Foreign Firms and Foreign Managers

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Motivation

What are the boundaries of global firms?

arm's length $\longleftrightarrow$ relational $\longleftrightarrow$ acquisition

arrangement

Foreign owned firms perform better than domestic firms

- US: Doms and Jensen (1998)
- UK: Griffith (1999)
- Hungary, Romania, Russia, Ukraine: Brown, Earle, Telegdy (2006)
- Indonesia: Arnold and Javorcik (2009)

Managers matter

- Good management practices increase productivity (Bloom and Van Reenen 2010; Bloom et al. 2012; Bloom et al. 2014) and market access (Bloom et al. 2016).
- CEOs behaving like "leaders" gradually improve firm performance. (Bandiera, Hansen, Prat and Sadun 2018)
- Large increase in the level and inequality of CEO pay. (Murphy and Zábojník 2004; Gabaix and Landier 2008; Tervio 2008; Frydman and Saks 2010)
- Managers have persistent effects across firms on investment policy, R&D, advertising, return on assets. (Bertrand and Schoar 2003)
- Sudden CEO death worsens firm performance. (Bennedsen, Pérez-González and Wolfenzon 2007)
- Managers having past export experience increase likelihood of exporting (Mion and Opromolla 2014; Mion, Opromolla and Sforza 2016) and importing (Bisztray, Koren and Szeidl 2018).

This paper

- Compile new, unique data on which firm is run by expat manager: Hungary, 1980–2016.
- Foreign owners improve firm performance by improving management.
- Research design:
  - differences-in-differences comparing expat-managed firms to domestic managed firms before and after takeover
  - controlling for domestic change in management

Data