization. Additionally, institutional ownership might affect the links between family ownership, internationalization, and performance. Therefore, we examine whether the effect of family ownership is mediated by internationalization, whether institutional ownership moderates the relationship between family ownership and internationalization, and whether the moderated mediation approach is applicable. The findings are expected to have implications for stewardship and agency theories for family SMEs.

2.1 Family Ownership and SME Performance

Some researches on family SMEs have focused on the detrimental impacts of family ownership and considered family SMEs to be relatively unprofitable and inefficient organizational forms. Agency concerns, which are a consequence of the combination of control and ownership that enables concentrated stockholders to exchange interests from private rents (Chu, 2011; Jensen and Meckling, 1976), is the problem with family ownership. Members of family may prefer to work for their own benefit at the expense of other stockholders. For instance, "family members could direct insufficient resources away from worthwhile projects to fulfill their non-pecuniary compensation" (Kim, Kim, and Lee, 2008, p. 407); family stockholders are more likely to treat SMEs as a private bank or a family employment service (Shleifer and Vishny, 1997). Instead of employing capable and qualified professional managers, they limit top management positions to family members (Chang, 2003; Chang and Shim, 2015; Chu, 2011; Gómez-Mejía, Nunez-Nickel, and Gutierrez, 2001). Thus, undiversified owners and family members tend to cause the underperformance of SMEs through a dispersed ownership structure (De Massis et al., 2015).

Currently, the stewardship theory perspective has gained attention among family business scholars. Compared with the agency theory perspective, stewardship theory utilizes a dissimilar model of man and presumes dissimilar psychological and situational antecedents from personal behavior (Davis, Schoorman, and Donaldson, 1997; Madison et al., 2015). "Corporate managers that act as stewards obtain higher utility from pro-organizational, collectivistic behavior than from individualistic, self-serving behavior assumed by the agency theory perspective" (Madison, Kellermanns, and Munyon, 2017, p. 347). In particular, this situation is associated with a family business that has kinship ties that highly prevail among corporate members (Chang and Shim, 2015; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, and Moyano-Fuentes, 2007). In family SMEs, managers' and owners' desires are "better aligned, and SME governance mechanisms designed on agency theory prescriptions might be inefficient and unnecessary for family SMEs" (Chen et al., 2014, p. 772). Stewards are more likely to seek the benefits of enterprises (Davis et al., 1997; Madison et al., 2015, 2017).

The majority of recent studies reports that family-controlled enterprises perform better than nonfamily enterprises (Anderson and Reeb, 2003). Certain previous studies from Asia and Europe posit the positive family ownership - SME performance relationship. The study by Chu (2011) on listed Taiwanese family enterprises posits that the family ownership - performance relationship is more prevalent in small enterprises than in large enterprises. Using data gathered from 341 public SMEs in Taiwan, Chu (2009) also found that the impact of family ownership on SME performance is significant and positive. Randøy and Goel (2003) studied 68 publicly traded

SMEs in Norway and found that family SMEs perform better when they have a high share of insider ownership.

We seek to explore the family ownership–performance relationship in Korean family SMEs. Many Korean SMEs are classified as family enterprises. Family members have a high share of equity ownership and serve as top executives and chief executive officers (CEOs), thereby offering specific competitive advantages that positively influence SME performance (Chang, 2003; Miller et al., 2009). Family ownership strengthen intangible and unique resources, for example social and human capital. Generally, Korean family SMEs are inherited. To support this transition, "owners aspire to cultivate a loyal team of trained and professional staff by offering satisfactory working conditions, excellent benefits, and high salaries" (Miller and Le Breton-Miller, 2005, p. 2). Miller et al. (2009) also argue that Korean family owners tend to actively build and keep long-lasting relationships with external networks, including buyers, suppliers, and capital providers. These relationships provide access to plentiful resources that may positively affect their performance. Thus, we propose that:

Hypothesis 1: Family ownership is positively related to SME performance.

2.2 The Mediating Impact of Internationalization

Family ownership has specific features that may significantly influence performance (Anderson and Reeb, 2003; Chang, 2003) through internationalization. International expansion is recognized as a valuable strategy for corporate growth and expansion; moreover, internationalization offers a potentially efficient way to maximize the performance of family SMEs and enhance their likelihood of long-term success (Chen et al., 2014; Graves and Thomas, 2008; Zahra, 2003). Thus, the possibility exists that internationalization mediates the family ownership–performance relationship.

Previous studies argue that ownership considerably affects corporate strategic decisions, particularly for family SMEs with owners who have a considerable equity stake (De Massis et al., 2015; Sciascia et al., 2012; Zahra, 2003). Managers-owners can act as stewards of corporate resources and examine the disadvantages and benefits of international expansion. Family members' altruistic behavior indicates that if international expansion is crucial to corporate long-term success and to improving family members' employment, managers-owners might prefer this strategy even when the recognized risk is high. Managers-owners might use international expansion to extend their corporate market base, thus generating momentum for development and opportunities for a high involvement of the family in the enterprise.

The Korean family SME is highly characterized by excellent communication between their members, which enables an easier understanding of the corporate mission (Miller et al., 2009). This shared support and understanding that "managers-owners receive from SME family members can reduce the risks related to strategic positions that need a longer payoff period related to international expansion" (Zahra, 2003, p. 497). Moreover, altruism argues that members of family who hold shares in SMEs are more likely to devote the resources necessary to preserve their investments and to avoid risky expansion into global markets. Typically, family shareholdings have low turnover, which ties managers' future to that of their enterprise (Sciascia et al., 2012; Zahra, 2003). Aligning corporate managers' future with that of the enterprise means that such managers will need to carefully examine the benefits of internationalization. Doing so can decrease family SMEs' perceived risks of and convince them to internationalize.

In particular, SMEs with high family ownership that initially regard international expansions as an "adjunct to domestic business" or as a "source of quick profits" must exploit economies of scope or scale and, consequently, have a relatively high performance (Graves and Thomas, 2008). Along the path of additional internationalization and the "gradual adoption of a culturally unrelated strategy" (Lu and Beamish, 2001, p. 566), SMEs with a high share of family ownership face an increasing imbalance between internal competencies and external environments. Although they face performance pressures accompanying such misalignment, organizational learning sets in, and SMEs with a high share of family ownership could flexibly and quickly begin to reconfigure processes, internal systems, and mechanisms to adapt to new international environment owing to the small firm size (Graves and Thomas 2008). SMEs with a high share of family ownership successfully go through the reorientation period and experience a point of reversal and restoration of positive performance improvement. Supported by viable organizational settings, SMEs with a high share of family ownership are now in a position to avail of the advantages of high levels of international expansion. Thus, we propose the following hypothesis:

Hypothesis 2: Internationalization mediates the relationship between family ownership and SME performance. Specifically, SMEs with a higher share of family ownership have a high performance at low levels of internationalization, low performance at medium levels of internationalization, and a high performance again at high levels of internationalization.

2.3 The Moderating Impact of Institutional Ownership

Institutional investors possess abundant resources and crucial shareholdings and, therefore, have the ability and power to affect a firm's strategic decision-making, such as the decision to internationalize (George, Wiklund, and Zahra, 2005), especially in Korea (Kim et al., 2008). From the perspective of agency theory, these investors are considered to be massive external stockholders that monitor family managers of SMEs (Chen et al., 2014; Davila, Foster, and Gupta, 2003; Thomsen and Pedersen, 2000). Cho and Lee (2017, p. 57) point out that "their varied investment portfolios are morel likely to be risk neutral." Hence, they are more likely than SMEs' family managers are to have risky investments. In addition, institutional investors may have long-term investment horizons, implying a willingness to make an investment for the long run (Chang and Shim, 2015). Thus, they are more likely to "act as active observers with long-term interests" (Kim et al., 2008, p. 408). Although the international expansion is subject to high costs, income stream uncertainty, and short-term risks, it is considered worthwhile for the long run (Cho and Lee, 2017, 2018). Thus, institutional investors promote family managers to undertake international expansion for long-term profits. Researchers validate the concept that "high levels of institutional ownership have an incentive to monitor managers and the authority to guide firms' strategic decision-making" (Chung, Firth, and Kim, 2005, p. 766).

Additionally, human resources, customer networks, distribution channels, and technological and commercial resources are crucial to remaining competitive in global markets (e.g., Cho and Lee, 2018; Lu and Beamish, 2001). Institutional investors could offer family SMEs access to these associated resources. For instance, the institutional investors' involvement in family SMEs serves as an influential signal to banks because it assures effective control. This control may enhance the bank resources available to SMEs and reduce their cost of capital (George et al., 2005). Moreover, institutional investors could offer the capital required for SMEs to expand into foreign markets (Chen et al., 2014). Given these essential resources, family SMEs are in a better position to expand into foreign markets with less perceived risks and uncertainty, and are favorably disposed towards foreign expansions.

In contrast, some researchers suggest an alternative opinion that institutions are less likely to have a long-term view or to positively influence corporate decisions for international expansion (e.g., Chaganti and Damanpour, 1991; Graves, 1988). "When institutional fund managers are involved in investment decisions, they might have a myopic view" (Graves, 1988,

p. 418). If the portfolio outcome is insufficient, the responsible fund manager can be replaced. Because fund managers are usually remunerated on the basis of short-term performance measures, they tend to be risk averse regarding career advancement and job security and make an investment for the short term (Tihanyi et al., 2003; Hansen and Hill 1991), implying that they are less likely to support long-term projects such as internationalization.

However, in emerging economies like Korea, institutional investors can encourage and—if needed—publicly or privately compel SME managers to invest in internationalization because "risky strategies cause income uncertainty in the short term but can be highly profitable in the long run" (Cho and Lee, 2017: 51). Given that institutional investors normally make an investment in corporate portfolios, they are more likely to be open to accepting higher risks in each individual investment than SME managers are (George et al., 2005; Webb, Beck, and McKinnon, 2003). Hence, they might possess a positive view of foreign expansion as a crucial enabler for family SMEs to obtain legitimacy in international markets. Moreover, some scholars note that "given the potentially negative impact of a high selling price and resulting capital gains, their large investments limit institutional investors' ability to actively trade their numerous investments" (Cho and Lee, 2017, p. 55). Therefore, the interests and viewpoint of institutional investors make them suitable stockholders (Chung et al., 2005; Musteen, Datta, and Herrmann, 2009). They might also be more likely to conduct strategies that strengthen firms' long-term value (Chen et al., 2014). Consequently, institutional investors have long-term investment views, improve corporate resources, and effectively monitor family agents, thereby encouraging family SMEs toward international expansion, which is more likely to promote sustainable profits. Thus:

Hypothesis 3: Institutional ownership positively moderates the relationship between family ownership and SME internationalization.

We argue that, by integrating the arguments of H1 and H2, the moderated mediation model can be applicable (Preacher, Rucker, and Hayes, 2007). Thus, the likelihood exists that institutional ownership may moderate the family ownership–performance relationship mediated by internationalization. More specifically, SMEs with high family ownership tend to expand into foreign markets as institutional ownership rises, with performance being high at low levels of internationalization, low at medium levels of internationalization, and high again at high levels of internationalization. In other words, through international expansion, the positive indirect impact of family ownership on performance is stronger when institutional ownership is higher. Thus:

Hypothesis 4: Institutional ownership positively moderates the family ownership - performance relationship mediated by internationalization of SMEs. Specifically, through low or high levels of internationalization, the positive indirect impact of family ownership on performance is stronger when institutional ownership is high than when it is low.

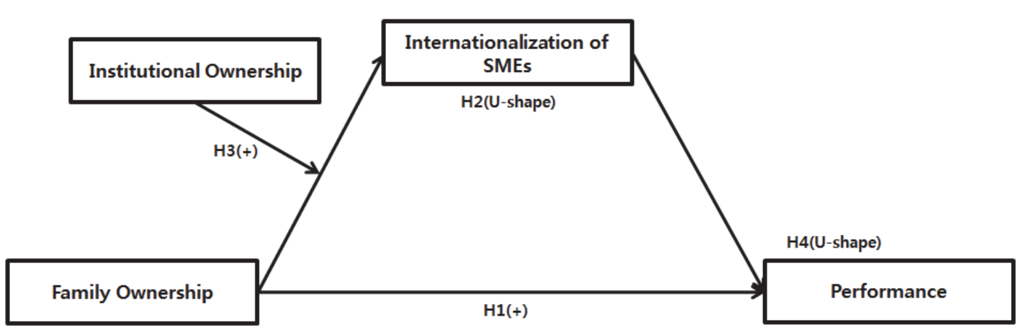
Our hypothesized conceptual model is presented in Figure 1.

Ⅲ. Method

3.1 Sample

The sample consists of Korean manufacturing family SMEs listed on the Korean Stock Exchange during the period from 2003 to 2013. Secondary data are obtained from the TS2000 database, which contains ownership information, company profiles, and financial data for all listed Korean firms.

We use the panel data because the results "account for both structural changes and cyclical fluctuations" (Cho and Lee, 2018, p. 148). Our study takes 1-year time lag between the explanatory and control variables and outcome variable to secure the right causality direction rather than the reverse. From the total of 681 manufacturing firms continuously listed on the Korean Stock Exchange between 2003 and 2013, we first excluded 13 firms that report incomplete firm information. We then selected family SMEs, which employ less than 500 employees (Chu, 2009, 2011; Lee et al., 2012) and where family members hold 5 percent or more of the ownership shares as well as at least one family member serves as CEO, president, chair, vice-president, or director (Amann and Jaussaud, 2012; Chang and Shim, 2015; Villalonga and Amit, 2006). We also excluded family SMEs that did not continuously have foreign sales throughout



〈Figure 1〉 Research Framework

the period because the main focus of our study is the impact of internationalization and "to avoid including sporadic firms with no commitment to the international markets" (Sui and Baum, 2014, p. 828). Thus, the final sample comprises 232 firms and 2,320 firm-year observations that fulfilled the aforementioned criteria during the 2003-2013 period. Using two-digit Korean Standard Industrial Classification codes categorized by the middle classification level, we summarize the industrial classification of the sample in Table 1.

〈Table 1〉 Industrial Classification

No	Industrial classification	Two-digit KSIC codes based on the middle classification level	Number of firms
1	Food manufacturer	10	4
2	Beverage manufacturer	11	1
3	Textile manufacturer	13	5
4	Clothing manufacturer	14	2
5	Leather, bags, and footwear manufacturer	15	3
6	Wood manufacturer	16	2
7	Pulp and paper manufacturer	17	12
8	Printing and reproduction of recorded media manufacturer	18	1
9	Coke, briquette, and refined petroleum product manufacturer	19	3
10	Chemical manufacturer	20	24
11	Medicine manufacturer	21	15
12	Rubber and plastic manufacturer	22	4
13	Non-metal manufacturer	23	5
14	Primary metal manufacturer	24	20
15	Metal product manufacturer	25	8
16	Electronic components, computers, telecommunications and broadcasting equipment, and video and audio equipment manufacturer	26	46
17	Medical manufacturer	27	5
18	Electrical equipment manufacturer	28	8
19	Other machinery and equipment manufacturer	29	40
20	Automobile and trailer manufacturer	30	14
21	Other transportation equipment manufacturer	31	1
22	Furniture manufacturer	32	3
23	Other product manufacturer	33	6
Total		232	

3.2 Measures

The following measures were employed as the dependent, mediator, independent, moderator, and control variables.

Performance. Following the most prior research on ownership structure and internationalization, performance is measured using return on assets (ROA) (e.g., Anderson and Reeb, 2003; Chu, 2009, 2011; Sullivan, 1994b) to secure that the measure of performance assesses operating efficiency without being biased by the relatively high debt-to-equity ratios common in Korean enterprises (Chang, 2003). This index offers "a precise measure of operating efficiency because, in the majority of emerging economies, the debt-to-equity ratio is normally high and capital markets are imperfect" (Chu, 2011, p. 840).

Internationalization. We use the foreign sales to total sales (FSTS) to capture the firm's level of internationalization as it is the most common and primary internationalization operationalization used by previous researches (e.g., Capar and Kotabe, 2003; Chen et al., 2014; Cho and Lee, 2017, 2018; Lee et al., 2012; Lin and Liu, 2012; Sullivan, 1994a, 1994b; Zahra, 2003). In addition, the FSTS index is used because of data availability constraints and for comparison purposes.

Family Ownership. Family ownership is measured as the ratio of shares owned by family members, including descendants. (Cho and Lee, 2018; Kim et al., 2008).

Institutional Ownership. This is measured as the ratio of shares owned by corporations, insurance companies, banks, and foreign investors (Chang and Shim, 2015).

Control Variables. The analysis incorporates several control variables. As "ownership type may influence executives' risk preferences and thus affect their decisions, it is important to secure that our results are not affected by the other ownership types" (Cho and Lee, 2018, p. 152). We first incorporate both management ownership and lone founder ownership, calculated by the share of ownership held by managers and lone founders, respectively. Second, firm size, as measured using the logarithm of total assets, is included because large firms may have the resources and personnel conducive to internationalization and performance (Chu, 2011). Third, debt is calculated as the debt-to-equity ratio and is included in response to statements made in the existing literature about internationalization needing financial support (Chen et al., 2014). Fourth, we incorporate firm age, calculated as the logarithm of the number of years that a firm has been in existence because this may influence the ability to gather information regarding international expansion and develop the needed infrastructure for foreign market entry (Zahra, 2003). Fifth, to control for year- and industry-specific impacts, year dummies and industry dummies are included.

3.3 Analytical Technique

We employ fixed-effects regression analysis to test our hypotheses. The reason is that "the fixed effects analysis is utilized at the firm level and addresses unobserved enterprise heterogeneity as long as the errors are homoscedastic and independent" (Alessandri and Seth, 2014, p. 2069). We first evaluate the fixed effects model by "applying robust standard errors utilizing the Huber-White sandwich estimator" (Cho and Lee, 2018, p. 153). The Hausman test checked whether a fixed effects model is appropriate. This fixed effects model provides a point of comparison for much of prior studies that links family ownership, international expansion, institutional ownership, and performance.

Ⅳ. Results

Table 2 lists descriptive statistics and correlations calculated on the basis of the total sample of 2,320 observations. VIFs are employed to test for the multicollinearity problem. All of the mean VIF value of the variables, including the two-way interactions, are found to have acceptable VIFs (less than 2.78), representing that multicollinearity is not a concern.

Table 3 shows the results for the hypotheses. Under H1, we predict that family ownership is positively associated with performance. The results of Model 3 in Table 3 indicate that ROA is positively associated with family ownership (β = 0.044, SE = 0.012, $p < 0.01$). This result supports H1, which implies that firms with a high family ownership

〈Table 2〉 Means, Standard Deviations, and Correlations

Variable	Mean	SD	1	2	3	4	5	6	7	8	9
ROA	0.26	0.08	1								
FSTS	0.35	0.28	-0.02	1							
Lone-founder ownership	0.14	0.14	0.05**	0.13***	1						
Management ownership	0.27	0.13	0.12***	-0.03*	0.27***	1					
Size	4.98	0.39	0.09***	0.03	-0.15***	-0.01	1				
Debt	1.01	1.46	-0.36***	0.05**	0.02	-0.05**	0.09***	1			
Age	1.40	0.26	0.03	-0.11***	-0.22***	-0.10***	0.35***	0.03	1		
Family ownership	0.43	0.19	0.14***	-0.04**	0.08***	0.21***	-0.04**	-0.08***	0.04*	1	
Institutional ownership	0.13	0.13	0.15***	0.03	-0.16***	0.11***	0.22***	-0.06***	0.08***	-0.34***	1

*Number of observations = 2,320, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$*

〈Table 3〉 Results of Fixed-Effects Analyses for the Mediating Impact of Internationalization

Dependent Variable	FSTS		ROA			
	Model 1	Model 2	Model 1	Model 2	Model 3	Model 4
Lone-founder ownership	0.078*	0.073	-0.070**	-0.062	-0.077**	-0.069**
	(0.045)	(0.045)	(0.030)	(0.030)	(0.030)	(0.030)
Management ownership	-0.000	-0.005	0.005	-0.004	-0.000	-0.001
	(0.032)	(0.032)	(0.021)	(0.021)	(0.021)	(0.021)
Size	0.073***	0.078***	0.052***	0.057***	0.058***	0.063***
	(0.021)	(0.021)	(0.014)	(0.014)	(0.014)	(0.014)
Debt	-0.001	-0.001	-0.020***	-0.020***	-0.019***	-0.019***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Age	0.073*	0.074*	-0.026	-0.025	-0.025	-0.024
	(0.043)	(0.043)	(0.028)	(0.028)	(0.028)	(0.028)
Family ownership		0.035*			0.044***	0.030**
		(0.019)			(0.012)	(0.012)
FSTS				-0.106***		-0.103***
				(0.040)		(0.038)
FSTS squared				0.076*		0.070*
				(0.040)		(0.040)
Industry dummies	Incl.	Incl.	Incl.	Incl.	Incl.	Incl.
Year dummies	Incl.	Incl.	Incl.	Incl.	Incl.	Incl.
Constant	-0.144	-0.165	-0.159**	-0.167**	-0.185**	-0.194**
	(0.113)	(0.113)	(0.074)	(0.074)	(0.075)	(0.075)
Observations	2,320	2,320	2,320	2,320	2,320	2,320
R-squared	0.055	0.057	0.134	0.138	0.139	0.144
Number of firm	232	232	232	232	232	232

*Number of observations = 2,320, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$, ( ) = standard errors*

have a better performance.

To test the mediating impact of SME internationalization, we follow the mediation conditions proposed by Baron and Kenny (1986). In Table 3, family ownership is positively associated with both FSTS (β = 0.035, SE = 0.019, $p < 0.1$) and ROA (β = 0.044, SE = 0.012, $p < 0.01$), and FSTS and FSTS squared are negatively and positively associated with ROA (β = -0.103, SE = 0.038, $p < 0.01$ and β = 0.070, SE = 0.040, $p < 0.1$), respectively. In Table 3, when FSTS and FSTS squared were controlled, the effect of family ownership on ROA－although significant－was weaker (β = 0.030, SE = 0.012, $p < 0.05$) than in Model 3 (β = 0.044, SE = 0.012, $p < 0.01$).

This result indicates that SMEs with high share of family ownership have a high performance at low levels of internationalization, low performance at medium levels of internationalization, and high performance again at high levels of internationalization. Consequently, the results support H2.

To investigate the institutional ownership's moderating role, we conduct a moderated multiple regression whereby family ownership and institutional ownership are centered by their means. Table 4 highlights that the moderating impact of institutional ownership is significantly positive ($\beta = 0.130$, SE = 0.071, $p < 0.1$). This result supports H3, indicating that the interactive relationship of family ownership and institutional ownership with internationalization is stronger when institutional ownership is high.

By integrating the mediating and moderating impacts, we explore the moderated mediation model. We follow the equation for moderated mediation conditions proposed by Muller, Judd, and Yzerbyt (2005). Three fundamental models underlie the moderated mediation:

$$Y = \beta_{10} + \beta_{11}X + \beta_{12}Mo + \beta_{13}XMo + \varepsilon \quad (1)$$

$$Me = \beta_{20} + \beta_{21}X + \beta_{22}Mo + \beta_{23}XMo + \varepsilon \quad (2)$$

$$Y = \beta_{30} + \beta_{31}X + \beta_{32}Mo + \beta_{33}XMo + \beta_{34}Me + \beta_{35}MeMo + \varepsilon \quad (3)$$

"The moderated mediation implies that the indirect impact between the treatment and the outcome depends on the moderator" (Muller et al., 2005, p. 852). That is, either the impact of family ownership on internationalization of SMEs or the partial impact of internationalization on performance depends on institutional ownership. In either case, given no overall moderation of the treatment impact on the outcome, mediator control is moderated.

In light of this situation, we demonstrate the moderated mediation in our sample data using estimates in Table 4. Table 4 shows that the prototypical case leads to the expectation that β_{11} is significantly different ($\beta = 0.054$, SE = 0.014, $p < 0.01$) from zero, whereas β_{13} ($\beta = 0.017$, SE = 0.047, n.s.) is not. In Table 4, either or both the following patterns should exist: both β_{23} ($\beta = 0.130$, SE = 0.071, $p < 0.1$) and β_{34} ($\beta = -0.049$, SE = 0.016, $p < 0.01$ and $\beta = 0.068$, SE = 0.041, $p < 0.1$) are significant or both β_{21} ($\beta = 0.040$, SE = 0.021, $p < 0.1$) and β_{35} ($\beta = 0.145$, SE = 0.045, $p < 0.01$) are significant. Consequently, the residual treatment impact should now be moderated. Thus, the result supports H4, indicating that the positive indirect impact of family ownership on performance will be greater when institutional ownership is high through both high and low levels of internationalization.

〈Table 4〉 Results of Fixed-Effects Analysis for the Moderated Mediation Model

Dependent Variable	FSTS				ROA			
	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
Lone-founder ownership	0.078*	0.073	0.074	0.073	-0.070**	-0.076**	-0.076**	-0.064**
	(0.045)	(0.045)	(0.046)	(0.046)	(0.030)	(0.030)	(0.030)	(0.030)
Management ownership	-0.000	-0.005	-0.010	-0.008	0.005	-0.005	-0.005	-0.006
	(0.032)	(0.032)	(0.033)	(0.033)	(0.021)	(0.022)	(0.022)	(0.022)
Size	0.073***	0.078***	0.078***	0.074***	0.052***	0.058***	0.057***	0.064***
	(0.021)	(0.021)	(0.021)	(0.021)	(0.014)	(0.014)	(0.014)	(0.014)
Debt	-0.001	-0.001	-0.002	-0.001	-0.020***	-0.020***	-0.020***	-0.020***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)
Age	0.073*	0.074*	0.075*	0.077*	-0.026	-0.026	-0.025	-0.028
	(0.043)	(0.043)	(0.043)	(0.043)	(0.028)	(0.029)	(0.029)	(0.028)
Family ownership		0.035*	0.043**	0.040*		0.054***	0.054***	0.036**
		(0.019)	(0.021)	(0.021)		(0.014)	(0.014)	(0.014)
Institutional ownership			0.019	0.047*		0.025*	0.028*	0.026
			(0.020)	(0.025)		(0.013)	(0.017)	(0.017)
Family ownership* Institutional ownership				0.130* (0.071)			0.017 (0.047)	0.022 (0.047)
FSTS								-0.049***
								(0.016)
FSTS squared								0.068*
								(0.041)
FSTS* Institutional ownership								0.145*** (0.045)
Industry dummies	Incl.	Incl.	Incl.	Incl.	Incl.	Incl.	Incl.	Incl.
Year dummies	Incl.	Incl.	Incl.	Incl.	Incl.	Incl.	Incl.	Incl.
Constant	-0.144	-0.165	-0.182	-0.167	-0.159***	-0.206***	-0.204***	-0.219***
	(0.113)	(0.113)	(0.114)	(0.115)	(0.074)	(0.0758)	(0.0760)	(0.076)
Observations	2,320	2,320	2,320	2,320	2,320	2,320	2,320	2,320
R-squared	0.055	0.056	0.057	0.059	0.134	0.140	0.141	0.150
Number of firm	232	232	232	232	232	232	232	232

*Number of observations = 2,320, *** p 〈 0.01, ** p 〈 0.05, * p 〈 0.1, ( ) = standard errors*

Ⅴ. Discussion and Conclusion

Even if the family enterprises' concept is widely accepted in the literature, few studies have empirically explored how internationalization mediates the relationship between family ownership and SME performance and how institutional ownership influences the relationship between family ownership, internationalization, and performance. We go beyond existing studies by exploring the possible impact of family ownership on performance, the mediating impact of internationalization, and the moderating impact of institutional ownership.

According to the data on 232 Korean listed family SMEs, family ownership positively influences SME performance. This finding supports the stewardship theory of family enterprises. Members of family who in charge of top executives in SMEs act as stewards instead of agents and their attitude increases stockholder wealth via SMEs' accounting profits.

The positive family ownership - performance relationship is especially strong for SMEs with higher levels of internationalization. This statement indicates that when starting with a relatively strong financial performance, the performance of SMEs with a high share of family ownership declines and levels off at a certain FSTS threshold, beyond which profits reverse and increase exponentially. The concave form of the curve at high degrees of international expansion implies that, once firms get past this threshold, firms with a higher share of family ownership tend to increase profits rapidly. One may deduce from this situation that, once SMEs have adapted effectively, they are in a better position to rapidly avail of the advantages of significant international expansion. This situation also indicates that SMEs with high family ownership go through an organizational learning process characterized by internal reconfiguration that allows for great performance improvements at significant international expansion levels. The relatively long period of performance deterioration that accompanies this adjustment process may explain why many SMEs with a high share of family ownership finally resign and reverse their international expansion efforts before reaching the turning point.

In addition, the findings represent that institutional ownership may moderate the effects of family ownership on SMEs' international expansion. Institutional investments could be regarded as an efficient governance mechanism to monitor managers and develop long-term investment views that encourage international expansion. Thus, such investments reduce the likelihood of investment risk, thereby assisting family SMEs' international expansion efforts. Moreover, the results show that institutional ownership positively moderates the family ownership - performance relationship mediated by internationalization. Therefore, at both high and low levels of internationalization, the positive indirect impact of family ownership on performance is stronger when institutional ownership is high. This finding highlights the concept that the share of institutional ownership could change the level of indirect impact of family ownership on performance. Institutional investors could be regarded as effective governance mechanisms to monitor managers in order to improve performance. Hence, such an approach decreases investment risks, ultimately facilitating the SME's performance.

5.1 Theoretical Implications

This study contributes to the literature on small and medium-sized business management, internationalization, and family businesses. First, family ownership was confirmed to possibly have a positive influence on the performance of Korean family SMEs, supporting the stewardship theory that emphasize the "governance mechanisms that empower steward behavior are prescribed to facilitate the continued alignment of interests, thereby causing pro-organizational behavior and improved performance outcomes (Madison et al., 2017, p. 348)". This finding is considered to be an expansion on previous findings examined in Taiwan (Chu, 2009, 2011). We further uncover the underlying mechanism of the impact of family ownership on performance and point out that family ownership influences performance through internationalization. Based on the viewpoint of the international dynamics of the process, the present study indicates that SMEs with a high share of family ownership need higher degrees of international expansion to have the positive influence on performance. The reason for this may be that a high share of family ownership alone may not necessarily result in sufficient knowledge and information for family SMEs to take risks and rapidly avail of foreign market opportunities. Thus, it seems reasonable that SMEs with a high share of family ownership do not only rely on readily available interpersonal ties and social interactions but also on international activities to obtain the particular informational benefits that finally cause increased performance. Thus, these findings further extend the current comprehension of the links between family ownership, internationalization, and performance.

Second, we suggest that external investors affect the strategic internationalization decisions of internal stockholders. Considering that institutional investor's ownership is considerably increasing, such stockholders play a progressively active role in corporate governance (Boyd and Solarino, 2016). We analyze institutional ownership to examine its interactional impact with family ownership on the internationalization of SMEs. The results imply that institutional investors' long-term focus is conducive to SME internationalization. Moreover, institutional investors increase the resource base and resource dependence, and efficiently monitor SME family agents, thereby reducing the failure ratio in internationalization. In turn, the lower likelihood of failure increases SMEs' willingness to internationalize. We suggest that an SME's decision to internationalize seems to be contingent on the institutional ownership's levels. Our findings extends our comprehension of the effects of external stockholders on internal owners' strategic choices in the context of family SMEs, which face a shortage of capabilities and resources in comparison with large enterprises.

Lastly, it contributes to the governance literature by testing the moderated mediation model to explore the underlying mechanism of the process from family ownership to internationalization to performance, which is moderated by the level of institutional ownership. The results show that, through both low and high levels of internationalization, the positive indirect impact of family ownership on performance is stronger when institutional ownership is higher. Recent theoretical developments in the governance literature emphasize how and why a high share of family ownership in SMEs leads to superior performance (Chu, 2009, 2011). This paper explores the issue by examining the underlying mechanism of the indirect impact of family ownership on performance by testing the moderated mediation condition. Moreover, we further explain at what point the mediating effect of internationalization is encouraged by institutional ownership. In summary, the results extend the current explanation of the links between ownership structure, internationalization, and performance, by offering a comprehensive model that involves moderating and mediating effects to explain the factors affecting SME performance.

5.2 Practical Implications

Our study has crucial practical implications. First, considering the universal prevalence of family SMEs, the improvement of family SME competitiveness via suitable SME governance, particularly top management positions and board characteristics, is considerably crucial. The findings indicate that family members tend to act as stewards and, thus, their proactive involvement in the top management and board could be beneficial.

Second, our findings suggest that, to enhance performance, SMEs with a high share of family ownership should continue to internationalize aggressively until they get across the reorientation period. Without reconfiguring internal processes and systems, and appropriate capabilities and resources, further internationalization may not result in high performance. Therefore, a key task for SMEs with high family ownership is to develop their capabilities and resources in areas like financing, branding, marketing, technology development, and other managerial capabilities that are important for internationalization. In addition, it could be crucial for them to prioritize between internationalization and the development of capabilities. This study provides indirect evidence that international expansion contributes to the development of these important capabilities. The "additional learning gained from international expansion may be useful for developing technologies and products, which eventually leads to increased performance" (Pangarkar, 2008, p. 483). This study also indicates that SME managers need concentrate on "leveraging learning opportunities from their international presence" (Pangarkar, 2008, p. 482) to discern the level at which they firmly believe the advantages of SME international expansion are optimal.

Third, the results imply that institutional ownership strengthens the family ownership-internationalization-performance links. Therefore, senior executives of family SMEs need to build long-lasting relationships with institutional investors, and allow them to own equity positions. As institutional investors make an investment and participate in various firms, they can accumulate key learning points from other successful enterprises' management experiences and get information on global markets. Thus, institutional investors as SME stockholders are beneficial in that they monitor managers' strategic behavior, which further mitigates the risks and uncertainty related to international expansion and finally helps them achieve a high performance level. Moreover, family SMEs might have financial assistance from institutional investors when expanding to foreign markets, which might considerably influence the success of their international strategy. Consequently, CEOs and senior executives of family SMEs need to build long-lasting relationships with institutional investors and secure their support to raise their possibilities of success in international markets for a superior performance.

5.3 Limitations and Directions for Future Research

This study has several limitations. For example, cultural differences considerably influence the ownership effect and resulting business activities (Gatfield and Youseff, 2001). Our findings indicate that the Korean culture might strengthen corporate resources and reduce agency costs, thus encouraging the internationalization of SMEs. Confucianism significantly influences Korean corporate culture. It promotes paternalism and collectivism, which in turn contributes to business networks. For Korean SMEs, such culture and networks are important to maintain their competitiveness (Miller et al., 2009). Following the social capital perspective, social networks reinforce SMEs' competitive advantages by offering the means to access information and resources that promote internationalization (Zhou, Wu, and Luo, 2007). Thus, future research may use social capital theory to investigate the cultural differences' effects on ownership structure-internationalization-performance relationships. In addition, the sample used in this study only includes SMEs listed on the stock exchange.

Due to the problems in collecting systematic and reliable data, unlisted private sector companies were not incorporated. As some scholars define SMEs as "enterprises with no common stock public negotiability, the use of publicly traded SMEs might hinder the comprehensiveness of this research in terms of all definitions in the existing literature" (Chen et al., 2014, p. 784). Therefore, if such data are reliable and possible, further studies need to conduct a similar analysis based on other SME definitions. Lastly, our sample is limited to Korea and therefore the findings cannot be generalized to all family SMEs. Future studies should be carried out to cover SMEs in other nations with large domestic markets and with different cultures to compare the findings with those explored in this study.

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가족 소유 지분율과 중소기업 성과: 국제화와 기관투자가 소유 지분율의 조절된 매개모형

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요 약

가족 소유 지분율이 가족 중소기업의 재무적 성과에 중요한 영향을 미친다는 이론적인 논쟁에도 불구하고, 선행연구에서는 왜 그리고 언제 가족 소유 지분율이 성과를 이끌어내는지에 대한 고찰은 상대적으로 부족하였다. 본 연구에서는 청지기 이론과 대리인 이론을 기반으로 가족 소유 지분율이 가족 중소기업의 재무적 성과에 미치는 효과를 검증하고, 국제화가 이 두 변수와의 관계를 매개함을 검증하였다. 또한 가족 소유 지분율과 국제화 간의 관계에 있어서 기관투자가 소유 지분율의 조절효과를 검증하였다. 끝으로 기관투자가 소유 지분율의 정도가 가족 소유 지분율이 국제화에 의해 매개되어 재무적 성과에 영향을 미치는 간접효과의 강도를 조절하는 조절된 매개효과 모형을 검증하였다. 이를 위해 본 연구는 2003년부터 2013년까지 한국증권거래소에 상장되었던 232개의 가족 중소기업을 대상으로 실증분석을 실시하였다. 연구결과 가족 소유 지분율은 가족 중소기업의 재무적 성과를 향상 시키며, 이때 국제화가 가족 소유 지분율과 재무적 성과 간의 관계를 부분매개 함이 밝혀졌다. 또한 기관투자가 소유 지분율은 가족 소유 지분율과 국제화 간의 관계를 조절하는 것으로 밝혀졌으며, 조절효과와 매개효과의 통합적인 검증을 통해서 기관투자가 소유 지분율의 정도가 가족 소유 지분율, 국제화, 재무적 성과 간의 관계를 조절함을 입증하였다. 연구의 결과를 바탕으로 학문적, 실무적 기여와 한계 및 향후 연구 과제를 제시하였다.

주제어: 가족 소유 지분율, 국제화, 기관투자가 소유 지분율, 가족 중소기업, 조절된 매개모형

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