The Interrelationship between Culture, Capital Structure, and Performance: Evidence from European Retailers

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Research has shown that capital structure influences firm performance. It is generally accepted that variables other than capital structure also influence corporate performance. While this line of research has been extended to an international setting, research on the influence of national culture on capital structure is rather sparse, an issue addressed in this article.

Using data from retailers in 14 European countries, which are grouped into four cultural clusters, it is shown that capital structures for retailers vary by cultural clusters. This result holds in the presence of control variables. Using both financial and operational measures of performance, it is shown that capital structure influences financial performance, although not exclusively. A negative relationship between capital structure and performance suggests that agency issues may lead to use of higher than appropriate levels of debt in the capital structure, thereby producing lower performance. J BUSN RES 2000. 50.185–191. © 2000 Elsevier Science Inc. All rights reserved.

Unlike participants in certain types of athletic endeavors, corporate managers do not have instant access to performance-enhancing quick fixes. Thus, they have to draw on their managerial expertise in using the tried and true as well as yet untried methods to improve corporate performance. Porter (1980) argues that different firm-specific strategies deployed by managers to gain competitive advantage result in intra-industry performance differences. One firm-specific strategy deals with the appropriate mix of debt and equity to finance the firm’s assets. Managers who are astute enough to identify and deploy the appropriate mix of debt and equity are amply rewarded in the marketplace, because other factors held constant, this appropriate mix of debt and equity minimizes a firm’s cost of financing. Given revenue and prefinancing profit streams that are generated through non-financial factors, minimizing cost of financing maximizes net returns for the firm, thereby improving its competitive advantage.

This interplay between the utilization of debt and equity—referred to hereafter as capital structure—and corporate performance has been the subject of numerous studies, most of them in a purely domestic context. A limited number of theoretical and empirical studies have focused on the determinants of international capital structure. The thrust of these studies has been to argue that the capital structure for multinational corporations should be or is different from those for purely domestic firms. Curiously missing from the literature, however, is any significant body of research dealing with the possibility that managers in different cultures may be conditioned to opt for firm-specific strategies that are culturally oriented, which may result in capital structures that are unique to the cultures. This paucity of research on the role of culture in determining capital structure perhaps can best be explained by the highly specialized nature of capital structure research. This article seeks to shed some light on this issue. Specifically, this article has dual purposes: the first is to show that culture influences the choice of capital structure; the second is to show that with culture as an additional explanatory variable, the choice of capital structure affects corporate performance.

This line of research has significance beyond just identifying an appropriate capital structure for firms operating...
within a culture. If culture influences capital structure, then it is reasonable to expect that culture would also influence other aspects of a firm's external macro- and internal micro-financial environment. Thus, it is possible that culture may also aid in understanding evolutionary patterns in financial markets, the acceptance of financial innovations, strategies for dealing with financial distress, measurement of performance of financial managers, behavior in managing accounts receivables, and other firm-specific financial strategies.

Data from retailers in 14 European countries are used to analyze the influence of culture on capital structure, and the influence of culture and capital structure on corporate performance. The article is organized as follows. The literature review in the next section is followed by the development of research hypotheses. The data and methodology are presented in the third section, with the results in the fourth section.

Literature Review

This article first seeks to establish the influence of national culture on capital structure. Then it aims to show that capital structure, with culture as another explanatory or control variable, influences performance. The relevant literature on culture, capital structure, and performance are summarized in this section.

Culture and Capital Structure

Hofstede (1994) defines culture as "the collective programming of the mind which distinguishes the members of one group or category of people from those of another." Many different cultural factors are covered by this definition, including the legal environment, the tax environment, the economic system, and the technological capabilities. These cultural factors, among others, are captured by Broek and Webb (1973) and James (1976) in their work on the identification of cultural clusters. Two countries within a cluster will have similar national cultures. Two countries from different clusters will have dissimilar national cultures.

The first three cultural factors mentioned, namely the legal, tax, and economic environments, collectively provide the framework for managerial perceptions regarding bankruptcy costs, which influences their choice of capital structure. Harris and Raviv (1991) argue that capital structure is related to the tradeoff between costs of liquidation to consumers and the gains from liquidation to shareholders. The capital structure should be such that in case of bankruptcy, gains from liquidation should exceed the costs.

The cultural factor technological capabilities may also influence capital structure. Harris and Raviv (1991) argue that product quality, the uniqueness of the product, advertising, and research and development intensity have an influence on capital structure.

Other elements of national culture include social institutions, belief systems, and material culture. Perotti and Spier (1993) indicate that shareholders are insured by a higher level of debt against the failure of bargaining with stakeholders. These results suggest that firms in cultures that emphasize strong unions and transferability of skills in workers should be financed with proportionally more debt.

Another cultural classification scheme is presented by Hofstede (1980), who identifies four dimensions of national culture: individualism, power distance, masculinity, and uncertainty avoidance. Individualism is the "relationship between the individual and the collectivity which prevails in a given society" (Hofstede, 1980). High individualism in a culture means that managers have a propensity to look after their own interests. Hirshleifer and Thakor (1992) on their work on debt in capital structure argue that managers motivated by concern for their own reputation will choose to maximize success rather than expected profits when faced with two investment outcomes—success and failure. The implication is that managers in cultures with high individualism may choose lower debt to maximize success and enhance their reputations.

Power distance relates both to autocracy and the willingness to tolerate differences in power. A culture with a small power distance places greater value on equality and interpersonal trust. Dahlstrom and Nygaard (1995) show that investment in interpersonal trust enhances performance in the case of franchisee–franchiser relationship in Poland and Norway. If power distance influences performance, then by extension, it should influence capital structure as well.

Masculinity refers to the extent to which a culture emphasizes factors such as achievements, monetary rewards, and output. While there is no direct evidence to suggest how this cultural dimension relates to capital structure, Barton and Gordon (1988) show that managerial behavior may play a role in the determination of capital structure.

Uncertainty avoidance relates to the extent to which a culture is comfortable with uncertainty (Hofstede, 1980). Because financing assets with debt increases the firm’s exposure to the risk of bankruptcy, this dimension suggests that capital structures will include relatively lower levels of debt in cultures with strong uncertainty avoidance.

The above discussion suggests that culture may influence the capital structure of firms. The intent in this article is to use aggregate measures of culture to classify countries into cultural clusters and to examine inter-cluster differences in capital structures for firms.

Capital Structure and Performance

Current financial theory argues that in the absence of bankruptcy costs, the appropriate capital structure for a firm would be composed almost entirely of debt (see, e.g., Brigham and Gapenski (1996) for a nontechnical exposition). However, in the presence of bankruptcy costs, diminishing returns are associated with further use of debt in the capital structure. Thus, there is some appropriate capital structure beyond...
which increases in bankruptcy costs are higher than the marginal tax-sheltering benefits associated with further substitution of debt for equity in the capital structure. Managers who are willing to recognize and maintain this appropriate capital structure minimize financing costs and maximize firm performance.

It has been theorized in literature that firms may actually have more debt in their capital structure than is appropriate for two reasons. First, higher levels of debt align the interests of managers and shareholders (Harris and Raviv, 1991). Second, managers may underestimate the costs of bankruptcy reorganization or liquidation. Both of these factors suggest higher than appropriate amounts of debt in the capital structure. If this is the case, then higher levels of debt in the capital structure would result in lower performance.

Performance

The concepts of productivity, efficiency, and effectiveness are related to corporate performance, because all three concepts imply optimal utilization of resources (Achabal, McIntyre, and Heineke, 1984). Productivity and efficiency are related to the relationship between outputs per unit of time and factors of production. Optimization procedures such as data envelopment analysis and stochastic frontier analysis are used to identify productivity and efficiency. This type of analysis is a topic in its own right and beyond the scope of this article. More relevant is the concept of effectiveness, which reflects the extent to which an organization is able to meet its maximization goals related to wealth, profits, returns, sales, or other measures.

Effectiveness measures are either financial or operational. Profit maximization, shareholder wealth maximization, and maximizing return on assets are examples of financial effectiveness measures. Growth in sales, growth in market share, and sales per employee are examples of operational effectiveness measures. Kotha and Nair (1995) point out that the usefulness of a measure of effectiveness may be impacted by the objectives of a particular national culture. For example, U.S. firms generally focus on financial measures of effectiveness, while, in general, Japanese firms focus on operational measures. For these reasons, any cross-cultural study should consider both financial and operational measures of performance.

Research Hypotheses

Data from the following 14 European Community member countries are used to test hypotheses in this article: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland, and UK. Hofstede’s (1980) work indicates the following four cultural clusters:

Cluster 1. Strong uncertainty avoidance, Feminine, Large power distance: Belgium, France, Portugal, Spain

Cluster 2. Weak uncertainty avoidance, Masculine, Small power distance: Ireland, UK

Cluster 3. Strong uncertainty avoidance, Masculine, Small power distance: Austria, Germany, Italy, Switzerland

Cluster 4. Weak uncertainty avoidance, Feminine, Small power distance: Denmark, Finland, Netherlands, Sweden

All of the countries, except Portugal, show an individualistic orientation. Finland and Italy did not initially fall into one of the four clusters. Finland has a low uncertainty avoidance index that is very close to that for Netherlands. It is also strongly feminine and has a small power distance. Thus, it was assigned to Cluster 4, which is also consistent with the classification of Broek and Webb (1973). Italy has strong masculinity and uncertainty avoidance characteristics, and has a relatively small power distance measure. Thus, it was assigned to Cluster 3.

Based on the discussion in the previous section, Hypothesis 1 can be stated as:

\[ H1: \text{The mean capital structure for each of the cultural clusters will be equal to the mean for the other clusters.} \]

The above hypothesis does not take into consideration other factors that may have an influence on capital structure (i.e., control variables). Thus, Hypothesis 2 can be stated as:

\[ H2: \text{The mean capital structure for each of the cultural clusters will be equal to the mean for the other clusters after accounting for control variables.} \]

Considering the discussion in the previous section on the interplay between culture and capital structure, it is expected that both of the above hypotheses will be rejected and that a significant relationship will be identified between culture and capital structure.

It has been argued previously that capital structure influences performance. Furthermore, it has been hypothesized that culture influences capital structure. Thus, the next hypotheses can be stated as:

\[ H3: \text{A retailer’s capital structure does not influence its performance.} \]

\[ H4: \text{A retailer’s capital structure does not influence its performance, accounting for culture and other control variables.} \]

It is expected that the evidence will support the rejection of these hypotheses. Two versions of these hypotheses, one for financial performance, and one for operational performance, will be tested.

Data and Methods

Why Retailers?

Selecting all firms from one industry ameliorates problems associated with analysis of firms from different industries.
Second, European retailing is a relatively static industry with a growth rate that matches the economic growth rate for the European Community. In fact, it has been argued that real growth in European retailing is a zero-sum game, with super-growth for some retailers coming at the expense of weaker firms [see, e.g., Lewis and Thomas (1990)]. Due to this dimension of the retailing industry, capital structures tend to be stable and subject to measurement with precision. While other industries, such as the European automobile industry, also meet this requirement, the European retailing industry has the advantage of having a large number of firms with available data. Finally, and equally important, the selection of this industry helps extend the relatively few studies dealing with European retailing.

### Data

Data for 1994 for 198 European Community retailers were obtained from the 1995 Disclosure/Worldscope database. Disclosure is one of the leading vendors of financial and accounting data. Worldscope is widely utilized by security and investment analysts in analyzing overseas markets and firms. Worldscope reports data in a standardized format with detailed footnotes, irrespective of the country of domicile for a firm. Thus, the data structure facilitates inter-country analyses. Macroeconomic data were obtained from the 1995 International Financial Statistics database compiled by the International Monetary Fund.

### Methods

H1 is tested by estimating Equation 1:

$$TD/TA_i = a + b_1C_1 + b_2C_2 + b_3C_3 + e$$

where

- $TD/TA_i = \text{Total debt to total assets ratio for firm} \ i$
- $C_{X,i} = \text{Dummy variable} = 1, \text{if firm} \ i \ \text{is in Cluster} \ X, \ X = 1, 2, 3$
- $0, \text{otherwise}$
- $a = \text{intercept, TD/TA mean value for Cluster} \ 4$

Other factors besides cultural aspects may be responsible for the capital structures of European retailers. Differences in economic environment, economies of scale associated with size, industry concentration, and tangibility of assets may affect capital structure. Thus, H2 is tested by estimating Equation 2:

$$TD/TA_i = a + b_1C_1 + b_2C_2 + b_3C_3 + b_4C_4$$

$$+ b_5DGDP_i + b_6LS_i + b_7H_i + b_8FA/TA_i + e$$

where

- $DGDP_i = \text{Percentage increase in gross domestic product for home country of retailer} \ i$
- $LS_i = \text{Log of sales for retailer} \ i$
- $H_i = \text{H}e\text{rfindal concentration index value for retailer} \ i$

Other variables are as defined for Equation 1. To remove the differential measurement effects of currency units, all sales are stated in a common denominator, namely the U.S. dollar. Results do not change when the European Currency Unit is used as the common denominator. C4 is omitted from Equation 2 because specifying three dummy variables specifies the fourth one.

H3 is tested by estimating Equation 3:

$$PM_i = a + b \ TD/TA_i$$

where

- $PM_i = \text{Performance measure for retailer} \ i$

Return on assets (ROA) and pretax profit margin (PTAX) are the two financial performance measures used, and sales per employee (SL/EMP) and growth in sales (GSALES) are the two operating performance measures utilized.

Cultural factors through their influence on capital structure, as well as the factors mentioned for H2, may be determinants of performance. Thus, H4 is tested by estimating Equation 4:

$$PM_i = a + b_1TD/TA_i + b_2C_1 + b_3C_2 + b_4C_3$$

$$+ b_5DGDP_i + b_6LS_i + b_7H_i + b_8FA/TA_i + e$$

where the variables are as defined previously.

### Results

The estimates for Equation 1 are shown in Table 1, regression 1. The intercept represents a test of the hypothesis that the

**Table 1. Regression Results with Capital Structure as the Dependent Variable**

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Regression Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Intercept</td>
<td>33.48*</td>
</tr>
<tr>
<td>C1</td>
<td>-9.44**</td>
</tr>
<tr>
<td>C2</td>
<td>-15.29*</td>
</tr>
<tr>
<td>C3</td>
<td>-11.20*</td>
</tr>
<tr>
<td>DGDP</td>
<td>2.00</td>
</tr>
<tr>
<td>LS</td>
<td>-0.42</td>
</tr>
<tr>
<td>H</td>
<td>7.38</td>
</tr>
<tr>
<td>FA/TA</td>
<td>0.42</td>
</tr>
<tr>
<td>n</td>
<td>198</td>
</tr>
<tr>
<td>F-value</td>
<td>7.11*</td>
</tr>
<tr>
<td>Adj. R²%</td>
<td>8.51</td>
</tr>
</tbody>
</table>

* , **, *** Significant at the .01, .05, and .10 levels, respectively.

- Capital structure is defined as total debt/total assets.
- C1, C2, and C3 are dummy variables, with a value of 1 representing membership in that cluster.

Abbreviations: DGDP = the change in the gross domestic product for the previous year; LS = logarithm of sales in U.S. dollars; H = the Herfindal concentration index; FA/TA = fixed assets over total assets.
Table 2. Regression Results: Culture and Performance

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Regression Number: Dependent Variable</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>3: ROA</td>
</tr>
<tr>
<td>Intercept</td>
<td>5.15*</td>
</tr>
<tr>
<td>C1</td>
<td>-0.42</td>
</tr>
<tr>
<td>C2</td>
<td>-0.33</td>
</tr>
<tr>
<td>C3</td>
<td>1.35</td>
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<tr>
<td>n</td>
<td>197</td>
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<tr>
<td>F-value</td>
<td>0.28</td>
</tr>
<tr>
<td>Adj. R²%</td>
<td>0.43</td>
</tr>
</tbody>
</table>

* Significant at the .01 level.

a C1, C2, and C3 are dummy variables, with a value of 1 representing membership in that cluster.

Abbreviations: ROA = income divided by total assets; PTAX = pretax income divided by sales; SL/EMP = sales in the thousands of U.S. dollars per employee; and GSALES = percentage growth in sales.

mean capital structure for Cluster 4 is zero. The other coefficients represent tests for significant differences in the means for capital structure against the mean for Cluster 4. All of the mean differences, represented by the coefficients in regression 1, are significant. Two additional tests were also performed. The Kruskal-Wallis test of the hypothesis of equal means had an H-test value of 14.96, which is significant at \( \alpha = 0.01 \). The pair-wise Kruskal-Wallis tests showed similar results. Finally, an analysis of variance test had an F-value of 6.89, significant at \( \alpha = .01 \). All of these test results show that Hypothesis 1 is rejected, (i.e., capital structures vary by culture). Cultural Cluster 4, with Denmark, Finland, Netherlands, and Sweden, has the highest amount of debt in the capital structure at 33.48%. In sharp contrast, the average ratio for total debt to total assets in Cluster 2, Ireland and UK, is 18.19%.

It has been suggested in earlier sections that culture may be a proxy for other factors such as the economic environment and economies of scale. The results for the fully specified Equation 2 are reported in Table 1, regression 2. The coefficients for the control variables DGDP, LS, H, and FA/TA are not significantly different from zero. However, in contrast to the results for regression 1, in regression 2, one of the cultural clusters dummy variable coefficients is now no longer significant. This result shows that in the presence of control variables, culture still has an influence on capital structure, but the manifestation of this influence is not as strong as in regression 1. Similar results were obtained when regression 2 was reestimated with other combinations of three of the four cultural clusters. The results indicate rejection of the second hypothesis. Capital structures generally vary by culture after controlling for various other explanatory factors.

Capital Structure and Performance

Four regressions, primarily diagnostic in nature, are estimated to identify any relationship between culture and performance. Four performance measures—ROA, PTAX, SL/EMP, and GSALES—are regressed against the cultural cluster dummy variables. The results, summarized in Table 2, show that for the financial performance dependent variables, the regression coefficients are not significant. However, for the operational performance measures, the results in regressions 5 and 6 indicate that these performance measures are significantly different for cultural Clusters 2 and 4. Cluster 2 is characterized by the lowest sales per employee and the highest growth in sales.

The estimates for Equation 3 are summarized in Table 3. In regression 7, the TD/TA coefficient is significantly lower than zero. This result has dual implications. First, it states that capital structure has a significant, negative influence on performance, as measured by ROA, thereby leading to the rejection of the third hypothesis that capital structure does not influence performance. Second, it provides support for the proposition that due to agency conflicts, retailers overleverage themselves, thus negatively affecting their own performance.

Regression 8 reports the results for PTAX as the financial performance dependent variable. Here also, the TD/TA coefficient has a significant, negative coefficient. The interpretation here is the same as for regression 7.

Regressions 9 and 10 have operational performance measures as the dependent variable. The TD/TA coefficient in regression 9 has a positive, significant coefficient, indicating that higher levels of debt in the capital structure are associated with a higher SL/EMP ratio. TD/TA has a negative coefficient.

Table 3. Regression Results: Capital Structure Only and Performance

<table>
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<tr>
<th>Independent Variable</th>
<th>Regression Number: Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7: ROA</td>
</tr>
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<td>Intercept</td>
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<tr>
<td>TD/TA</td>
<td>-0.20*</td>
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<td>n</td>
<td>197</td>
</tr>
<tr>
<td>F-value</td>
<td>26.31*</td>
</tr>
<tr>
<td>Adj. R²%</td>
<td>11.44</td>
</tr>
</tbody>
</table>

* ** Significant at the .01 and .05 levels, respectively.

TD/TA is total debt to total assets.

The dependent variables are defined in Table 2.
Table 4. Regression Results: Capital Structure, Control Variables, and Performance

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Regression Number: Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11:ROA</td>
</tr>
<tr>
<td>Intercept</td>
<td>1.69</td>
</tr>
<tr>
<td>TD/TA</td>
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<tr>
<td>C1</td>
<td>3.48</td>
</tr>
<tr>
<td>C2</td>
<td>-4.16</td>
</tr>
<tr>
<td>D GDP</td>
<td>0.14</td>
</tr>
<tr>
<td>H</td>
<td>-3.37</td>
</tr>
<tr>
<td>FA/TA</td>
<td>2.08</td>
</tr>
<tr>
<td>n</td>
<td>194</td>
</tr>
<tr>
<td>F-value</td>
<td>11.86*</td>
</tr>
<tr>
<td>Adj R²%</td>
<td>33.51</td>
</tr>
</tbody>
</table>

*, ** Significant at the .01 and .05 levels, respectively.
All variables are defined in Tables 1 and 2.

in regression 10, indicating that higher ratios of total debt to total assets are associated with lower growth rates in sales.

The results for the fully specified regression model in Equation 4 with the four performance dependent variables are summarized in Table 4. In regression 11, the coefficient for TD/TA is significantly negative. Retailer size, as represented by the logarithm of sales, has a significant, although positive, coefficient. Coefficients for the other control variables, including those for the cultural clusters, are not significantly different from zero. Three implications can be drawn from these results. First, even in the presence of control variables, capital structure has a significant influence on capital structure. Second, the negative coefficient indicates that retailers, in general, use more debt in their capital structure than would be appropriate. Thus, this overleveraging negatively affects firm performance. Third, capital structure is not the only determinant of performance. Firm size also influences performance, with larger retailers earning higher return on assets compared to smaller retailers.

Regression 12 was estimated with pretax project margin as the dependent variable. This performance measure was selected to remove the effects of differential tax environments across national boundaries. Here also, the coefficient for TD/TA is significantly negative. The coefficients for all variables are not significantly different from zero. Collectively, these two regressions show that leverage affects performance negatively.

Regressions 13 and 14 have operational performance measures as the dependent variable. TD/TA has a significant, positive coefficient in regression 13. Even with the addition of control variables, this result is similar to the one reported in regression 9. The coefficients for the control variables are not significant. TD/TA is not significant in regression 14, as was the case in regression 10, once control variables are added to the model.

Conclusion

Managers, in the search for improved performance, follow firm-specific strategies, which they believe will provide their firms with competitive advantage in the marketplace. Utilization of different levels of debt and equity in the firm’s capital structure is one such firm-specific strategy used by managers. This strategy, and its influence on firm performance, has been widely studied both normatively and prescriptively. Largely missing from this body of research is any research dealing with the influence of national culture on capital structure and performance. This issue is addressed in this article.

Using primarily Hofstede’s classification of national cultures, and data on European retailers, the results in this article provide conclusive evidence that capital structures vary by the cultural classification of retailers. These results are robust to the inclusion of appropriate control variables that possibly may influence capital structure. Next, within a diagnostic framework, it is shown that retailer performance is independent of any cultural influence. Finally, it is shown that capital structure influences performance. These results hold for measures of financial performance and are independent of control factors except for retailer size. The results suggest that agency conflicts may be primarily responsible for overleveraging of retailers, resulting in a negative relationship between capital structure and performance.

Managerial Implications

The results of this study indicate that agency conflicts may be a determining factor in retailers becoming overleveraged, thus negatively influencing performance. There are two significant managerial implications that follow from the observed results. First, retailers who are overleveraged in comparison with industry norms in their cultural cluster should increase
equity in the capital structure until they are at a more appropriate capital structure. “More appropriate,” granted, is an elusive expression. What it signifies is the appropriate capital structure in the absence of agency conflicts.

The above discussion then presents the second managerial implication. If leverage is reduced to a more appropriate level, then what about resolving agency conflicts? Recent literature on managerial compensation (see, e.g., Garen, 1994) indicates that many firms are opting for “bonding” mechanisms, where managers’ performance is aligned with, or bonded to, the interests of shareholders through a variety of mechanisms that include devices such as deferred compensation and the compensation tied to performance. It is beyond the scope of this article to cover in sufficient depth the issues related to using mechanisms other than capital structure to reduce agency conflicts. Nonetheless, managerial attention is appropriately directed to alternative mechanisms, which do not resort to performance-reducing overleveraging, for controlling agency conflicts and costs.

Another implication of the study is that larger size is associated with higher performance. Economic integration in the European Community suggests that aggressive firms, including retailers, should be looking for ways in which firm size can be increased to derive the benefits from economies of scale and market bargaining power. Given that retailing, in general, is fairly static, the implications for growth are straightforward. Lower protective measures across Europe suggest that retailers need to figure out where they want their firms to be positioned in the food chain, that is, do they want to auction themselves to the highest bidder, or do they aggressively acquire other firms? What is the best strategy for a particular retailer is dependent on its strategic goals. The evidence suggests that action, rather than inaction, is appropriate.

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References