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Family firm successions: First-generation transitions in Latvia

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ABSTRACT

We examine the emergence, succession, and performance of the initial cohort of family firms in Latvia. Latvia offers a natural setting to examine succession challenges faced by first-generation firms because a majority of these firms were established shortly after the country regained independence in the early 1990s. Our findings indicate that in 44% of sample firms the founding family did not have a majority stake at incorporation, but accumulated a majority stake over the first few years (1991–1999). It takes seven years for the average family ownership stake to exceed 75% and 23 years for firms with second-generation owners to reach 16% of the sample. Notably, approximately 80% of the sample firms are still majority-owned and managed by their founders. In line with previous research, we find that family firms outperform nonfamily firms by 3.1% in return on assets (ROA).

1. Introduction

Family firms, where a group of individuals linked by blood or marriage control the key decisions in the firm, have emerged as the dominant organizational form worldwide (Aminadav and Papaioannou, 2020; Amit and Villalonga, 2014; Villalonga and Amit, 2020). Ownership succession decisions in such firms, especially the transition from the first to the second generation are of first-order importance (Bennedsen et al., 2007). Understanding succession patterns and their impact on corporate outcomes is topical in the Eastern European countries where a sudden switch from a planned to a market economy at the end of the Cold War in the 1990s created the first cohort of family firms that are getting ready for the generational change three decades later. Our study is the first to document this generational transition for Latvian family firms.

Our research relates to two broad themes in the family firm literature: succession and agency issues between passive and active family members. Succession in family businesses plays a critical role in ensuring the survival and successful development of the firm. Prior studies have focused on managerial succession in family firms (Perez-Gonzalez, 2006; Villalonga and Amit, 2006; Sraer and Thesmar, 2007; Bennedsen et al., 2007; Lee et al., 2023, 2021), while we study ownership transitions encompassing both managerial and passive ownership successions and the timing of such succession decisions in a uniform cohort of family firms.

Villalonga et al. (2015) advocate for more nuanced discussion of the inner dynamics of the family dimension of the family firm by

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examining tradeoffs between passive and active participation of family members in the business and highlight that this area is underresearched. Our paper adds to this literature by documenting how a subsequent generation assumes either passive or active roles in the family business. More broadly, better understanding of the family dimension adds to the agency and stewardship literature. This literature builds on the understanding of family firm ownership and management ownership evolution and highlights both positive and negative aspects of the dynamics within family firms and their relationship to the expected corporate outcomes. For example, the agency theory framework emphasizes that family firms may experience lower owner–manager agency conflict but should suffer from underinvestment because of risk-aversion and personal control motives (Anderson and Reeb, 2003; Le Breton and Miller, 2009; Davis et al., 1997). Similarly, family firms are exposed to heightened agency conflict between large and small investors but appear to address the conflict through the market discipline mechanism (Berzins et al., 2018). Alternatively, stewardship theory suggests that family firms, driven by intrinsic motivation and a desire for long-term preservation, should outperform nonfamily firms. These arguments motivate higher return on assets (ROA) in family firms as compared to nonfamily firms. Prior empirical results in two comprehensive Nordic studies of family firm performance find that family firms outperform nonfamily firms (Anderson et al., 2017; Berzins et al., 2023). Broader firm outcomes could relate to the accumulation of socioemotional wealth (SEW) encompassing family control, emotional attachment, and succession planning (Berrone et al., 2012).

Motivated by the previous studies, we report on how founding families acquire a majority stake in their firms, how this stake develops over time, when the next generation starts participating in the company, and how involved the second generation becomes and contributes to the observed firm outcomes, including performance. We collect the first comprehensive sample of 400 family firms in Latvia by examining the largest family firms in existence at two time points, 2000 and 2022. We included firms which had a founding family as a majority owner in either year. This dual sampling approach permits us to assess the survival of early family firms and trace the antecedents of today's foremost family enterprises. Strikingly, almost half of the family firms start with founders holding a minority stake—perhaps a regional artifact of financial constraints among the founders of the first family firm cohort.

We find several patterns in family firm creation among a subsample of 142 firms, which we can follow for the full sample period. It takes three years for the average family ownership stake to reach 66% and 7 years to reach 75%. Succession to the second generation emerges slowly. It takes 10 years for the second generation to own shares in 5% of the firms and 23 years to own shares in 16% of the firms. Only 14% of the firms have the second generation holding a board seat and having a majority of the family shares by the end of the sample in 2022. In line with previous research, we find that family firms outperform nonfamily firms by 3.1% in return on assets (ROA). The results show that second-generation ownership is not correlated with performance within the family firm sample.

Our research contributes to the literature on successions and family dynamics by studying the transition from the first to the second generation of ownership in family firms and studying the evolution of the role family takes in the business by presenting the evidence from Latvia. We offer insights into the dynamics of ownership transfer and its impact on firm performance by focusing on the economy in which firms were created simultaneously three decades ago, following the shift from a centrally planned to a market economy. This distinctive context introduces unique challenges and opportunities that shape the dynamics of ownership transfer and firm performance in ways that may differ from those observed in the more established economies. Our results can inform scholars, policymakers, and practitioners about effective strategies for sustaining family businesses across generational shifts in small open economies.

We present the sample and descriptive statistics in Section 2, family ownership evolution and succession patterns and implications for the performance in Section 3, and we conclude in Section 4.

2. Data and sample

Our baseline sample consists of all companies incorporated in Latvia and covered by the Bureau van Dijk Orbis database (Orbis), excluding micro enterprises (i.e., those with revenues below 2 million EUR in 2022) and financial institutions (NACE codes 64 and 65). The baseline sample contains 4087 companies, of which 1560 (or 38%) are classified as family firms. For family firm classification, we use the code and data set provided by the Baltic Family Firm Institute (https://bffi.global). Family firms are firms in which more than 50% of shares are directly or indirectly owned by one person or multiple persons with the same surname and at least one family member has a board seat. We further classify firms into single-family-member (942 firms) and multi-family-member (618) firms. We source ultimate ownership data from Orbis.

Examining baseline sample characteristics, family firms appear on average smaller, older, and less risky (lower leverage), and they use their assets more effectively (higher asset turnover). Notably, a higher fraction of family firms is incorporated outside the capital city of Riga (see Panel A of Table 1).

We repeat the univariate analysis in the sample of family firms, further subdividing them into one-family-member and multi-family-member firms (see Panel B of Table 1). The only significant differences between these two groups are related to financial

Table 1
Descriptive statistics (full sample).

Panel A. Family vs. Nonfamily firms

Variables	All firms (median)	Nonfamily firms (median)	Family firms (median)	*Significance of difference (family* vs. *nonfamily)*
Age	18	18	19	***
Asset turnover	2.07	1.97	2.24	***
CAGR3y	7.0%	6.6%	7.9%	
Debt-to-Assets	0.48	0.51	0.45	***
Financial leverage	1.84	1.87	1.80	***
Profit margin	3.7%	3.4%	4.2%	***
Revenues (thousand EUR)	5398	6155	4548	***
ROA	8.0%	6.9%	10.0%	***
ROE	18.2%	16.4%	20.5%	***
Sales growth	14.2%	13.9%	14.7%	
Region dummy (mean)	45%	41%	51%	***
N	4087	2527	1560	

Panel B. One-family-member vs. multi-family-member firms

Variables	Family firms (median)	One-family-member firms (median)	Multi-family-member firms (median)	*Significance of difference (one* vs. *multi)*
Age	19	17	23	***
Asset turnover	2.24	2.31	2.13	
CAGR3y	7.9%	8.0%	7.8%	
Debt-to-Assets	0.45	0.47	0.42	
Financial leverage	1.80	1.87	1.70	**
Profit margin	4.2%	4.0%	4.8%	
Revenues (thousand EUR)	4548	4438	4656	
ROA	10.0%	9.5%	10.6%	
ROE	20.5%	20.4%	20.6%	
Sales growth	14.7%	14.3%	15.5%	
Region dummy (mean)	51%	46%	58%	***
N	1560	942	618	

Note: This table presents the descriptive statistics for financial variables by family and nonfamily firms (Panel A) and by one-family-member and multi-family-member firms (Panel B). Refer to the Appendix for variable definitions. We test the equality of the means (*Region dummy*) using a two-sided *t*-test, and the equality of the medians (for all other variables) using the Wilcoxon–Mann–Whitney test. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

leverage, firm age, and regional presence. Multi-family-member firms appear to be more risk-averse (lower leverage), older, and more likely to be incorporated outside the capital city. These results persist in unreported multivariate settings.

To examine succession patterns and family firm life cycles, we follow two approaches to construct a subsample of 266 family firms active at the end of 2022 (core sample). We identify 200 largest (by revenues in 2000[1]) founder family firms, which emerged soon after independence (1991–1999) and were majority controlled by a single family as of 1 January 2000.[2] We augment this sample with a data set of 200 largest nonoverlapping family firms at the end of 2022 with complete ownership information history. Table 2 reports attrition rates in this combined sample of 400 firms: 110 are liquidated by 2022 and 24 are sold to outsiders. This twofold sampling method enables us to evaluate the longevity of initial family businesses and uncover the origins of contemporary leading family enterprises. The choice of this sampling approach is driven by the necessity to manually gather data on the inception of the primary family owner and the evolving involvement of the second generation. We augment the data with full ownership and management histories from the Latvian Enterprise Register database.

Panel A of Table 3 presents the descriptive statistics of the core sample of 266 family firms, while Panel B reports the median values of financial variables for the sample period with reported financial data (2016–2022). Both subsamples are largely similar to the base sample of the family firms in terms of industry representation and financial variables.

[1] We purchased from Lursoft the list of all the limited liability and joint stock companies that had submitted their financial reports for the year 2000. This list included 32,273 companies with their unique registration numbers and revenue data for 2000 (converted into euros). Approximately, 15% of companies had not submitted their financial statements for 2000.

[2] We define the founding family as the person (or persons with the same surname) who founded the firm with an ownership stake and reported a majority stake and a board seat in the company on or before 1 January 2000. In very rare cases when two families comply with these criteria, we chose the one with the longest majority ownership history. To examine succession patterns in family firms, we code family members with a birth date 18 or more years after the founder's birth date as Gen 2 (second generation). In Latvia, a person's birth date can be retrieved from their personal identification number, which is available in the Enterprise Register database.

Table 2
Sample construction.

The Initial Cohort:		
Family firm as of 1 Jan 2000		200
Liquidated during 2000–2022		(110)
Sold to outsiders during 2000–2022		(24)
Family firm (same family) as of 31 Dec 2022	(A)	66
The End of Sample Snapshot:		
Family firm as of 31 Dec 2022	(B)	200
Incorporated during 2000–2022		(85)
The majority acquired from another owner during 2000–2022		(39)
Family firm (same family) as of 1 Jan 2000	(C)	76
Core sample of family firms as of 31 Dec 2022	$(A + B)$	266
Balanced sample of early-rise family firms	(A + C)	142

Note: This table shows the sample construction using 200 largest (by revenues in 2000) family firms in 2000 and 200 largest nonoverlapping family firms in 2022.

Table 3
Descriptive statistics (core sample).

Panel A. Active family firms in 2022

Variable	Min	Mean	Median	Max	SD	N
Age	7	24.11	27	31	6.8	266
Asset turnover	0.11	1.65	1.31	8.59	1.42	248
CAGR3y	−28.3%	7.5%	8.7%	40.3%	16.1%	227
Debt-to-Assets	0.10	0.42	0.40	1.17	0.23	249
Profit margin	−23.2%	8.4%	6.7%	36.2%	13.3%	247
ROA	−10.2%	9.6%	8.7%	31.8%	10.5%	250
ROE	−26.3%	16.7%	15.6%	72.5%	20.7%	250
Sales growth	−46.6%	19.1%	17.1%	81.8%	30.3%	247

Panel B. Active family firms in 2016–2022 (medians)

Variable	2016	2017	2018	2019	2020	2021	2022
Asset turnover	1.35	1.33	1.40	1.33	1.23	1.25	1.32
CAGR3y	2.6%	3.5%	4.7%	7.9%	3.5%	4.8%	8.1%
Debt-to-Assets	0.61	0.56	0.54	0.57	0.48	0.45	0.40
Profit margin	3.1%	4.4%	4.9%	5.5%	5.4%	5.6%	6.1%
ROA	4.1%	5.4%	6.0%	6.7%	7.2%	7.4%	8.7%
ROE	11.3%	13.0%	13.9%	14.6%	16.0%	13.9%	15.7%
Sales growth	1.4%	8.6%	6.4%	6.3%	−2.5%	9.4%	16.8%

Note: This table presents the descriptive statistics for financial variables in the core sample of family firms. Refer to the Appendix for variable definitions. All continuous variables are winsorized at the 5th and 95th percentiles.

3. Empirical results

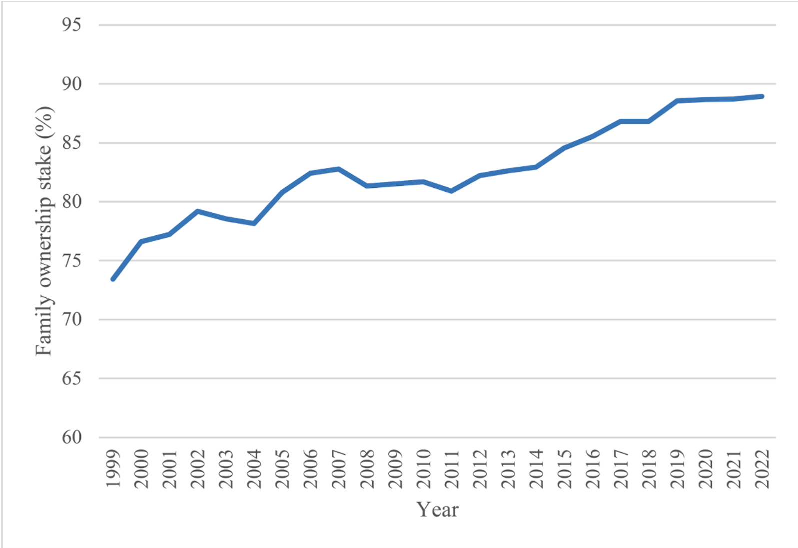
3.1. Family ownership evolution and succession patterns

We start by examining ownership evolution for 142 firms of the first cohort (sample of 142), who remain under the same family control by the end of 2022 (see Table 2).

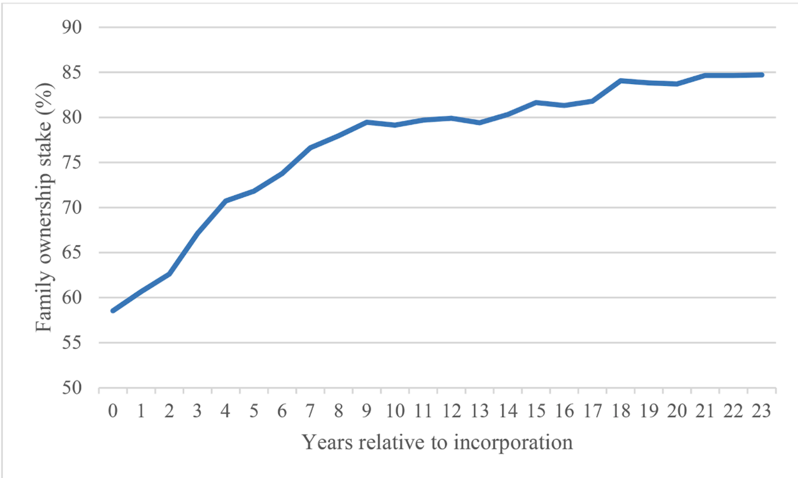
We follow the sample of 142 over the 23 sample years to study ownership evolution and succession patterns and report the results in the calendar-time and event-time. Fig. 1A presents the gradual increase in the family ownership stake from 73% in 1999 to 89% in 2022. We further present family ownership stakes over the firm's lifecycle of the first 23 years. Fig. 1B shows a steady ownership stake accumulation from 58.6% in the year of incorporation to 84.7% 23 years later.[3] Fifty-six percent of family firms are started by the founding family with a majority stake. However, 44% of family firms start with founders holding minority stakes, and over time one family emerges as the dominant family by buying out other founders to acquire the majority stake.

As families navigate the challenges of economic transitions, limited access to external capital may necessitate a cautious and gradual approach to increasing ownership to acquire and retain control of the firm. The observed gradual ownership increase serves as a resilience strategy, contributing to the survival and continuity of enterprising families in the face of economic uncertainties.

[3] In examining ownership evolution and second-generation emergence, it is possible that 110 firms that ceased to exist, or 24 that were sold to outsiders, or 85 that were incorporated, or 39 that were acquired by nonfounding families (see Table 2) exhibited different rates of accumulation of ownership or engaged the second generation at different rates. This is a drawback of studying a cohort of firms that are candidates for the second-generation transition.



(a)



(b)

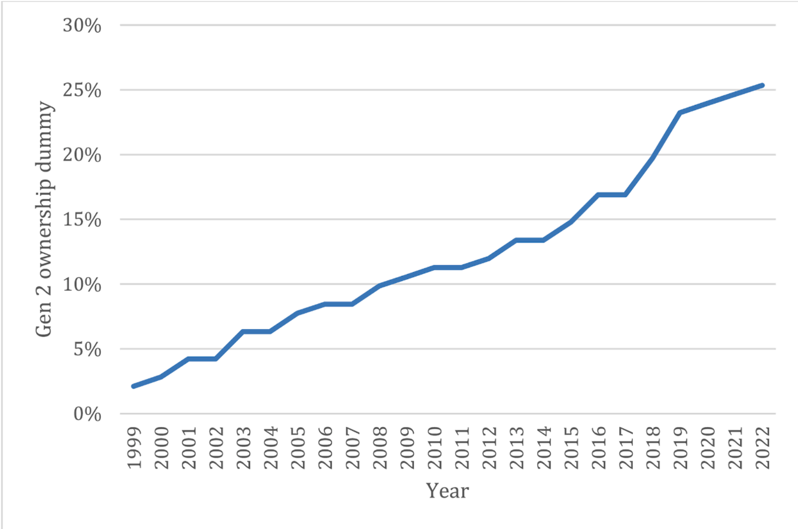
Fig. 1. a. Family ownership stake (average) over the years 1999–2022. The figure depicts the average family ownership stake (in%) – the sum of ownership stakes held by persons with the same surname – in a balanced sample of 142 early-rise family firms that remained active and in family control throughout the sample period (1999–2022). The ownership stake is from 31 December each year. **b.** Family ownership stake (average) over the lifecycle. The figure depicts the average family ownership stake (in%) – the sum of ownership stakes held by persons with the same surname – in a balanced sample of 142 early-rise family firms that remained active and in family control throughout the sample period (1999–2022). The ownership stake is from 31 December each year.

3.2. Emergence of the second generation in firm ownership

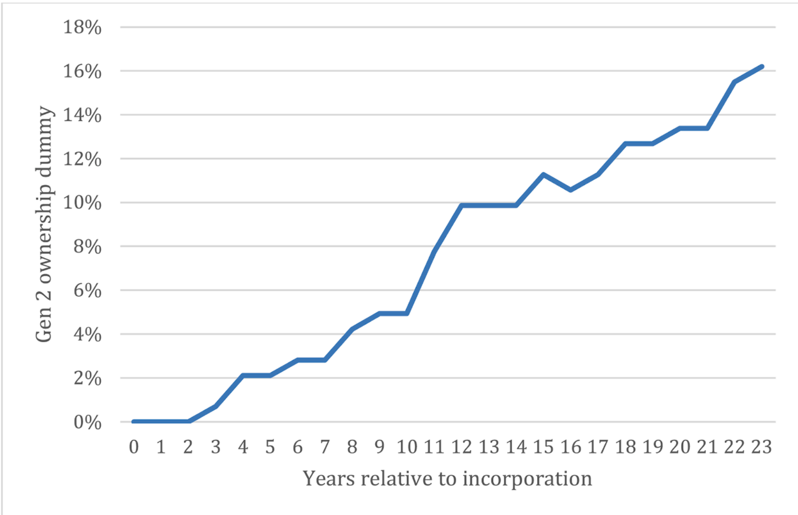
We now examine the emergence of the second generation in firm ownership, which represents a pivotal phase in the life cycle of family enterprises. The gradual ascent of the second generation is intricately linked to succession planning and the transmission of familial values, knowledge, and entrepreneurial ethos.

Following the sample of 142 until the end of 2022, we observe a steady growth in the representation of the second generation in firm ownership. While prone to survivorship bias, the sample of 142 companies allows us to follow the transition sample over time. Not surprisingly, as the first generation of entrepreneurs approaches retirement, the second-generation involvement accelerates during the last seven years – from 15% of firms with Gen 2 involvement in 2015 to 25% of firms in 2022 (see Fig. 2A).

Fig. 2B presents the evolution of second-generation involvement in firm ownership over the first 23 years of the firm's lifecycle. Twenty-three years after the incorporation, in only 16% of the sample of 142 family firms the founders have granted ownership to the second generation. We also examine the board representation and relative ownership stakes and define the family's involvement as "significant Gen 2 involvement" if the family controls a majority stake and the second generation owns the majority of the family stake



(a)



(b)

Fig. 2. a. Second-generation (Gen 2) involvement in firm ownership over the years 1999–2022. The figure depicts the average percent of firms with second-generation involvement in firm ownership in a balanced sample of 142 early-rise family firms that remained active and in family control throughout the sample period (1999–2022). The ownership stake is from 31 December 31 each year. **b.** Second-generation (Gen 2) involvement in firm ownership over the lifecycle. The figure depicts the average percent of firms with second-generation involvement in firm ownership in a balanced sample of 142 early-rise family firms that remained active and in family control throughout the sample period (1999–2022). The ownership stake is from 31 December each year.

and has a board seat. We find that by 2022, a significant second-generation involvement is observed in only 20 of 142 firms (14%).

In the core sample of 266 family firms, 52 (or 20%) firms have involved the second generation in firm ownership by 2022. Notably, the second generation has significant involvement (i.e., a majority family stake and board representation) in 37 (or 71%) of 52 second-generation firms. Eighty percent of the core sample firms are still majority-owned and run by the founders.

3.3. Second-generation ownership and family firm performance

We contrast the financial performance of our baseline family and nonfamily firms. We use return on assets (ROA) as our key performance metric in line with the previous studies (e.g., Anderson and Reeb, 2003). Like Anderson et al. (2017) and Berzins et al. (2023), we find family firms in Latvia associated with 3.1% (4.1%) higher ROA (ROE) than nonfamily firms on a univariate basis (see Panel A of Table 1). We extend this to a multivariate setting where we use the following baseline OLS model with firm-level error clustering (Model 1).

$$\begin{aligned} ROA_{it} &= \beta_0 + \beta_1 Family_{it} + \beta_2 Size_{it} + \beta_3 DebtToAssets_{it} + \beta_4 SalesGrowth_{it} \\ &\quad + Industry\ FE + Year\ FE + \varepsilon_{it}, \end{aligned} \tag{1}$$

where *ROA* is the return on assets (net income divided by average total assets), *Family* is a dummy variable that equals one for family firms, *Size* is the natural logarithm of one plus revenues (in thousands of euros), *DebtToAssets* is total liabilities divided by total assets, and *SalesGrowth* is the year-on-year increase in revenues. We control also for *industry* and *year* fixed effects (FE). Industry classification comes from NACE industry groups (21 categories). We winsorize all the continuous variables at the extreme 5% of their respective distributions.

We find that family firms outperform nonfamily firms by 2.4% in a pooled regression (see Table 4). The result is significant and positive every year (unreported).

Finally, we examine how the second-generation involvement in firm ownership correlates with firm performance. We restrict our baseline model to the core sample and develop an indicator for the ownership participation of the second generation (Model 2).

$$\begin{aligned} ROA_{it} &= \beta_0 + \beta_1 Gen2_{it} + \beta_2 Size_{it} + \beta_3 DebtToAssets_{it} + \beta_4 SalesGrowth_{it} \\ &\quad + Industry\ FE + Year\ FE + \varepsilon_{it}, \end{aligned} \tag{2}$$

where *Gen2* is a dummy variable, which equals one if a second-generation family member owns any shares in the company.

Table 4 shows the results from the cross-sectional regression (2022) and pooled OLS regression with firm-level clustered errors and industry and year effects. Results show that the coefficient on the *Gen 2* ownership dummy is insignificant, implying that second-generation ownership is not correlated with performance. We find similar results in the unreported yearly regression, as well as firm fixed effects specification, where *Gen 2* has a negative and statistically insignificant coefficient with a p-value of 0.106. The control variables confirm that larger (*Size*), faster-growing (*SalesGrowth*), and less risky (*Debt-to-Assets*) firms are associated with higher firm performance (ROA).

Crucially the observed associations between *Gen 2* ownership and firm performance should not be construed as indicative of a causal relationship because second-generation involvement is an endogenous decision impairing causal inference (Bennedsen et al., 2007). For example, unexplored elements such as family resources, skills, market conditions, and management practices could concurrently influence both *Gen 2* ownership and firm performance metrics.

The discernible rise in second-generation ownership signifies a positive trajectory, indicating a commitment to familial continuity and a willingness to navigate the complexities of succession planning. The gradual and deliberate increase in family ownership stakes is consistent with a strategic approach, allowing for a nuanced transfer of control while preserving the core values of the family business.

4. Conclusion

We present a unique setting where the switch from planned to market economy creates the first cohort of family firms all founded within a few years of each other. We collect data on 4087 firms with revenues above 2 million euros, of which 1560 are family firms

Table 4
Family and Gen 2 ownership and firm performance.

	Full sample		Family firm sample	
Dependent variables	Cross-section (2022)	Pooled	Cross-section (2022)	Pooled
Family dummy	0.023***	0.024***		
	(5.049)	(8.871)		
Gen 2 own. dummy			−0.021	−0.015
			(−1.386)	(−1.516)
Debt-to-Assets	−0.226***	−0.229***	−0.141***	−0.132***
	(−25.876)	(−44.945)	(−4.979)	(−8.083)
Size	0.010***	0.005***	0.018***	0.008**
	(5.640)	(4.736)	(4.704)	(2.400)
SalesGrowth	0.145***	0.132***	0.102***	0.128***
	(20.422)	(45.347)	(4.662)	(12.048)
Industry	Yes	Yes	Yes	Yes
Year		Yes		Yes
Constant	0.092***	0.153***	−0.028	0.067**
	(5.400)	(15.564)	(−0.802)	(2.278)
Observations	3956	26,127	247	1576
Adj. R-squared	0.333	0.310	0.379	0.339

Note: This table reports the results from the OLS regressions of the association between family ownership and firm performance in the full sample of family and nonfamily firms (columns 1 and 2) and between Gen 2 ownership and firm performance in the family firm sample (columns 3 and 4). The dependent variable is the return on assets (ROA). Refer to the Appendix for variable definitions. All regressions include NACE 21 industry group fixed effects, and continuous variables are winsorized at the 5th and 95th percentiles. T-statistics are based on robust standard errors clustered at the firm level (for the pooled regressions). ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

and follow a subset of the largest 400 family firms with a full ownership and financial history.

Our findings indicate that the founding family does not have a majority stake in 44% of cases at the outset. Over time, it takes seven years for average family ownership to exceed 75% and 23 years for the second generation to own shares in 16% of sample firms. Notably, approximately 80% of the sample firms are still majority-owned and managed by their founders and report higher ROA than nonfamily firms do; the start of second-generation involvement in ownership does not correlate with performance.

Our findings highlight that the majority of enterprises will undergo a succession in the near future, underscoring the need for awareness of the succession-related policy debate and succession planning support in Central and Eastern Europe. The cohort collected in this paper motivates further studies examining the cohort's response to external factors such as COVID-19 or regional trade tensions and their impact on succession decisions. For example, Tsoutsoura (2015) and Ellul et al. (2010) suggest external factors, such as changes in inheritance taxes and laws, influence family firm performance through lower investment around the time of succession.

Author statement

Janis Berzins
Berzins has no potential conflicts to disclose.
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Anete Pajuste
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CRediT authorship contribution statement

Jānis Bērziņš: Writing – review & editing, Writing – original draft, Validation, Supervision, Software, Resources, Project administration, Methodology, Investigation, Funding acquisition, Conceptualization. **Anete Pajuste:** Writing – review & editing, Writing – original draft, Visualization, Validation, Supervision, Software, Resources, Project administration, Methodology, Investigation, Formal analysis, Data curation, Conceptualization.

Data availability

The authors do not have permission to share data.

Appendix. Variable definitions

Age	Defined as the fiscal year minus the year of founding. The founding-year data are from Orbis and the Latvian Enterprise Register.
Asset turnover$_t$	Revenues in year *t* to average total assets at the beginning and end of fiscal year *t*. Source: Orbis.
CAGR3y	The three-year compounded annual growth rate of revenues. Source: Orbis.
Debt-to-Assets$_t$	The ratio of total liabilities to total assets at the end of fiscal year *t*. Source: Orbis.
Family dummy$_t$	A dummy variable that equals one if the firm is majority owned (50%+1 vote) by a single family and at least one family member has a board seat. Family is defined as individuals with the same surname. Source: Latvian Enterprise Register.
Financial leverage$_t$	Average total assets to the average stockholders' equity. Source: Orbis.
Gen 2 own. dummy$_t$	A dummy variable that equals one if the firm has a second-generation (Gen 2) family member with an ownership stake in year *t*. The second generation is defined as a person with a birth date of 18 or more years after the founder's birth date. Source: Latvian Enterprise Register.
Industry dummies	Dummy variables for each of the 21 NACE industry groups.
Profit margin$_t$	Net income in year *t* to revenues in year *t*. Source: Orbis.
Region dummy	A dummy variable that equals one if the firm is incorporated outside the capital city of Riga. Source: Orbis.
ROA$_t$	Return on assets; net profit in year *t* divided by the average total assets at the beginning and end of fiscal year *t*. Source: Orbis.
ROE$_t$	Return on equity; net profit in year *t* divided by the average stockholders' equity at the beginning and end of fiscal year *t*. Source: Orbis.
Sales growth$_t$	Percentage change in revenues from year *t-1* to year *t*. Source: Orbis.
Size$_t$	Natural logarithm of revenues (in thousand euros).

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