

# THE IMPACT OF FOUNDER-RETAINED OWNERSHIP ON TRANSACTION COSTS IN LISTED FIRMS IN EMERGING OFFSHORE ECONOMIES

## 1. Introduction

Prior research in international entrepreneurship (e.g., Verbeke & Ciravegna, 2018), henceforth IE, has emphasized the significant influence of founders, particularly among those that internationalize at an early stage, commonly referred to as “born globals” (Knight & Cavusgil, 2004) or “international new ventures” (Oviatt & McDougall, 1994, 2005). Founder influence is attributed to a combination of personal traits and charisma (Hoang & Gimeno, 2010; Fauchart & Gruber, 2011), social networks and embedded capital (Stuart & Sorenson, 2007; Peng, Li & Liu, 2022), and their ability to navigate contingencies within institutional environments and engage with powerful embedded actors. Founders’ competencies relate to their capacity to access resources and visualize value (Knight & Cavusgil, 1996), which is often enabled by the combination or recombination of resource bundles (Hennart, Majocchi & Hagen, 2021). These competencies, in turn, shape broader firm capabilities and firm-specific advantages (FSAs). This raises the question of how founder ownership influences FSAs and firm boundaries, as reflected in firm-wide transaction costs.

Our theoretical model centres on the ownership competence perspective by Foss, Klein, Lien, Zellweger & Zenger (2021), which centres on attributes of competence defining owners’ ability to exercise their property rights over underlying assets. This provides a flexible and insightful way of capturing the more dynamic, evolving nature of founder competencies over the lifecycles of their firms. This perspective supersedes the more sequential application of static complete contracting theories such as stewardship and then agency (see Wasserman, 2003, 2006) —which are often used to explain early stages in entrepreneurial firm lifecycles. Our theorization advances a dynamic framework contrasting benefits and accompanying control hazards relating to the dimensions of ownership competence with these shaping FSAs. We then draw on Argyres & Zenger (2012), who conceptually tie FSAs to firm boundaries and, consequently, to firm-wide transaction costs. This forms our first theoretical contribution: connecting ownership competencies to both FSAs and firm-wide transaction costs.

A firm’s corporate governance is the dynamic outcome of the interplay between institutional environment and powerful actors embedded within it (Jackson & Deeg, 2008; Aguilera & Jackson, 2010), as well as discourse among owners and the firm’s insiders (Arthurs, Hoskisson, Busenitz & Johnson, 2008). To

capture such institutional issues, we introduce two corporate governance moderators in this study. The first focuses on firms' ability to access offshore financing through the establishment of a subsidiary located within an offshore jurisdiction. This is captured through a binary effect, distinguishing between firms that have or have not an offshore subsidiary. Such structures facilitate financial engineering strategies, including "round tripping" through intra-network cash flows (e.g., Niu, Wang, Zhou, & Gan, 2024; Jones & Temouri, 2016), while also enabling access to a burgeoning opaque international investment community utilizing offshore-mediated financing (e.g., Buckley, Sutherland, Voss & El-Goharly, 2015). The second is an indexed measure of the degree to which the firm has adopted Anglo-American shareholder value corporate governance. This is shaped by institutionalized international investment norms and values with adoption being essential in facilitating attraction of external investment and resource provision (e.g., Aguilera & Jackson, 2003, 2010). Thus, our second theoretical contribution centres on the role of corporate governance attributes as proxies for institutional moderation in shaping of founder ownership competencies' influence on firm transaction costs.

Our study uses a unique sample comprising 149 listed firms drawn from eight national securities exchanges across the Caribbean using annual data from 2003 to 2017. This region hosts the biggest concentration of offshore jurisdictions worldwide (Hines, 2010) while its territories are sharply divided between offshore and emerging economies (see Allred, Findley, Nielson & Sharman, 2017), with no developed economies present. Consequently, all territories are beset with formal institutional voids and reliant on social networks that underpin indigenous economies. Our study's main empirical data contribution is in shedding light on the distinctive corporate governance attributes of offshore emerging economies and the importance of founders within them.

We contribute to the literature in three ways. First, prior studies have emphasised the beneficial stewardship role of founders in the earliest stages of firm development, which often gives way increasing liabilities associated with their prolonged leadership (e.g. Wasserman, 2003; Jain & Tabak, 2008) and control (Wasserman, 2006). This transition is typically driven by the firm's need to realign itself with the interests of external stakeholder constituencies, whose expectations are shaped by environments characterized by third-party, arm's-length contracting. However, emerging economies are typically beset with formal institutional voids rendering arm's length contracting ineffective and necessitating a reliance on social networks, embeddedness and relational contracting. This has spawned a debate with Hearn &

Filatovchev (2019) finding evidence of significant benefits of prolonged founder leadership in emerging economies. Our study contributes to this debate. Second, the IE literature tends to coalesce on either founder traits, such as prior experience, education, personality, or alternatively firm situational factors in rationalizing the propensity to internationalize early in firm lifecycles. This tends to focus only on the earliest stage of firm's lifecycle with an emphasis on founders' experience or exposure to the foreign host territory's context. Our theoretical framework provides a means to accommodate founder traits and firm situational characteristics in rationalizing the prolonged influence of founder ownership within their firms which is theoretically tied to firm-wide transaction costs. Usefully, these are empirically observable. Third, we address a call to tackle "grand challenges" (Buckley, Doh & Benischke, 2017), such as the sustainability and survival of firms in small states and the evolution of offshore financial systems.

Our study proceeds with an elaboration of theoretical framework and hypotheses in section 2. This is followed by data in section 3 and research design, including definitions of variables and outlining of empirical models in section 4. Next, section 5 outlines empirical results while section 6 discusses these. The final section concludes.

## **2. Theoretical framework**

Our theoretical framework integrates the ownership competence (Foss et al, 2021) and transaction cost (e.g., Williamson, 2010) theories. Both fall within the overarching domain of incomplete contracting theorization (e.g., Alchian & Demsetz, 1972; Grossman & Hart, 1986; Hart & Moore, 1990) with an emphasis on the governance attributes of the firm and how these facilitate the attenuation of value. Ownership competencies (Foss et al., 2021) are those of "matching", "governance" and "timing" which correspond to property rights (Schulze & Zellweger, 2021) in the form of the "right to use", "right to appropriate", and "right to alienate". We proceed in our theorization by considering the advantages and related disadvantages of founder ownership within a distinct emerging economy context.

### *2.1. Benefits of founder control in emerging economies*

Founder's *matching competencies* reflect a combination of their visualization of value creation, their intimate cognisance of environmental contingencies and security of their rights of use over underlying resources. The

focus of matching competencies is on founders' cognitive heuristics or theories regarding combination and recombination of a multitude of various resource attributes (Csaszar & Levinthal, 2016; Felin & Zenger, 2009) to create a theorised path towards value. However, in the context of emerging economies these skills are wholly contingent on environmental conditions and particularly the networks which typically underpin economic activity. Moreover, founders' social status within networks is critical to their security over property rights and in mitigating potential shirking, holdup, or expropriation by powerful local stakeholders such as families or business groups (Khanna & Palepu, 2000). This role is particularly important in contexts where entrepreneurial innovation threatens to disrupt existing monopolies and erode mutual assurances within family or business groups.

Founders' *governance competencies* focus on securing rights to appropriate income from the firm's resources. In early-stage firms, founders often forgo salary-based compensation (Wasserman, 2006) in favor of reaping dividends from profits generated by their creative efforts (Fehr, Herz & Wilkening, 2013). This approach minimizes internal transaction costs by streamlining governance structures and reducing bureaucratic inefficiencies. In emerging economies, founders' social status within networks enhances their credibility and contractual reliability (Michael, 2007). Their network status also provides assurances about their long-term commitment to transactions, fostering trust and reducing opportunism. Embedded relational contracting norms (Webb, Khoury & Hitt, 2020) reinforce intertemporal reciprocity, or the exchange of favors over time (Barnett et al., 2015). This dynamic institutionalizes founders' roles as critical actors within social networks. Lastly, founders' concentrated control mitigates the need for the implementation of costly and more formalized corporate governance structures, which would otherwise be essential in delegating operational control to managerial agents and mitigating agency costs. This governance model can create managerial efficiencies as founders retain the ability to implement fiat and exercise optimal discretion, thereby enhancing strategic agility in value creation within the firm.

Founders' *timing competencies* relate to their ability to maintain exclusivity over resource dimensions and establish long-term continuity. Founders often exhibit deep emotional ties to their firms, with their personal charisma fostering altruistic commitment among employees and external stakeholders (Wasserman, 2003). This charisma also supports the longevity of founders' influence, as it imprints the organizational blueprint during the firm's early stages (Stinchcombe, 1965). Such deep-seated commitment

of founders to their firms is mirrored in their stewardship towards broader stakeholder constituencies (Wasserman, 2003) whose interests transgress the firms' boundaries. As a result, employees experience enhanced motivation and commitment to the firm, while external resource providers gain assurances regarding commitment to continuity, consistency and credibility in contracting (Hoskisson, Gambeta, Green & Li, 2018). In many cases, the firm's brand becomes inextricably intertwined with the founder's identity.

## 2.2. Hazards of founder control in emerging economies

Despite these benefits, founder control is not without risks. *Matching competencies* can sometimes lead to founders to pursue idiosyncratic theories of value creation unchecked, often driven by their personal biases or nonpecuniary motivations (Schulze, Lubatkin, Dino & Buchholtz, 2001). For example, founders may favor cherished technologies over those that optimize efficiency, thereby undermining stakeholder confidence and reducing firm value. This misalignment can compromise stakeholders' ability to co-specialize in products and services complement those central to the founder's entrepreneurial transaction. As a result, concerns over the reliability of founders in sustaining firm value may intensify, leading to a tacit withdrawal of stakeholder support through holdup or shirking (e.g., Hart, 2009).

*Governance competencies* can also lead to challenges, particularly when founders exhibit overconfidence or egocentrism. These psychological traits are near indistinguishable from the charismatic confidence and self-assuredness central to leadership and are therefore unrecognized by founders themselves. This underscores differences in cognitive heuristics between founders and their stakeholders, which stem from broader issues of bounded reliability (e.g., Schulze & Zellweger, 2021) rather than bounded rationality, as founders may lack awareness of the susceptibility to overconfidence (Michael, 2007) and egocentrism (Schulze & Zellweger, 2021). Furthermore, founder's pursuit of self-interest with guile may also lead them to manipulate benevolent contracting schemas that emanate from socio-cultural frameworks. These frameworks, when distorted, can become sources of institutionalized corruption in the form of favouritism, cronyism, and nepotism—far removed from their original function of facilitating the benign acquisition of information and resources in communitarian contexts. Such self-interested behavior risks undermining relationships with co-specialized stakeholders (Bridoux & Stoelhorst, 2014), whose collaboration is essential for the firm to realize its value creation potential. Moreover, weaknesses in the institutional support for the

protection and enforcement of intellectual property rights, along with concerns over imitability of innovations, may lead founders to exercise excessive monitoring and control. This, in turn, demotivates subordinates who are responsible for the execution of delegated tasks. As firms increase in size and complexity, founders then face diminishing returns on their information-gathering efforts, monitoring and control efforts, as these activities become prohibitively costly to manage alone. Consequently, under such circumstances, founder control impedes firm growth and even places an upper limit on firm's boundary.

*Timing competencies* are also susceptible to downside risks. Founders may prolong their control, leading to risk aversion, entrenchment, and organizational stagnation (Uhlener, Wright & Huse, 2007). Alternatively, succession to an heir may be prone to nepotism (Villalonga & Amit, 2006), undermining internal and external stakeholder confidence. In politically unstable emerging economies, founders are also vulnerable to shifts in power dynamics. On the one hand, founders' access to resources in the presence of formal institutional voids is engendered by relational networks centering on politically powerful social elites. However, the demographic narrowness of many emerging economy national polities, coupled with stymied political transition processes, increases the likelihood of sudden and decisive political change. As a result, founders who align too closely with ruling elites or collusive families risk disruptions to resource access if those networks lose influence (North, 1991, 1994).

### *2.3. Transaction cost implications of founder ownership*

We argue that the prevalence of institutional voids within emerging economies and their being dominated by extensive social networks (Granovetter, 1973; Greif & Tabellini, 2010), necessitates reliance on these networks to bridge deficiencies in the institutional contracting environment. As a result, emphasis is placed on the beneficial competencies of founders, which outweigh the competencies associated with control hazards. Following Foss et al (2021), founder owners then benefit from high levels of ownership since this better enables their exercising of their competencies while simultaneously mitigating the potentially detrimental influence of less competent co-owners. Importantly, higher levels of ownership act to ex-ante incentivize founders to exercise their competencies relating to property rights of underlying assets while providing them with ex-post discretion related resolve to mitigate risks associated with contractual incompleteness.

Higher founder ownership, in turn, facilitates the implementation of administrative fiat to govern the entrepreneurial transaction. This is economically justified, as it offers greater efficiency than market mechanisms in intermediate the entrepreneurial transaction, namely in influencing customers to “buy” from the founder as opposed to “make” or internalize production themselves (Michael, 2007). Therefore, the governance accompany founder ownership facilitates asset specificity in the goods or services subject to the entrepreneurial transaction. It also facilitates the beneficial aggregation of externalities from the individual costs and benefits of underlying specialised intermediate product markets essential to the formation of the final innovative entrepreneurial good or service (Cuypers, Hennart, Silverman & Ertug, 2021). This, in turn, fosters the co-specialization amongst stakeholders. Lastly, founder governance reflects the benefits in being the most efficient organizational structure to minimize transaction costs.

We argue that while founders preside over a nexus of contracts between stakeholders which transcend their firms, the residual risk from this governance arrangement is separated from the internal control environment and sold as ownership or equity to outside investors. The separation of ownership from control then insulates the inner workings of the founder-owned firm from the volatility of capital markets, fostering stability that enables specialization and innovation. Outside investors buying the firm’s ownership in capital markets are confronted by transaction costs accruing from both ex-ante and ex post domains. *Ex-ante* transaction costs pertain to informational impactedness - the difficulty of searching for and verifying information regarding the firm’s true value - stemming from bounded rationality differences between outside investors and founder-insiders. *Ex-post* transaction costs, on the other hand, relate to the policing and enforcement of contracts, which are entirely dependent on the stewardship of founders and the quality of governance arrangements adopted.

Following Glosten & Milgrom (1985), we argue that local licensed stockbrokers are charged with market making for a given firms’ ownership to outside investors. Outside of direct transaction costs, in the form of fee schedules, stockbrokers post bid (buy) and ask (sell) with the difference or spread between these reflective of indirect transaction costs. The spread is the risk for a minority outside “liquidity” investor in buying into the ownership of a given firm when if trading with an informed counterparty, then they will always be worse off. The spread is therefore attributable to the transactional costs associated with bounded rationality differences between uninformed minority investor buying into a firm’s governance structure and

in so doing trading with an informed counterpart seeking to exploit their privileged knowledge. However, competition amongst stockbrokers added to the necessity in not elevating compensation beyond a level which assures the competitive attraction of minority investors acts to reduce such bid-ask spreads. These influences lead to bid-ask spreads being reflective of indirect informational transaction costs associated with the firm's governance structure. In this way, they are a representation of the differences in bounded rationality between a minority outside investor buying into the firm's governance structure and the informed insiders emanating from within it. Therefore, the stewardship benefits of founders are reflected in their competency and higher ownership which is accompanied by a reduction in transaction costs. This is reflected in a narrowing of bid-ask spreads. This theorized relationship leads to the following hypothesis:

***Hypothesis 1: In emerging economies, founder ownership of a firm is negatively associated with that firm's external transaction costs, as measured by the quoted bid-ask spread.***

#### *2.4. Contingencies relating to offshore corporate governance.*

Next, we explore tensions in the main theoretical association, through moderation by two aspects of governance: the presence within the firm's corporate network of a related party located within an OFC and the degree of adoption of shareholder value corporate governance.

The first of these explores the moderating influence on the firm-wide transaction costs associated with founder ownership, based on the binary condition of whether the firm has a subsidiary, affiliate or related party within its corporate network located within an OFC. While prior literature has attributed such an OFC subsidiary in facilitating a reduction in tax liabilities through financial engineering and "round tripping" of intra-network cash flows (e.g., Niu, Wang, Zhou, & Gan, 2024), OFCs have a much more extensive and multifaceted role (Buckley et al., 2015; Clark, Lai & Wojcik, 2015). A hallmark of offshore jurisdictions is their small size and interconnectedness with major onshore economies with these typically being in close geographical proximity. The smallness of offshore jurisdictions uniquely facilitates proactive and relatively fast legislative enactment thereby underscoring their regulatory competitive advantage. Consequently, small offshore jurisdictions are dynamic and highly innovative in targeting overly cumbersome regulated areas of onshore economies with "lighter" comparable regulation. This underscores the competitiveness of offshore jurisdictions in facilitating foreign firms "regulatory arbitrage" (Buckley et

al., 2015). However, a critically important aspect of this competitiveness is that offshore jurisdictions maintain high quality formal contracting environments which are essential in providing assurances to foreign firms and investors alike of optimal protections in their property rights. Therefore, offshore jurisdictions paradoxically have the highest formal institutional quality while simultaneously accommodating some of the biggest infringements in third party contracting, mostly in the form of opacity. Furthermore, firm's possessing such an OFC subsidiary have uninhibited access to a burgeoning, dynamic and innovative offshore finance industry and extremely cost-effective finance and resource provision.

We argue that an OFC subsidiary facilitates firms access to a burgeoning offshore investment community, where capital accumulated through offshore conduits and sinks necessarily being reinvested to complete the credit cycle. As such, the bigger international offshore investment community and its associated resources leads to a far broader remit for founders to exercise theories regarding value creation. In this way, founders are no longer subject to the constraints of social networks given their accessing a wider audience of stakeholders. This enhances founders' matching competencies. Next, firms' access to OFCs constituent within their corporate networks facilitates founders' employment of both asset protection and financial engineering strategies designed to minimize tax liabilities. These strategies enhance founders' competencies in appropriation of rents from the firm, which fall within their governance competencies. Lastly, an OFC subsidiary benefits founders' timing competencies given the formidable legal and asset protections afforded by offshore jurisdictions. These jurisdictions provide inalienable protections for founders', effectively shielding them from expropriation by perceived corrupt or politically influenced taxation authorities within emerging economies (North, 1991, 1994).

Together, the preceding theoretical arguments suggest access to a burgeoning offshore investment community and specialized financial intermediaries in OFC locations enhances founders' competencies. We argue that this amplification of founders' competencies strengthens firm value creation, leading to their higher ownership and a further reduction in transaction costs associated with both the firm's governance as well as in transactions with external stakeholders. As such, this is mirrored in a lower quoted spread between the buy (bid) and sell (ask) prices. These theoretical arguments lead to our moderating hypothesis:

***Hypothesis 2: In emerging economies, the negative association between founder ownership and transaction costs as measured by the bid-ask spread, is further negatively moderated in firms with a subsidiary located in an offshore financial centre (OFC).***

The second moderator is the adoption of shareholder value corporate governance, which allows us to explore its moderating influence on the relationship between founder ownership and firm-wide transaction costs. The adoption of various elements of Anglo-American shareholder value corporate governance represents bonding costs incurred by the firm as it conforms to international investment norms (e.g., Aguilera & Jackson, 2003, 2010). These norms are shaped by third-party, arm's-length contracting frameworks.

We argue that a higher degree of adoption of Anglo-American shareholder value corporate governance provides firm-level assurances regarding the protection of minority stakeholders' property rights - particularly in emerging economies where formal institutional frameworks are plagued by voids. By mitigating institutional voids, such governance enables firms to overcome resource constraints within indigenous networks and attract external, including international, investors and resource providers. With access to a broader range of external stakeholders (Aguilera & Jackson, 2010), the firm has a much wider pool of complementary resources to consider in its value creation strategies. This enhances founders' ability to leverage their matching competencies, as they can apply their heuristics to combine and recombine a broader array of resources in innovative ways.

Additionally, the enhanced visibility that comes with adopting shareholder value governance improves the firm's transparency and monitoring effectiveness. This visibility yields two distinct benefits. First, it disciplines the firm's relationships with local, opaque stakeholders, disincentivizing behaviors like shirking, holdup, or expropriation. Second, it enhances the firm's reputation, making it more attractive to high-caliber, qualified managerial talent. These managerial hires allow founders to delegate operational responsibilities more effectively. Together, these traits strengthen founders' governance competencies, enabling them to create value and secure long-term income appropriation from the firm.

Lastly, the improved access to external resources and a wider demographic of investors broadens the firm's strategic options, such as divesting from existing resource mixes or establishing new production lines. It also facilitates a gradual reduction in founder control, enabling founders to cede control while transitioning to a more externally recruited management team. These developments reflect an enhancement of founders' transfer rights, which, in turn, bolster their timing competencies. Founders can exit their firms on favorable

terms, returning to the entrepreneurial founding process while leaving the firm in the hands of professional managers.

In contrast, firms with lower adoption of Anglo-American shareholder value governance are more embedded in opaque, network-oriented indigenous governance systems. In such contexts, founders rely heavily on their social status and agility in navigating networks to mitigate risks like holdup, shirking, or expropriation by powerful local stakeholders, such as family groups or social elites, in predatory institutional environments (e.g., North, 1991, 1994). This reliance on indigenous networks restricts the range of available resources, narrowing the opportunities for value creation and reducing founders' matching competencies.

Furthermore, the dominance of indigenous networks in these contexts risks founders pursuing nonpecuniary private benefits tied to their elevated social status. These pursuits may include political ambitions in smaller economies or the furtherance of personal social goals at the expense of firm value creation. Stakeholders often view such pursuits as signs of diminished commitment, leading to resource withdrawal and increasing the risk of shirking and holdup. Lastly, network constraints force founders to secure resources, including managerial talent, from their personal or family networks—leading to favoritism and nepotism. Such practices restrict founders' transfer rights to the confines of their networks, thereby further reducing their timing competencies.

In summary, higher adoption of Anglo-American shareholder value governance enhances founders' competencies, leading to higher founder ownership and a further reduction in transaction costs. Conversely, lower adoption diminishes founders' access to competencies, increasing transaction costs. These arguments lead to the following hypothesis:

***Hypothesis 3:*** *In emerging economies, the negative association between founder ownership and transaction costs, as measured by the bid-ask spread, is further negatively moderated when firms adopt strong shareholder rights corporate governance.*

## DATA

Our sample comprises the listed firms of eight national securities exchanges in the Caribbean region. A number of screening steps were employed before the finalized sample was achieved. The first step was to

compile accurate lists of listed firms in each securities exchange for each year from 2000 to 2017. These lists accounted for new listings, suspensions, and delisting thereby mitigating potential survivorship bias in the dataset. Furthermore, listed firms are categorized as those with primary issuances of ordinary shares, also referred to as those with single class voting rights or one-share one-vote. Consequently, firms only issuing dual, multiple class, preference shares or convertible instruments are omitted from inclusion in dataset as are those firms whose listing is secondary or a rights issue. We also excluded foreign firms and funds, which are often drawn to offshore listings for financial strategy purposes. Appendix Table 1 provides a non-exhaustive list of data sources. This first screening step resulted in an initial pool of 179 listed firms.

The second stage involved procurement of individual annual reports for each listed firm in each year of its listing on the eight national securities exchanges. Annual reports were obtained directly from national securities exchange websites in the case of the Bahamas, Bermuda, Jamaica, and Trinidad & Tobago. In the case of Barbados and Eastern Caribbean Securities Exchange (ECSE) annual reports were obtained from liaising directly with the national stock exchange personnel. In Guyana, annual reports were obtained from liaising with the national Guyanese financial regulator, GASCI, while the tiny number of listed firms in Cayman Islands merited their procurement directly from the individual firms themselves. Additional efforts were made to contact individual firms across the region to fill gaps in the dataset. This process resulted in an unbalanced panel sample of 171 firms, as some annual reports, particularly those from before 2004, were unavailable. All firm-specific balance sheet and governance variables were sourced directly from these annual reports and converted into US\$ end-of-period equivalent values to facilitate comparison across countries. The resulting dataset includes up to 17 years of data for each firm and resulted in between 1,732 and 1,737 firm-year observations for each variable sourced from the individual firm annual reports.

The third stage involved gathering secondary-market financial trading data, including daily quoted buy (bid), quoted sell (ask), and closing prices; daily trading volumes; and the number of shares issued and outstanding. For Jamaica and Trinidad & Tobago, this data was sourced exclusively from Bloomberg. For the Bahamas, Barbados, Cayman Islands, Bermuda, Eastern Caribbean, and Guyana, data was collected directly from their respective exchanges. Like the annual report data, all trading data was converted into US\$ end-of-period equivalent values for consistency. However, secondary market trading data was only available for a shorter period of 2004 to 2017. After this third stage, the final dataset was reduced to 149

listed firms and 1,337 firm-year observations due to the unavailability of trading data for 22 firms, which were randomly distributed between the largest markets of Jamaica and Trinidad & Tobago.

### **3. Research design**

#### *3.1. Variables*

*Dependent variable:* The quoted bid-ask spread measure is formed from the subtraction of bid price from ask price with the result divided by the midpoint between the bid-ask prices. Deflating by share price combats nonlinearity in bid-ask spreads (Callahan et al., 1997). This is then averaged across the prior twelve months to form annual average bid-ask spread. Our use of averages minimises outliers and averages out the highs or lows in quotes that result from monthly sampling.

*Explanatory variable:* Founder ownership is measured as the percentage of direct ownership held by founders who occupy CEO or executive Chairperson roles. Founders are identified from director biographies and company history sections of annual reports, while ownership data is sourced from director ownership tables or detailed ownership breakdowns in appendices. This corresponds to *Hypothesis 1*.

*Moderating variables:* Our study utilizes two moderating variables. The first, corresponding to *Hypothesis 2*, is a binary variable, taking the value of one if the listed firm has a traceable subsidiary or affiliate within its corporate network located in an OFC and zero otherwise. The second moderating variable is a novel index capturing a firm's degree of adoption of Anglo-American shareholder value corporate governance. This corresponds to *Hypothesis 3*. The index is based on the "rights of shareholders" subindex of the Organization for Economic Co-Operation and Development (OECD, 2004) "Principles of Good Governance"<sup>i</sup> and formed from the equally weighted average of nine elements and sub-indices (A.1 to A.12 in Appendix Table 2). The latter are drawn from 33 individual governance elements isolated annually, per individual firm, from annual reports. The focus of this index is on capturing the quality of firm level protections afforded to minority property rights. Constructing this firm-level index is labour-intensive and involved unrestricted access to all annual reports for each firm in each year of listing. This alone resulted in 2,506 firm-year observations for each of the 33 governance elements. Our index construction technique

followed the seminal study by Gompers, Ishii & Metrick (2003) who constructed a similar index albeit with fewer elements. To mitigate collinearity concerns, the firm shareholder rights index was normalized.

*Control variables:* We adopt five groups of controls plus a further three sets of fixed effect controls. The first is a single *ownership control*, namely “all other block-holders ownership” which is a control for all beneficiary block owners other than the founders who hold 3% or more of firms’ total shares. We have adopted a 3% minimum ownership threshold to define a block owner as a variation of the US Securities and Exchange Commission’s 5% ownership threshold defining a beneficial block owner<sup>ii</sup>, since the lower 3% level is more reflective of ownership patterns within emerging economies. This is included to mitigate potential omitted variable bias and is reported in annual percentage terms. The values were extracted from the ownership holdings statement or notes/appendices section within the annual report.

The second set are *board controls* which comprise five variables. The first of these is the logarithmically transformed size of the board of directors, defined as the total number of both nonexecutive and executive directors. This controls for the prevalence of larger boards of directors within emerging economies with these better facilitating access to environmental resources based on the effective pooling of the networks of each constituent director. Improved access to resources improves performance of the focal firm. The second and third are the ratio of governmental elites (e.g. Zhu & Yoshikawa, 2016; Pavićević & Keil, 2024) and then the ratio of commercial elites (e.g., Hearn, Strange & Piesse, 2017; Gupta, Wowak & Boeker, 2021) to the total number of nonexecutive directors serving on board of directors. Government elites are defined as those directors with backgrounds in senior governmental roles, with these being ministerial, including president or prime minister and the national executive, as well as ambassadorial roles overseas. Commercial elites include serving in chambers of commerce, national commercial attaché, senior regulatory agencies and governmental industry committees. These both control for firms seeking isomorphic conformity in their corporate governance (DiMaggio & Powell, 1983) with national polities (e.g., Liedong, Aghanya, Jimenez, & Rajwani, 2023) in order to secure access to information and resources. This institutionalized alignment of corporate governance with prevailing institutional framework leads to greater efficiencies in procurement of resources and therefore reduced transaction costs. The fourth is a modified Herfindahl index which captures the ethno-cultural diversity amongst members of board of directors. Directors are first classified into overarching categories of European, African, Asian cultural heritages based

on their published biographical information and director personal descriptions in annual reports. Notably the Asian category includes East and South Asian as well as Arabic. The number of directors falling within each background is then divided by total number of directors to arrive at a proportion of the board. Higher values closer to one of the Herfindahl index reflect increased ethno-cultural homogeneity or concentration amongst directors while correspondingly lower values mirror ethno-cultural diversity or heterogeneity. Our inclusion of such a measure captures the potential for bounded rationality amongst directors to impede consensus in managerial discourse (e.g., Frijns, Dodd & Cimerova, 2016) thereby undermining the efficiency of board of directors in strategy formulation and execution. Importantly, our inclusion of this variable capture's diversity in the board of directors within firms as a reflection of underlying ethno-cultural diversity within the wider societal matrix (Garg, Lin, & Yang, 2023). The firm and its corporate governance arrangements are inextricably embedded within its institutional environment. Emerging economies are typified by ethnic fractionalization and consequential diversity of cultures co-existing within the same national boundaries (see Tung & Stahl, 2018). Consequently, this variable provides a means to control for these influences. The fifth control is female director ratio which is the proportion of female directors serving on the board of directors. Our inclusion of this relates to the embeddedness of firms' corporate governance arrangements in terms of the influence of the degree of patriarchy within underlying socio-cultural societal fabric over the gender balance amongst directors.

The third set are *firm controls* which comprise three variables. The first is firm age, measured by the natural logarithm of difference in years between date of establishment of firm and date of annual report. This controls for the "liability of newness" of entrepreneurial firms as well as reflecting where the firm lies in its lifecycle (e.g., Brav & Gompers, 2003) with older firms necessitating very different ownership competencies than their younger counterparts. The second and third variables are capital structure ratios, namely the ratio of the preferred share value to total assets and the ratio of debt to total assets (see e.g., Andersen et al., 2003). All are extracted from the financial statements section of the annual reports, and in the case of the latter two converted at end-of-period exchange rates and reported in US\$. The ratio of preferred shares to total assets and ratio of debt to total asset are indicative of the governance environment of the firm and in particular its ability to raise financial capital without ceding voting control which is a particularly important issue in relation to founder control within firms.

The fourth set are *institutional controls*, the first being state-level, or formal, institutional quality. This is formed from the equally weighted average of the six World Governance Indicator (WGI) metrics (Kaufman, Kraay, & Mastruzzi, 2009). These six range in value from -2.5 to +2.5, but here have been rebased to a 0 – 10 scale before aggregation. The second of this set of controls is the aggregate stock market capitalization to GDP, expressed as an annual percentage and obtained from the World Bank database. This measure provides a picture of the relative degree of importance attributed to external contracting which underpins outside financing within an economy in contrast to financial intermediation involving relation contracting and various forms of internal financing.

The fifth set comprises *microstructural controls*, capturing the four dimensions of market microstructure, namely price, volatility, volume, and size, all converted to their natural logarithms in line with Stoll (2000). Price is included to control for the effects that quoting discrete prices (e.g., in eighths) has on bid-ask spreads. This captures the potential of order flow in bunching or clustering at certain intervals (see Christie & Schulz, 1994). Volatility of stock returns is defined as the daily standard deviation of stock price returns, formed from the differences between the daily closing stock prices expressed in the local currency. While prior studies such as Stoll (1978, 2000) and Schnatterly et al (2008) argue higher volatility is positively related to stockbroker inventory risk, we argue the opposite is true in the context of small emerging securities markets. We argue these are susceptible to such high probabilities of informed trading and informational asymmetries that this creates extreme conditions of Knightian uncertainty which results to market “freezing”. Here, prices are static over prolonged periods of trading inactivity. Consequently, high volatility is a reflection of reduced probability of informed trading and therefore reduced transaction costs for stockbrokers in finding a counterparty with whom to trade leading to lower bid-ask spreads.

Volume is defined as the total shares traded daily for each listed stock, with this averaged over each month, and then averaged across the preceding year. In smaller emerging markets beset with extreme informational asymmetries, this captures the risks of lower and erratic traded volume comprising informed traders’ concealment of their self-interested actions in trading on their superior information (e.g., Schnatterly et al., 2008). Consequently, order flow is dominated by informed trader’s breaking down their orders into a multitude of smaller units rather than initiating a single large block transaction. As such, within emerging economies higher traded volume is associated with higher bid-ask spreads reflecting the increased likelihood of trading with an informed counterparty. Lastly, we include size as a control with this defined as the firms’

total asset size, measured in US\$ m over preceding year which is obtained from annual reports. Larger firms are more likely to have dis-embedded their corporate governance arrangements from the opaque indigenous context and instead be subject to increased coverage by media and analysts. This propensity by larger firms leads to an improved transparent information environment and a reduction in bounded rationality between firm incumbent insiders and outside uninformed investors. This improved transparency would be anticipated to lead to a narrowing of bid-ask spreads and reduction in transaction costs.

Finally, we include three groups of fixed effect controls. These are all binary in taking the value one if a condition is satisfied and zero otherwise. The first of these is time (year) effects which control for differences in business cycle across years and periods of recession and economic downturn. The second is industry<sup>iii</sup> effects which control for potential shocks within industries impacting on firms. The third are country effects which control for latent differences in regulatory environment between sample group economies.

### 3.2. Empirical model

To test our hypotheses, we employed multivariate OLS regressions specified in Eq. (1) for Hypothesis 1, Eq. (2) for Hypothesis 2, and Eq. (3) for Hypothesis 3. Our models address potential autocorrelation and heteroskedastic issues regarding the time-series component in the errors by adopting the three groups of country, industry and time (year) fixed effects controls.

$$\begin{aligned}
\text{Quoted Bid ask spread}_{i,t} &= \alpha + \beta_1 \text{Founder ownership}_{i,t-1} \\
&+ \beta_2 \text{OFC Subsidiary}_{i,t-1} \\
&+ \beta_3 \text{Shareholder value adoption}_{i,t-1} \\
&+ \beta_4 \text{Ownership controls}_{i,t-1} + \beta_5 \text{Board controls}_{i,t-1} \\
&+ \beta_6 \text{Firm controls}_{i,t-1} + \beta_7 \text{Institutional controls}_{i,t-1} \\
&+ \beta_8 \text{Microstructural controls}_{i,t-1} \\
&+ \sum_{t=2003}^{2017} \gamma_t \text{Year}_t + \sum_{j=1}^{20} \delta_j \text{Industry}_j + \sum_{c=1}^8 \varphi_c \text{Country}_c
\end{aligned} \tag{1}$$

$$\begin{aligned}
\text{Quoted Bid ask spread}_{i,t} &= \alpha + \beta_1(\text{Founder ownership}_{i,t-1} * \text{OFC Subsidiary}_{i,t-1}) \\
&+ \beta_2\text{Founder ownership}_{i,t-1} + \beta_3\text{OFC Subsidiary}_{i,t-1} \\
&+ \beta_4\text{Shareholder value adoption}_{i,t-1} \\
&+ \beta_5\text{Ownership controls}_{i,t-1} + \beta_6\text{Board controls}_{i,t-1} \\
&+ \beta_7\text{Firm controls}_{i,t-1} + \beta_8\text{Institutional controls}_{i,t-1} \\
&+ \beta_9\text{Microstructural controls}_{i,t-1} \\
&+ \sum_{t=2003}^{2017} \gamma_t \text{Year}_t + \sum_{j=1}^{20} \delta_j \text{Industry}_j + \sum_{c=1}^8 \varphi_c \text{Country}_c
\end{aligned} \tag{2}$$

$$\begin{aligned}
\text{Quoted Bid ask spread}_{i,t} &= \alpha + \beta_1(\text{Founder ownership}_{i,t-1} \\
&* \text{Shareholder value adoption}_{i,t-1}) \\
&+ \beta_2\text{Founder ownership}_{i,t-1} + \beta_3\text{OFC Subsidiary}_{i,t-1} \\
&+ \beta_4\text{Shareholder value adoption}_{i,t-1} \\
&+ \beta_5\text{Ownership controls}_{i,t-1} + \beta_6\text{Board controls}_{i,t-1} \\
&+ \beta_7\text{Firm controls}_{i,t-1} + \beta_8\text{Institutional controls}_{i,t-1} \\
&+ \beta_9\text{Microstructural controls}_{i,t-1} \\
&+ \sum_{t=2003}^{2017} \gamma_t \text{Year}_t + \sum_{j=1}^{20} \delta_j \text{Industry}_j + \sum_{c=1}^8 \varphi_c \text{Country}_c
\end{aligned} \tag{3}$$

where i, j, c, and t denote company, industry, country, and year, respectively, all explanatory and control variables lagged by 1 year to deal with potential reverse causality.

## 4. Empirical results

### 4.1. Summary statistics

Table 1 presents summary statistics, while Table 2 the correlations. On average the quoted bid-ask spread is 12.2%, while ranging from 0 to 200% with this substantial variation mirrored in the standard deviation of 17.8%. This is indicative of estimates relating to minority outside investors' search and verification components of transaction costs vary significantly across both firms and securities markets. Founder ownership is also high on average at 8.4%, with equally high variation, reflected in a standard deviation of 22.7% and a range of values from 0 to 100%. An average of 74.6% of firms have an OFC subsidiary within their corporate networks indicating many firms utilize this corporate governance attribute. Shareholder value governance adoption by firms as an index is statistically normalized although the median value of -0.159 is

indicative of generally low levels of Anglo-American shareholder value adoption. Despite normalization, this is also subject to substantial variation too ranging from -1.806 to +2.365.

As hypothesized, we find a negative and statistically significant correlation between quoted bid-ask spread and founder ownership ( $-0.009, p \leq 0.01$ ). There are similarly negative correlations between quoted bid-ask spread and both OFC subsidiary ( $-0.019$ ) and shareholder value adoption index ( $0.122$ ), although only the latter is strongly statistically significant ( $p \leq 0.01$ ). Interestingly, founder ownership is negatively associated with an OFC subsidiary ( $-0.270, p \leq 0.01$ ), while being strongly positively correlated with higher shareholder value governance adoption ( $0.075, p \leq 0.01$ ). Also, firms with an OFC subsidiary and strongly correlated with lower adoption of shareholder value governance and transparency ( $-0.127, p \leq 0.01$ ). Generally, bivariate correlations are low in value despite being statistically significant thereby mitigating collinearity concerns. Two exceptions are between stock price and volume ( $-0.695, p \leq 0.01$ ) which is similar to that reported in Stoll (2000), and between stock price and formal institutional quality ( $0.614, p \leq 0.01$ ). Potential concerns over collinearity are further mitigated, as variance inflation factors (VIFs) remain below 5 for all variables.

## Tables 1 and 2

### 4.2. Hypothesis testing

The results from our hypothesis testing are outlined in Table 3. Model 2 of Table 3 shows the coefficient of founder ownership is  $-0.137$  ( $p \leq 0.001$ ). In terms of marginal effects this is equivalent to a one-standard deviation change in founder ownership leading to a reduction of 13.7% in quoted bid-ask spreads for firms. This strongly supports *Hypothesis 1*. In model 3 of Table 3, the coefficient of association between founder ownership and quoted bid-ask spread remains negative ( $-0.111, p \leq 0.05$ ) while the interactive coefficient on OFC subsidiary moderating founder ownership's association with quoted bid-ask spread is negative ( $-0.055, p \leq 0.05$ ). In terms of marginal effects this implies a one standard deviation change in founder ownership is associated with a 16.6% decrease in quoted bid-ask spreads when focal firm has a subsidiary located in an OFC as compared to when it does not. This strongly supports *Hypothesis 2*. In model 4 of Table 3, the coefficient of founder ownership against quoted bid-ask spread is also negative ( $-0.117, p \leq 0.001$ ) while this is also further moderated by shareholder value governance adoption ( $-0.050, p \leq 0.10$ ) albeit statistically

weaker. In terms of marginal effects, this implies a one standard deviation change in founder ownership to be associated with a 16.7% decrease in quoted bid-ask spreads when focal firm has adopted higher levels of shareholder value corporate governance vis-à-vis lower levels of adoption. This strongly supports

*Hypothesis 3.*

In terms of controls, quoted bid-ask spreads are positively associated with increased ethno-cultural concentration (homogeneity) amongst firms' boards of directors and higher proportions of female as opposed to male directors, although both effects are statistically weaker ( $p \leq 0.10$ ). Quoted bid-ask spreads are also higher in firms with greater proportions of their financing being from debt ( $p \leq 0.001$ ) than equity ( $p \leq 0.001$ ) although the effect with debt is typically three times the size of that for equity. Quoted bid-ask spreads are reduced by higher national institutional quality ( $p \leq 0.05$ ) and in territories whose securities exchanges account for a higher total market capitalization than their national GDP ( $p \leq 0.05$ ). Finally, quoted bid-ask spreads are reduced by firms' equity having higher volatility, and for bigger firms in terms of their total assets but increased with higher traded volume. All three control effects are strongly statistically significant ( $p \leq 0.001$ ).

The diagnostic statistics across all four models reflect high F-statistics, which are strongly statistically significant ( $p \leq 0.001$ ), with negligible change in the root mean square errors across all models. Adjusted R<sup>2</sup>s rise from 30.1% for model 1 containing controls only to near 32% for models 2 to 4, containing explanatory and moderating variables. These levels of explanatory power are consistent with findings in the literature (e.g., Stoll, 2000; Schnatterly et al., 2008).

### **Table 3**

We visualize the interaction effect by first plotting the predicted value of quoted bid-ask spread at each combination of OFC subsidiary (equal to 1 if firm has an OFC subsidiary and 0 otherwise) and founder ownership. As illustrated in Fig. 2, the linear plots of founder ownership against predicted quoted bid-ask spread are downward sloping for firms both with and without an OFC subsidiary. However, the downward gradient for firms with an OFC subsidiary is steeper than that for firms without an OFC subsidiary. This visually corroborates the result of our preceding statistical analysis and visually supports *Hypothesis 2*.

We repeat this exercise in visualizing the interaction effect from the moderating influence of shareholder value governance adoption on founder ownership's influence on predicted values of quoted bid-

ask spreads, as shown in a three-dimensional probability surface (Figure 3). The probability surface exhibits a consistent downward slope, indicating that increasing founder ownership leads to decreasing quoted bid-ask spreads. However, at lower levels of shareholder value governance adoption, this slope is minimal, while at higher levels, it is very steep, demonstrating a stronger effect. In summary, this visual evidence provides further support for *Hypothesis 3*.

### **Figures 2 and 3**

#### *4.3. Robustness and endogeneity tests*

We undertook three robustness tests. The first two involved re-estimating all models on subsamples relating to Jamaica only and then the combination of the remaining seven markets excluding Jamaica. This addresses concerns of Jamaica alone dominating the indigenous economies within the Caribbean region. The statistical findings corroborated those of our main analysis above. Next, the third test focused on the potential non-monotonicity of founder ownership in its association with quoted bid-ask spread. This involved re-estimating the main effect model solely including founder ownership alongside all controls and then augmenting this with an additional founder ownership-squared term. Our findings corroborated the lack of statistical significance of founder ownership-squared implying monotonicity in its association with quoted bid-ask spread.

Next, we undertook two endogeneity tests. The first of these involved a two-step regression procedure from Heflin & Shaw (2000). In the initial regression, founder ownership is regressed on to quoted bid-ask spread, as explanatory variable, and all controls with the residuals saved. The next regression then regresses quoted bid-ask spread, this time as dependent variable, against founder ownership plus the residuals from initial regression alongside all controls. The evidence from latter step reveals the coefficient of association of inserted initial step residuals wholly lacks statistical significance thereby providing statistical support for a lack of endogeneity. The second endogeneity test involved re-estimating all models within a two-stage least squares (2SLS) framework, maintaining the same arrangement and format as in the main analysis. This approach utilized the number of founders occupying executive director roles as instrumental variable, with an additionally robustness check using the number of founders in nonexecutive directors' roles as a separate instrument. The empirical findings remained consistent with our main analysis, thereby mitigating concerns over potential endogeneity.

## 5. Discussion

Our study's findings indicate increasing founder ownership leads to a reduction in transaction costs of trading of a firm's listed shares. Moreover, this effect is amplified by the presence of a subsidiary in an offshore financial centre (OFC) and the adoption of Anglo-American shareholder value-oriented corporate governance, both of which further reduce firms' transaction costs by strengthening the negative relationship.

### 5.1. Theoretical contributions

Our first theoretical contribution relates to the influence of ownership on bid-ask spreads. Prior empirical finance studies (e.g., Glosten & Milgrom, 1985; Schnatterly et al, 2008) have attributed insiders and institutional investors influence on bid-ask spreads to their monitoring capacity and ability to influence the informational environment of firms. In contrast, our findings emphasize a broader role for owners, particularly in relation to their inherent competencies in actively managing firms and influencing managerial discourse. This is especially true of founders, whose influence imprints on a firm's nascent organizational structure and whose traits shape the definition and enforcement of stakeholder property rights, as well as the efficiency of the governance structure. Consequently, rather than bid-ask spreads merely reflecting adverse selection informational costs, they instead constitute a broader measure of firm-wide transaction costs. These transaction costs are attributable to differences in bounded rationality between uninformed investors outside the firm and their informed counterparts within the firm (the incumbent owners). Our empirical evidence lends theoretical support to the active role of founders as owners in their ability to reduce transaction costs by the means of their competencies and strategic influence within the firm

Our second contribution relates to the moderating influence of the institutional environment. Our findings support the moderating influence of institutions, as argued by Foss et al (2003), rather than Montero & Montalvo's (2023) assertion of their constituting a distinct additional ownership competency unto themselves. Our evidence reinforces the inherently social nature of property rights, along with the idea that their effective enforcement results from the interplay between formal and informal institutional frameworks. These frameworks also shape the legitimacy and the competencies of owner-actors emanating from within them. In our context of emerging economies—often characterized by formal institutional voids and a reliance on networks embedded with socio-cultural values that foster socialized trust (see for example

Standifird & Marshall, 2000), there is an emphasis on the prolonged importance of founders. This is an outcome of founders' dexterity in navigating the institutional environment, reflected in their elevated social statuses, which in turn underscores their stewardship propensity towards stakeholder interests transcending the firm. Such competencies engendered in stewardship are reflected in a reduction of transaction costs associated with prolonged founder ownership.

The moderating influence of institutions is also visible in terms of the strategic orientation of the focal firm towards institutional domains —particularly those of international investors who are entirely removed from the indigenous social fabric in which the firm is embedded. The adoption of a specific corporate governance framework is essential for firms to achieve their strategic value goals. Corporate governance choices result from internal discourse and the need for strategic conformity with both formal and informal institutional domains, as well as the external actors embedded within them. Our empirical findings suggest that transaction costs decrease when there is greater motivational alignment between dominant owners and the norms and values of the institutional domain to which they seek to conform. This applies both when a firm integrates itself into the norms and values of the international offshore investment community—achieved by incorporating a subsidiary in an offshore financial center (OFC)—and when it adopts Anglo-American shareholder value corporate governance to align with the norms and values of the international investment community.

### *5.2. Managerial and practitioner implications*

In terms of managerial and practitioner implications, our findings reveal significant benefits from founders retaining control within their firms in emerging offshore economies, benefits that outweigh potential costs. We specifically highlight four practical implications: (1) Founder ownership as a deterrent: founders institutionalized social status deters shirking, holdup, and expropriation by powerful actors embedded in emerging economy networks. Their continued control fosters trust and aligns stakeholder interests, especially in environments with predatory institutional frameworks. (2) Navigating vested interests: in emerging offshore economies, founders play a critical role in introducing disruptive technologies or services that challenge entrenched industries supported by state or business elites. Their ability to navigate these networks is a valuable asset, underscoring the need for context-specific national developmental policies rather than one-size-fits-all approaches. (3) Policy implications for development agencies: international

financial institutions and development agencies should adopt contextually tailored policies for economic regeneration. For example, in the Caribbean, where economic sustainability is a critical issue due to annual hurricanes and seismic events, policies encouraging founder succession may undermine the embedded value of founders in local networks. (4) Accessing offshore financing: the ubiquity of offshore jurisdictions provides firms in emerging economies with cost-effective financing alternatives. OFCs help circumvent funding gaps caused by high informational asymmetries and macroeconomic instability, offering bespoke financial products beyond their traditional tax management roles. Our findings show that founder-controlled firms can benefit from these opaque environments without compromising governance, given founders' embeddedness within relational networks.

### *5.3. Limitations and further research*

There are a number of limitations associated with our research. The first is that it comprises a relatively small sample of what are very small, isolated island economies across the predominantly English-speaking Caribbean (see Minto-Coy, Lashley & Storey, 2018) which is dominated by the region's largest economy of Jamaica and its domiciled firms. Second, by focusing on listed firms, the study is restricted to the formal economic—an important limitation in the context of emerging offshore economies, where informal economies are often substantial (see Schneider, 2005) and operate beyond the reach of state regulatory institutions, such as national taxation authorities. The third is that a major impediment to further research is the severe lack of publicly available data and limited avenues to collect these data in a region dominated by conservatism, informality, and secrecy, attributes that form the bedrock of offshore jurisdictions. This culture of legally mandated secrecy is exemplified by The Guardian (2018) quotation “...According to a 1985 law, anyone on Nevis disclosing financial information without a court order is liable to a prison term of up to a year, as well as a fine of \$10,000. (This is another area where Nevis is resisting the trend towards openness. Cayman previously had a similar law against breaching confidentiality but decriminalised the offence in 2016.)”

Finally, in terms of further research, additional avenues of inquiry may build on the role of founders-maintained ownership in their firms within a broader sample of emerging economies. A major drawback to such a widening of our study is the lack of data availability ubiquitous to offshore jurisdictions but is also prevalent across conservative network-based economies in general. One potential way around this obstacle

would be to administer a survey or questionnaire which has been successfully undertaken within offshore jurisdictions by Allred et al (2017). Another would be the application of qualitative methodologies through the undertaking of a “finer grained” analysis to complement the quantitative methods applied here (see Birkinshaw, Brannen & Tung, 2011). This approach could focus on founder motivations influencing the control versus value-creation dilemma, and on providing a greater depth of insight into the moderating influence of contingencies related to the institutional environment and culture.

## **6. Conclusions**

Our study explores how prolonged founder ownership in listed firms is associated with persistent reductions in firm transaction costs in emerging offshore economies. These are characterised by dense social networks, which necessitates unique founder competencies—particularly social dexterity—to navigate these networks and manage embedded, locally powerful stakeholder constituencies. Our findings suggests that policymakers as well as members of corporate boards should emphasise the potential benefits associated with retained founder control, particularly as these benefits persist or get stronger even when the firm accesses burgeoning offshore financing or relies on the scrutiny of a stringent corporate governance regime.

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**Table 1** Summary statistics

Table providing summary statistics of all variables used within empirical modelling. These are defined as follows. Quoted bid-ask spread is defined as the end-of-month bid price subtracted from the end-of-month ask price divided by the midpoint of those bid and ask prices. Deflating by the share price mitigates concerns over nonlinearity in bid-ask spreads (Schnatterly et al, 2008). Founder ownership is percentage ownership attributable to founders. OFC subsidiary is binary taking value one if firm has a subsidiary located in an OFC and zero otherwise. Shareholder value governance adoption index is the 34-element index constructed from corporate governance elements extracted from individual firms' annual reports with elements outlined in detail in Appendix Table 2. All other block ownership is the accumulated ownership of all other block owners outside that of founders. Ln (Board size) is natural logarithmically transformed value of total number of executive and nonexecutive directors serving on board. Ratio gov. elite nonexecutives is the proportion of nonexecutive directors who have elite governmental backgrounds. Ratio comm. Elite nonexecutives is proportion of nonexecutive directors whose background is from commercial social elites. Herfindahl board diversity index is a modified Herfindahl index capturing the ethnic diversity of directors who originate from European, African, Asian heritages. Female director ratio is ratio of female versus male directors serving on board. Ln (Firm age) is age of firm from its date of establishment or inception to year of reporting in annual report. Ratio of debt and then separately equity to total assets is the proportion of value attributable to debt and then equity to total asset value of the firm. Institutional quality is the average of the six Worldwide Governance Indicator dimensions of national formal institutional quality. Each dimension is first rebased on a zero to one scale before averaging. Market cap/GDP is the total capitalization of national stock market divided by GDP at constant 2000 prices. Ln (price), Ln (volatility), Ln (volume) and Ln (total assets) are the natural logarithmically transformations of closing stock price, volatility in terms of standard deviation of daily stock prices, traded volume in US\$ and total assets, also in US\$. Quoted bid-ask spread, as with Ln (price), Ln (volatility), Ln (volume) and Ln (total assets), are monthly and so are averaged across the year in question to arrive at an annualised average of these variables. Such averaging is essential given the small and erratic order flow in tiny frontier securities markets. Shareholder value corporate governance index and institutional quality index are both statistically Normalized too.

	<b>Observations</b>	<b>Mean</b>	<b>Median</b>	<b>Std. Dev.</b>	<b>Min</b>	<b>Max</b>
Quoted bid-ask spread	1,376	0.122	0.070	0.178	0.000	2.000
Founder ownership <sub>t-1</sub>	1,737	0.084	0.000	0.227	0.000	1.000
OFC subsidiary <sub>t-1</sub>	1,737	0.746	1.000	0.436	0.000	1.000
Shareholder value index, Normalized <sub>t-1</sub>	1,733	0.000	-0.160	1.000	-1.806	2.365
All other block ownership <sub>t-1</sub>	1,722	0.538	0.600	0.295	0.000	1.009
Ln (Board size) <sub>t-1</sub>	1,737	2.153	2.200	0.296	0.693	2.944
Ratio government elite nonexecutive <sub>t-1</sub>	1,737	0.076	0.000	0.104	0.000	0.600
Ratio commercial elite nonexecutive <sub>t-1</sub>	1,737	0.183	0.170	0.154	0.000	0.714
Herfindahl board diversity index <sub>t-1</sub>	1,731	0.624	0.580	0.193	0.333	1.000
Female director ratio <sub>t-1</sub>	1,731	0.133	0.110	0.134	0.000	0.714
Ln (Firm age) <sub>t-1</sub>	1,736	3.411	3.500	1.001	0.000	5.193
Ratio debt/ total assets <sub>t-1</sub>	1,736	0.166	0.050	1.025	0.000	37.305
Ratio equity/ total assets <sub>t-1</sub>	1,736	0.452	0.480	1.279	-36.305	28.160
Institutional quality, Normalized <sub>t-1</sub>	1,737	0.520	0.210	0.547	-0.527	1.548
Market Cap/GDP ratio <sub>t-1</sub>	1,732	0.480	0.330	0.595	0.021	4.697
Ln (Price) <sub>t-1</sub>	1,440	-0.451	0.210	2.369	-7.699	5.928
Ln (Volatility) <sub>t-1</sub>	1,419	-4.299	-4.140	1.142	-9.957	1.401
Ln (Volume) <sub>t-1</sub>	1,425	11.328	11.180	3.000	1.609	19.660
Ln (Total Assets) <sub>t-1</sub>	1,737	18.381	18.450	2.201	7.316	23.201

**Table 2** Correlations

Table outlining Pearson correlations between all variables. All variables are defined in preceding Table 1 while detailed outline of shareholder value corporate governance index is provided in Appendix Table 2. Bold indicates  $p$  value  $\leq 0.01$

	1	2	3	4	5	6	7	8	9	10
1 Quoted bid-ask spread	1.000									
2 Founder ownership <sub>t-1</sub>	<b>-0.009</b>	1.000								
3 OFC subsidiary <sub>t-1</sub>	-0.019	<b>-0.270</b>	1.000							
4 Shareholder value index, Normalized <sub>t-1</sub>	<b>-0.122</b>	<b>0.075</b>	<b>-0.127</b>	1.000						
5 All other block ownership <sub>t-1</sub>	0.006	<b>-0.348</b>	<b>0.126</b>	<b>0.129</b>	1.000					
6 Ln (Board size) <sub>t-1</sub>	<b>-0.215</b>	<b>-0.241</b>	<b>0.234</b>	<b>0.129</b>	0.053	1.000				
7 Ratio government elite nonexecutive <sub>t-1</sub>	-0.051	-0.058	-0.023	0.058	<b>0.146</b>	<b>0.163</b>	1.000			
8 Ratio commercial elite nonexecutive <sub>t-1</sub>	-0.026	-0.026	0.040	<b>0.285</b>	<b>0.074</b>	<b>0.174</b>	<b>0.190</b>	1.000		
9 Herfindahl board diversity index <sub>t-1</sub>	<b>0.141</b>	0.041	0.024	<b>-0.236</b>	<b>-0.163</b>	<b>-0.107</b>	<b>-0.125</b>	-0.038	1.000	
10 Female director ratio <sub>t-1</sub>	0.005	0.047	0.038	0.028	<b>0.121</b>	<b>0.062</b>	<b>0.144</b>	0.006	-0.022	1.000
11 Ln (Firm age) <sub>t-1</sub>	<b>-0.092</b>	<b>-0.319</b>	0.015	<b>0.125</b>	0.039	<b>0.239</b>	-0.014	<b>0.071</b>	<b>-0.067</b>	<b>-0.096</b>
12 Ratio debt/ total assets <sub>t-1</sub>	<b>0.082</b>	<b>0.108</b>	-0.005	-0.031	<b>-0.072</b>	<b>-0.071</b>	0.002	0.002	0.047	-0.044
13 Ratio equity/ total assets <sub>t-1</sub>	0.047	<b>-0.065</b>	-0.033	0.022	<b>0.068</b>	0.031	0.024	0.020	-0.036	0.013
14 Institutional quality, Normalized <sub>t-1</sub>	0.041	<b>-0.192</b>	<b>0.412</b>	<b>-0.423</b>	-0.050	0.041	0.002	-0.055	<b>0.213</b>	-0.023
15 Market Cap/GDP ratio <sub>t-1</sub>	-0.015	<b>-0.082</b>	<b>0.090</b>	<b>-0.122</b>	-0.044	<b>0.064</b>	-0.051	0.001	<b>0.162</b>	<b>-0.097</b>
16 Ln (Price) <sub>t-1</sub>	-0.057	<b>-0.428</b>	<b>0.354</b>	<b>-0.368</b>	<b>0.108</b>	<b>0.206</b>	<b>-0.160</b>	<b>-0.162</b>	<b>0.139</b>	<b>-0.122</b>
17 Ln (Volatility) <sub>t-1</sub>	<b>0.295</b>	<b>0.148</b>	0.003	-0.030	-0.032	<b>-0.074</b>	<b>0.110</b>	<b>0.078</b>	<b>0.100</b>	0.058
18 Ln (Volume) <sub>t-1</sub>	<b>-0.171</b>	<b>0.283</b>	<b>-0.131</b>	<b>0.449</b>	-0.043	<b>0.177</b>	<b>0.297</b>	<b>0.296</b>	<b>-0.183</b>	<b>0.115</b>
19 Ln (Total Assets) <sub>t-1</sub>	<b>-0.269</b>	<b>-0.444</b>	<b>0.308</b>	<b>0.096</b>	<b>0.222</b>	<b>0.544</b>	<b>0.190</b>	<b>0.090</b>	<b>-0.068</b>	<b>0.147</b>

**Table 2** continuedBold indicates  $p$  value  $\leq 0.01$ 

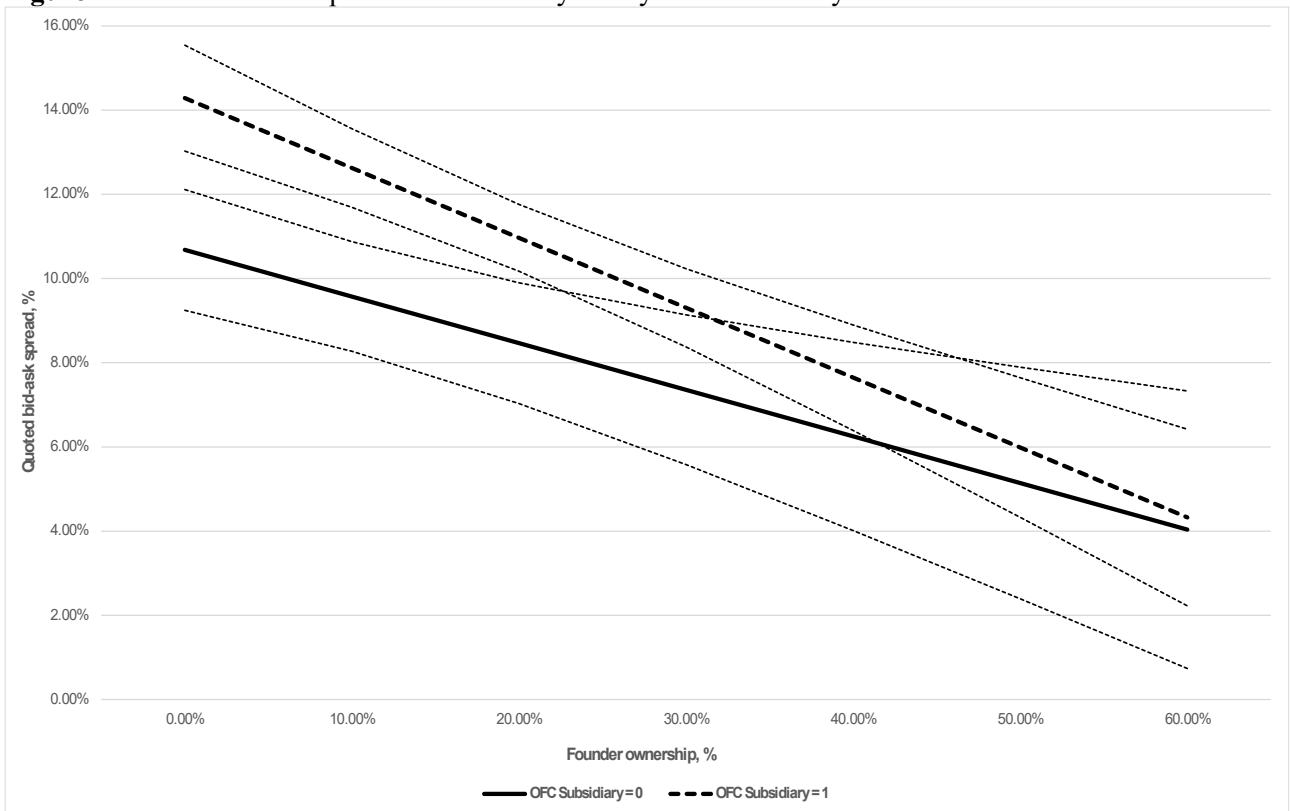
	11	12	13	14	15	16	17	18	19
1 Quoted bid-ask spread									
2 Founder ownership <sub>t-1</sub>									
3 OFC subsidiary <sub>t-1</sub>									
4 Shareholder value index, Normalized <sub>t-1</sub>									
5 All other block ownership <sub>t-1</sub>									
6 Ln (Board size) <sub>t-1</sub>									
7 Ratio government elite nonexecutive <sub>t-1</sub>									
8 Ratio commercial elite nonexecutive <sub>t-1</sub>									
9 Herfindahl board diversity index <sub>t-1</sub>									
10 Female director ratio <sub>t-1</sub>									
11 Ln (Firm age) <sub>t-1</sub>	1.000								
12 Ratio debt/ total assets <sub>t-1</sub>	<b>-0.103</b>	1.000							
13 Ratio equity/ total assets <sub>t-1</sub>	0.031	<b>-0.547</b>	1.000						
14 Institutional quality, Normalized <sub>t-1</sub>	<b>-0.107</b>	0.044	0.005	1.000					
15 Market Cap/GDP ratio <sub>t-1</sub>	0.048	-0.027	0.036	<b>0.276</b>	1.000				
16 Ln (Price) <sub>t-1</sub>	<b>0.117</b>	<b>-0.107</b>	0.058	<b>0.614</b>	<b>0.245</b>	1.000			
17 Ln (Volatility) <sub>t-1</sub>	<b>-0.119</b>	0.051	-0.002	-0.037	-0.050	<b>-0.372</b>	1.000		
18 Ln (Volume) <sub>t-1</sub>	0.034	0.050	-0.052	<b>-0.509</b>	<b>-0.103</b>	<b>-0.695</b>	<b>0.250</b>	1.000	
19 Ln (Total Assets) <sub>t-1</sub>	<b>0.234</b>	<b>-0.178</b>	-0.002	<b>0.154</b>	0.050	<b>0.440</b>	<b>-0.207</b>	0.004	1.000

**Table 3** Determinants of quoted bid-ask spread transaction costs

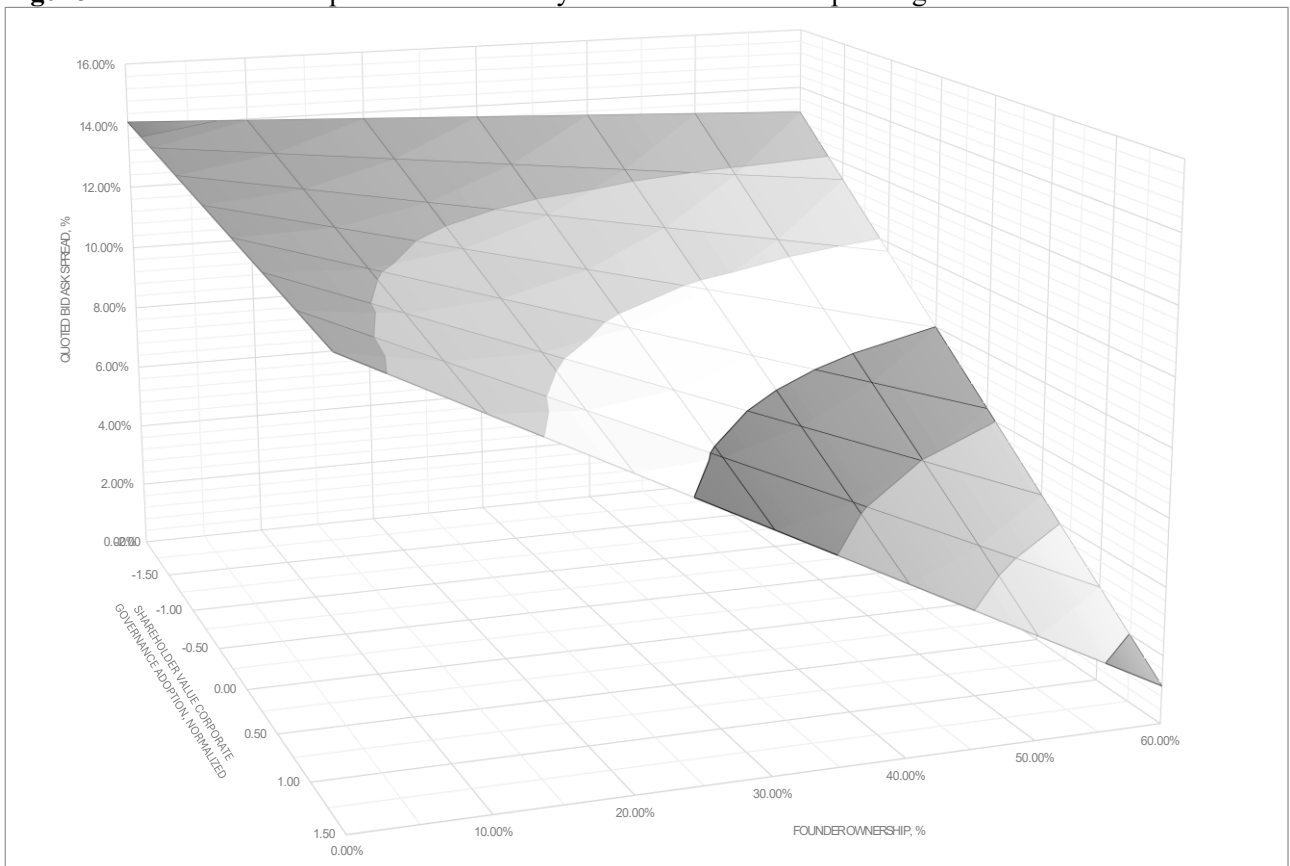
Table reporting OLS regression coefficients from quoted bid-ask spread as dependent variable regressed on range of independent variables plus control variables whose detailed definitions are provided in Table 1. Robust standard errors in square brackets,  $p$  values in round brackets. Country, industry, time (year) fixed effects in all models.

	Dependent variable: Quoted bid-ask spread			
	Model 1	Model 2	Model 3	Model 4
Intercept	0.788 [0.104] (0.000)	0.908 [0.115] (0.000)	0.897 [0.117] (0.000)	0.905 [0.116] (0.000)
<b>Explanatory variables</b>				
H1: Founder ownership <sub>t-1</sub>	-- --	-0.137 [0.030] (0.000)	-0.111 [0.037] (0.003)	-0.117 [0.035] (0.001)
H2: Founder ownership <sub>t-1</sub> x OFC subsidiary <sub>t-1</sub>	-- --	-- --	-0.055 [0.030] (0.070)	-- --
H3: Founder ownership <sub>t-1</sub> x Shareholder value adoption index <sub>t-1</sub>	-- --	-- --	-- --	-0.050 [0.026] (0.050)
OFC subsidiary <sub>t-1</sub>	+0.033 [0.012] (0.006)	+0.029 [0.011] (0.010)	+0.036 [0.012] (0.003)	+0.031 [0.011] (0.005)
Shareholder value adoption index <sub>t-1</sub>	-0.011 [0.006] (0.062)	-0.008 [0.006] (0.154)	-0.008 [0.006] (0.164)	-0.004 [0.006] (0.470)
<b>Ownership control</b>				
All other block-holders ownership <sub>t-1</sub>	0.023 [0.015] (0.132)	0.004 [0.015] (0.776)	0.010 [0.016] (0.546)	0.009 [0.015] (0.535)
<b>Board controls</b>				
Ln (Board size) <sub>t-1</sub>	-0.006 [0.017] (0.704)	-0.013 [0.017] (0.423)	-0.014 [0.017] (0.413)	-0.015 [0.017] (0.373)
Ratio government elite nonexecutive <sub>t-1</sub>	0.142 [0.047] (0.003)	0.130 [0.048] (0.007)	0.123 [0.048] (0.011)	0.115 [0.046] (0.012)
Ratio commercial elite nonexecutive <sub>t-1</sub>	-0.074 [0.035] (0.036)	-0.085 [0.035] (0.015)	-0.086 [0.035] (0.013)	-0.094 [0.035] (0.007)
Herfindahl board diversity index <sub>t-1</sub>	0.052 [0.025] (0.036)	0.054 [0.024] (0.025)	0.054 [0.024] (0.024)	0.050 [0.024] (0.040)
Female director ratio <sub>t-1</sub>	0.041 [0.045] (0.355)	0.072 [0.047] (0.125)	0.070 [0.046] (0.134)	0.060 [0.044] (0.173)
<b>Firm controls</b>				
Ln (Firm age) <sub>t-1</sub>	-0.005 [0.005] (0.336)	-0.002 [0.006] (0.676)	-0.002 [0.006] (0.752)	-0.002 [0.006] (0.659)
Ratio debt/ total assets <sub>t-1</sub>	0.139 [0.038] (0.000)	0.147 [0.037] (0.000)	0.145 [0.037] (0.000)	0.152 [0.038] (0.000)
Ratio equity/ total assets <sub>t-1</sub>	0.046 [0.014] (0.001)	0.046 [0.014] (0.001)	0.046 [0.014] (0.001)	0.048 [0.014] (0.001)
<b>Institutional controls</b>				
Institutional quality <sub>t-1</sub>	-0.048 [0.026] (0.069)	-0.055 [0.026] (0.036)	-0.053 [0.026] (0.045)	-0.052 [0.026] (0.047)
Market cap/ GDP <sub>t-1</sub>	-0.019 [0.008] (0.013)	-0.019 [0.007] (0.011)	-0.019 [0.008] (0.013)	-0.019 [0.007] (0.012)
<b>Microstructural controls</b>				
Ln (Price) <sub>t-1</sub>	0.009 [0.007] (0.161)	0.010 [0.007] (0.141)	0.009 [0.007] (0.181)	0.010 [0.007] (0.126)
Ln (Volatility) <sub>t-1</sub>	0.038 [0.007] (0.000)	0.037 [0.007] (0.000)	0.037 [0.007] (0.000)	0.037 [0.007] (0.000)
Ln (Volume) <sub>t-1</sub>	-0.017 [0.003] (0.000)	-0.015 [0.003] (0.000)	-0.014 [0.003] (0.000)	-0.014 [0.003] (0.000)
Ln (Total assets) <sub>t-1</sub>	-0.020 [0.004] (0.000)	-0.025 [0.005] (0.000)	-0.025 [0.005] (0.000)	-0.025 [0.005] (0.000)
Observations	1,337	1,337	1,337	1,337
F-statistic (prob.)	10.000 [0.000]	9.840 [0.000]	9.800 [0.000]	9.720 [0.000]
Root MSE	0.145	0.143	0.143	0.143
Adj. R <sup>2</sup>	0.301	0.318	0.319	0.320

**Figure 1** Founder ownership and moderation by binary OFC subsidiary



**Figure 2** Founder ownership and moderation by shareholder value corporate governance



**Appendix Table 1** Data sources

Table documenting a non-exhaustive representation of data and information sources from across Caribbean region.

<b>Market</b>	<b>Information source</b>
Caribbean Bermuda	Databases: Bloomberg LLP; Thomson Perfect Information portal & Datastream Bermuda stock exchange library, Hamilton, Bermuda and website: <a href="http://www.bsx.com/">http://www.bsx.com/</a> Hamilton-based interviews (11/2016 & 05/2019): Bermuda stock exchange: James S. McKirdy (Chief Compliance Officer) Bermuda Monetary Authority (BMA): Tessa Ingham (Analyst) Bermuda Chamber of Commerce: Kendaree Burgess (Executive Director) Bermuda Government: Victoria Taylor, Executive Officer Listed firm: Ozics Holdings Ltd (Auvo Kaikkonen, CEO); Cohort Ltd (Tracey Packwood); Bermuda Commercial Bank Ltd (Charlene Gilbert)
Barbados	Barbados stock exchange, Bridgetown, Barbados and websites: <a href="http://www.bse.com.bb/">http://www.bse.com.bb/</a> Bridgetown-based interviews (07/2011 and 11/2016): Barbados exchange: Marlon E. Yarde (GM); Barry Blenham (Operations); Donna Hope (Operations Manager) Central Bank of Barbados: Financial Division
Bahamas	Bahamas stock exchange, Nassau, The Bahamas and websites: <a href="http://bisxbahamas.com/">http://bisxbahamas.com/</a> Nassau-based interviews (05/2019): Bahamas international securities exchange [BISX]: Keith Davies (CEO); Holland Grant (COO) Chamber of Commerce: Jeffrey N. Beckles (CEO) Securities Exchange Commission of the Bahamas (Senior Analysts) Bahamas Venture Capital Fund c/o Baker Tilly Managers: Joan Octaviano (Head of Audit) Bahamas Development Bank: Director (Mme Pelicanos) University of the Bahamas Graduate School of Business: Remelda Moxley (Dean) Listed firm: Bank of Bahamas (Leashawn McPhee); Emera (Dina Bartolacci Seely); Commonwealth Bank (Gina Greene); ICBL (Jenifer Clarke); Doctors Hospital (Joanne Lowe)
Cayman Islands	CISX, Cayman Islands exchange, Georgetown, Grand Cayman and websites: <a href="http://www.csx.ky">http://www.csx.ky</a> Georgetown, Grand Cayman-based interviews (05/2019): Cayman Islands exchange: Sandy McFarlane (Operations Manageress) Cayman Islands Development Bank: Tracy Ebanks (General Manager/CEO) Cayman National Securities: Erol Babayigit (Vice President)
Jamaica	JSE, Jamaican stock exchange, Kingston, Jamaica and website: <a href="https://www.jamstockex.com/">https://www.jamstockex.com/</a> Kingston-based interviews (07/2016): Jamaican stock exchange: Marlene J. Street Forrest (General Manager); Sandra Shirley (Principal e-campus); Charlette Eddie-Nugent (Listings Manager); Neville R. Ellis (Operations Manager) JSE electronic media marketing event (07/2016): Spanish Court Hotel Annex, Kingston, Jamaica Bank of Jamaica: Financial services division interviews
Eastern Caribbean	ECSE, Basseterre, St Kitts & Nevis and website: <a href="http://www.ecseonline.com/">http://www.ecseonline.com/</a> Basseterre-based interviews (11/2011): Eastern Caribbean stock exchange: Trevor E. Blake (GM); Sherizan Mills (Operations Officer) Eastern Caribbean Central Bank visit (11/2011) Telephone-based interviews (06/2016 - 08/2016): Eastern Caribbean stock exchange: Trevor E. Blake (GM); Sherizan Mills (Operations Officer) Nevis, Charlestown-based interviews (11/2011): Financial district in Charlestown, Nevis; St Lucia-based interviews (11/2011): Financial district, Castries, St Lucia
Guyana	GASCI, Guyana Securities Council, Georgetown and website: <a href="http://www.gasci.com/">http://www.gasci.com/</a> Telephone-based interviews (08/2015 – 01/2017): Cheryl Ibbott (CEO, Guyana Securities Council c/o Bank of Guyana); Vick (Compliance Officer, Guyana Securities Council)
Trinidad & Tobago	TTSE, Trinidad & Tobago stock exchange, Port of Spain and website: <a href="http://ttsec.org.tt/">http://ttsec.org.tt/</a> Trinidad, Port of Spain based procurement (06/2016 - 07/2016): Trinidad, Ministry of Finance: Melissa Mattoo and Christine Frank (Communications Officers) Trinidad, Central Bank of Trinidad & Tobago: Candice Dilbar (Research Economist) Trinidad, Listed firm: National Enterprises Limited (Keisha Armstrong, Head of Secretariat) Tobago: Scarborough and Canaan-based interviews in financial district (06/2016 - 07/2016)

## Appendix Table 2 Shareholder rights index

This table provides the definition of each of the governance elements within the OECD shareholder rights index. All are sourced from individual firm annual reports, and all are measured as binary effect Yes/No which is coded as 1/0. The only exceptions are elements A.7 (ii) and (iii) and E.11, where a count of the number of directors is undertaken. A difference in means tests are reported between firm-year observations in firms with founder ownership greater than 0% and those which have no founder ownership. Bold indicates  $p$  value  $\leq 0.10$ .

Shareholder rights index	Founders own > 0%	Founders own = 0%
<b>A.1</b> Does the company offer other ownership rights beyond voting? [%]	16.13	20.80
(i) Preference shares [%]	9.68	12.80
(ii) Convertible Bond/Shares & Options [%]	3.23	0.80
(iii) Multiple share classes [%]	6.45	12.00
<b>A.2</b> Is the decision on the remuneration of board members or executives approved by the shareholders annually? [%]	<b>83.87</b>	71.20
<b>A.3</b> How is the remuneration of the board presented? [%]	87.10	88.80
(i) Are individual directors base cash salaries disclosed? [%]	12.90	12.90
(ii) Are individual directors' bonuses disclosed? [%]	3.23	1.61
(iii) Are individual directors' long-term incentives (options, pension etc) disclosed? [%]	<b>0.00</b>	6.45
(iv) Are benefits paid to directors? [%]	<b>0.00</b>	7.26
(v) Are benefits enumerated/ evaluated? [%]	<b>0.00</b>	6.45
(vi) Is salary aggregated into one lump sum paid? [%]	77.42	82.40
(vii) Is director fees aggregated into lump sum emolument? [%]	80.65	79.20
<b>A.4</b> Quality of Notice to call a Shareholders Meeting in the past one year. [%]	<b>80.65</b>	70.16
(i) Appointment of directors, providing their names and background [%]	80.65	72.00
(ii) Appointment of auditors, providing their names and fees. [%]	<b>80.65</b>	69.60
(iii) Dividend policy, providing the amount and explanation. [%]	<b>77.42</b>	63.20
<b>A.5</b> Did the Chairman of the Board attend at least one AGM in the past two years? [%]	<b>100.00</b>	58.65
<b>A.6</b> Board effective monitoring [%]	<b>84.21</b>	58.65
(i) Did the CEO/Managing Director attend at least one AGM in the past two years? [%]	<b>50.64</b>	29.21
(ii) Is a name list of board attendance available? [%]	<b>54.84</b>	34.40
(iii) How many directors did not attend 100% meetings [#]	<b>2.24</b>	3.41
(iv) How many directors did not attend 70% of meetings? [#]	<b>0.59</b>	1.22
<b>A.7</b> Do AGM minutes record that there was an opportunity for shareholders to ask questions/raise issues in the past one year? [%]	9.68	16.00
<b>A.8</b> Does the company have anti-takeover defences? [%]	<b>96.77</b>	88.80
(i) Cross shareholding [%]	<b>64.52</b>	84.00
(ii) Pyramid holding [%]	<b>64.52</b>	84.00
(iii) Board members hold more than 25% of share outstanding [%]	<b>77.42</b>	14.40
<b>A.9</b> Company dual listed? [%]	<b>3.23</b>	10.40
(i) Company dual listed on OECD stock exchange [%]	0.00	1.60
(ii) Controlling parent listed on OECD stock exchange [%]	<b>0.00</b>	22.40
<b>E.11</b> What is the size of the board?	<b>7.77</b>	8.98
<b>Index - Rights of shareholders</b>	<b>47.79</b>	42.84

<sup>i</sup> <https://www.oecd.org/corporate/principles-corporate-governance.htm>.

<sup>ii</sup> <https://www.sec.gov/education/smallbusiness/goingpublic/officersanddirectors>

<sup>iii</sup> Binary 1/0 dummy accounting for country or jurisdiction of primary listing and binary 1/0 dummy for 24 industry categories as defined in Global Industry Classification (GICS) codes developed by MSCI (see <https://www.msci.com/gics>). Four of these contain no firms from our sample, resulting in 20 industry categories being used in our study.