

MNEs and startup growth.

Do good firms breed good startups?

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Outline

- ❑ UK productivity growth has stalled, and start-up/scale-up growth can be part of the solution.
- ❑ We still don't fully understand the mechanisms behind why some start-ups scale and others don't.
- ❑ Our contribution:
 - ❑ Using Swedish data we support the idea that:
 - MNE employees, especially high-wage workers and managers, are likely to move to start-ups (Andersson et al. 2022 JIBS);
 - MNE experience in the founding team raises initial start-up size and post-entry growth (this paper)
 - ❑ We contend that even a temporary or eventually-exiting MNE presence may leave a lasting human capital legacy

Motivation

Startup growth and UK productivity

- ❑ Start-ups and rapidly growing businesses are drivers of economic development, job creation, productivity and innovation in the UK (CMA, 2025; Coyle and Nguyen, 2025; ScaleUp Institute 2014).
 - Their contribution to aggregate productivity is both through the within-firm (they grow their productivity over time) and between-firms/reallocation (they are on average more productive and by growing in size they boost aggregate productivity) channel
 - Understanding the dynamics and characteristics of growing firms is essential also for informing effective policy interventions and support mechanisms.
- ❑ Compared to many of its peer countries the UK is well placed in terms of start-up activity. However, most UK start-ups tend to have short lives (Coutu, 2014).
 - Data from the Office for National Statistics (ONS) shows a five-year survival rate of 39.4% for UK businesses, compared with a survival rate of 51.9% for US businesses (US Bureau of Labor Statistics)
- ❑ Skills and talent shortages are often identified as a major obstacle to start-up growth
 - 55% of scale-up CEOs still cite talent/leadership as a top-3 barrier in 2025, echoing BIS (2013) and Coutu (2014) (ScaleUp Institute, 2025)
 - The majority of 1400+ businesses interviewed for a HMRC-commissioned survey faced difficulties in attracting and recruiting skilled talent, especially among medium-sized and scale-up companies (Stratton et al., 2022).

Motivation

What makes for a successful start-up?

❑ Entrepreneurship

- The role of incumbent firms as ‘parents’ of employee spinoffs (anchor-tenant firms)
- What are the characteristics of incumbent firms that provide employees with better opportunities to acquire and develop knowledge, skills, and experiences of relevance for founding new successful business ventures?

❑ International business

- Multinational Enterprises (MNEs) as a source of externalities for local firms
 - MNEs have superior resources in the form of proprietary technology, knowledge, organizational capabilities and management practices that can ‘spill over’ to local firms.
- Workers’ mobility is one key channels for such externalities
 - In previous research, we have shown that workers with MNE experience are more likely to join start-ups than workers with no MNE experience (Andersson et al. 2022 JIBS)
 - Managers develop an understanding of a broader spectrum of the business operations and such capabilities are of relevance to scale up a business. Managerial human capital is also more easily transferable between organizations

❑ This paper

- Do founders/early joiners with work experience in Multinational Enterprises (MNEs) have a positive influence on the quality and post-entry performance of new firms?

Motivation

Role of incumbent firms as ‘parents’ of employee spinoff

- ❑ A key idea in the literature on industry dynamics and the origins of startups is that **incumbent firms are breeding grounds for new entrepreneurs**.
- ❑ Less is known about the **characteristics of incumbent firms**
 - that provide employees with better opportunities to acquire and develop knowledge, skills, and experiences of relevance for founding new successful business ventures.
 - parent firm size and industry and technology overlap have been the main moderating factors literature has focused on.

Beyond the focus on founders and their backgrounds

- ❑ Recent studies have questioned the typical focus on founders and their backgrounds and have broadened the focus to consider the role of the whole initial team in startups
 - a key part of the organizational capital of startups is embodied in early joiners

Conceptual framework

A. MNE experience and startup quality

- startups whose founders and/or early joiners are individuals who previously worked at MNEs are **larger** at the foundation stage, because they have **stronger entrepreneurial ideas** and have **higher market potential or value creation prospects**.

B. MNE experience and startup post-entry performance

- firms where individuals who left an MNE found or join the initial team of startup that have **better chances of survival and grow**, because former MNE employees bring **skills, mindset, resources and capabilities** that impact the early organizational structure of the startup and its market potential and value creation prospects.

Conceptual framework

A. MNE experience and startup quality

- Startups that are larger at the foundation stage often rely on **better entrepreneurial ideas** that have **higher market potential** or value creation prospects.
- Workers with MNE experience may be more likely to join a larger startup because of:
 - Opportunity costs
 - MNEs pay high wages and offer good internal career prospects, which suggest that employees are reluctant to leave unless a startup has good prospects
 - Idea generation and validation
 - MNEs constitute environments in which employees are in a better position to come up with high quality ideas for new business ventures and also have better opportunities to validate their ideas

H1. Initial startup size is positively associated with having individuals that previously worked at MNEs in the initial startup team, as founders or early joiners.

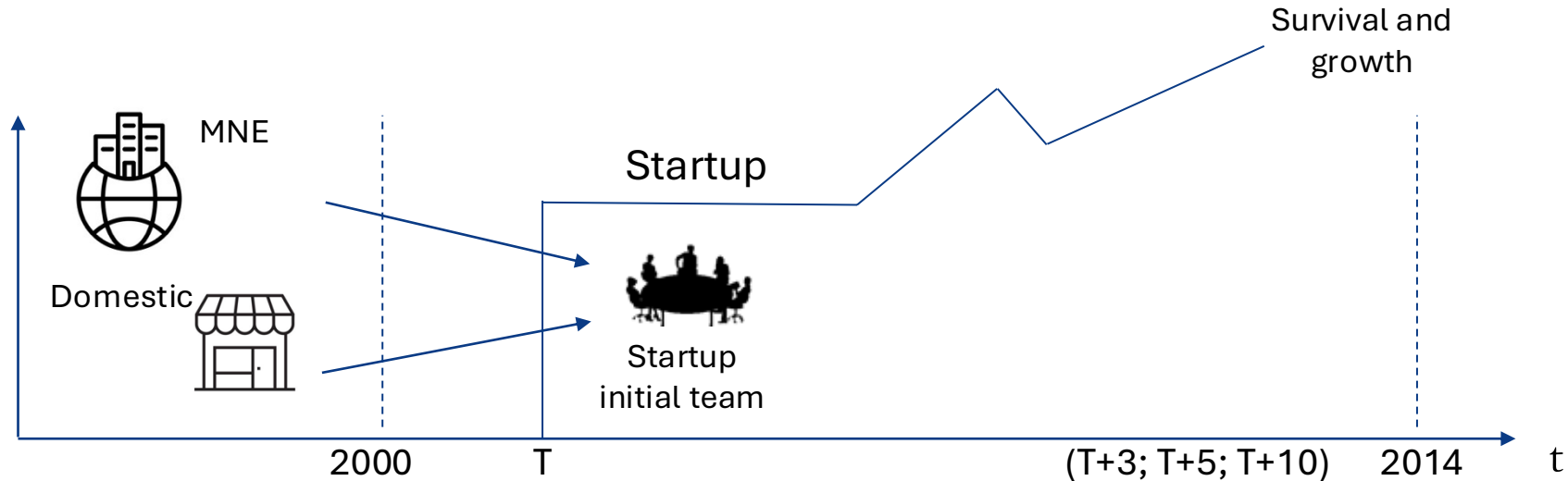
Conceptual framework

B. MNE experience and startup post-entry performance

- The initial startup quality sets a potential for the post-entry performance of a startup, but realization of this potential requires additional competences and skills.
- MNEs experience can be leveraged to make startups more successful in the medium run.
 - Experience and capabilities
 - e.g. knowledge of scaling strategies and processes, and how to navigate cultural differences
 - Network and social capital
 - e.g. professional networks can help connect startups with potential customers and investors, and foster strategic partnerships and alliances

H2. **Survival and growth of startup** are positively associated with having individuals that previously worked at MNEs in the initial startup team, as founders or early joiners.

Sampling strategy



Sample

- Matched employer-employee data for 13,196 startups in Sweden over the 2000-2014

Sources

- Structural Business Database and Company and Establishment Dynamics Register – *for accounting and employment information on firms*
- Business Register Database – *for firm location*
- Corporate Group Register – *for firm ownership*
- Foreign Trade in Goods Database – *for exporting and importing activities*
- Longitudinal Integrated Database for Health Insurance and Labour Market – *for individuals*

Estimation strategy

Initial startup size

$$Size_{ijt} = \alpha + \beta MNE_{it} + \gamma X_{it} + \mu_j + \varphi_t + \varepsilon_{ijt}$$

MNE_{it} is a dummy equal to 1 if the startup has at least a former MNE employee among the founders and/or the members of the initial startup team

X is a vector of controls

μ_j is industry fixed effect

φ_t is year fixed effect

ε_i is the error term

Startup survival and growth

$$\lambda(t|MNE_i, X_i) = \lambda_0(t) \exp(\beta MNE_{it} + \gamma X_{it} + \mu_i + \varphi_t)$$

$\lambda(\cdot)$ denotes the hazard function at time t for firm i

$$\frac{Size_{i,t+\tau} - Size_{it}}{Size_{it}} = \alpha + \beta MNE_{it} + \gamma X_{it} + \mu_i + \varphi_t + \varepsilon_i$$

$\frac{Size_{i,t+\tau} - Size_{it}}{Size_{it}}$ denotes growth rate of employment at $\tau = 3, 5, \text{ or } 10$ years.

Estimation strategy

Explanatory vars

- MNE
- MNE_Manager
- MNE_ProfessionalTechnician
- MNE_OtherProfession
- MNE_TertiaryEducated
- MNE_NonTertiaryEducated
- MNE_SameIndustry
- MNE_DifferentIndustry

Control vars

- AverageAge (ln)
- AveragePreviousWage (ln)
- AverageSizePreviousFirm (ln)
- AverageProductivityPreviousFirm (ln)
- AverageTurnoverPreviousFirm (ln)
- AverageHighschoolGrade
- SameIndustryShare
- HightechShare
- TertiaryEducatedShare
- ManagerShare
- ProfessionalShare
- TechnicianShare

Results I - Start-up size

VARIABLES	Initial size	
	OLS	
At least one in the startup team has worked for an MNE	0.175***	
Average age of the founding team	-0.153***	
Share of the founding team with experience in the same industry	0.037***	
Share of the founding team with experience in the high-tech industry	-0.101**	
Share of the founding team with tertiary education	-0.019	
Average previous wage in the founding team	0.020***	
Average size of previous firm in the founding team	0.028***	
Average productivity of previous firm in the founding team	0.001	
Average turnover of previous firm in the founding team	-0.002	
Average highschool grade in the founding team	-0.002	
The start-up exports	0.036	
The start-up imports	0.066***	
Share of managers in the start-up	-0.091***	
Share of professionals in the start-up	-0.109***	
Share of technicians in the start-up	-0.143***	
Constant	2.004***	
FirmSize (ln)		
Observations	13,205	
R-squared	0.158	

Results II - Start-up survival

VARIABLES	Initial size	Survival
	OLS	COX
At least one in the startup team has worked for an MNE	0.175***	0.944
Average age of the founding team	-0.153***	1.169
Share of the founding team with experience in the same industry	0.037***	0.639***
Share of the founding team with experience in the high-tech industry	-0.101**	0.598
Share of the founding team with tertiary education	-0.019	0.780
Average previous wage in the founding team	0.020***	0.899***
Average size of previous firm in the founding team	0.028***	0.922***
Average productivity of previous firm in the founding team	0.001	0.968*
Average turnover of previous firm in the founding team	-0.002	1.039**
Average highschool grade in the founding team	-0.002	0.942***
The start-up exports	0.036	0.916
The start-up imports	0.066***	0.886
Share of managers in the start-up	-0.091***	0.611
Share of professionals in the start-up	-0.109***	0.854
Share of technicians in the start-up	-0.143***	0.601**
Constant	2.004***	
FirmSize (ln)		0.782***
Observations	13,205	12,042
R-squared	0.158	0.0173

Results III – Start-up growth

VARIABLES	Post-entry growth (OLS)			
	3-year			
MNE (dummy)	0.038*			
At least one in the startup team has worked for an MNE	(0.020)			
Constant	-0.002			
	(0.005)			
FirmSize (ln)	0.267			
	(0.210)			
Observations	10,558			
R-squared	0.077			

Results III – Start-up growth

VARIABLES	Post-entry growth (OLS)			
	3-year	3-year		
MNE (dummy)	0.038*			
At least one in the founding team has worked for an MNE	(0.020)			
MNE_Manager (dummy)		0.142***		
... as a manager		(0.037)		
MNE_ProfessionalTechnician (dummy)		0.059*		
... as a professional/technician		(0.035)		
MNE_OtherProfession (dummy)		-0.049		
... in other professions		(0.038)		
MNE_TertiaryEducated (dummy)		0.056		
... and is tertiary educated		(0.036)		
MNE_NonTertiaryEducated (dummy)		0.037		
... and is non-tertiary educated		(0.040)		
MNE_SameIndustry (dummy)		0.023		
...in the same industry		(0.031)		
MNE_DifferentIndustry (dummy)		0.020		
... in a different industry		(0.035)		
Constant	-0.002	-0.003		
	(0.005)	(0.005)		
FirmSize (ln)	0.267	0.403*		
	(0.210)	(0.212)		
Observations	10,558	10,558		
R-squared	0.077	0.080		

Results III – Start-up growth

VARIABLES	Post-entry growth (OLS)			
	3-year	3-year	5-year	10-year
MNE (dummy)	0.038*			
At least one in the founding team has worked for an MNE	(0.020)			
MNE_Manager (dummy)		0.142***	0.114**	0.198**
... as a manager		(0.037)	(0.048)	(0.087)
MNE_ProfessionalTechnician (dummy)		0.059*	0.114**	0.022
... as a professional/technician		(0.035)	(0.046)	(0.083)
MNE_OtherProfession (dummy)		-0.049	-0.042	-0.102
... in other professions		(0.038)	(0.050)	(0.088)
MNE_TertiaryEducated (dummy)		0.056	0.085*	0.164*
... and is tertiary educated		(0.036)	(0.047)	(0.085)
MNE_NonTertiaryEducated (dummy)		0.037	0.093*	0.047
... and is non-tertiary educated		(0.040)	(0.054)	(0.096)
MNE_SameIndustry (dummy)		0.023	-0.017	0.118
...in the same industry		(0.031)	(0.040)	(0.073)
MNE_DifferentIndustry (dummy)		0.020	-0.092**	0.028
... in a different industry		(0.035)	-0.176***	(0.082)
Constant	-0.002	-0.003	(0.007)	0.009
	(0.005)	(0.005)	0.100	(0.012)
FirmSize (ln)	0.267	0.403*	1.007***	1.858***
	(0.210)	(0.212)	(0.277)	(0.486)
Observations	10,558	10,558	8,486	3,943
R-squared	0.077	0.080	0.088	0.111

Results II – Growth (controls)

VARIABLES	Post-entry growth (OLS)			
	3-year	3-year	5-year	10-year
AverageAge (ln)	-0.142***	-0.158***	(0.026)	-0.251***
Average age of the founding team	(0.020)	(0.020)	-0.247***	(0.045)
SameIndustryShare	-0.108**	-0.121***	(0.056)	-0.545***
Share of the founding team with experience in the same industry	(0.043)	(0.043)	0.075**	(0.100)
HightechShare	0.109***	0.102***	(0.034)	0.142**
Share of the founding team with experience in the high-tech industry	(0.025)	(0.027)	0.189	(0.060)
TertiaryEducatedShare	0.039	0.034	(0.115)	0.097
Share of the founding team with tertiary education	(0.088)	(0.089)	0.167**	(0.179)
AveragePreviousWage (ln)	0.202***	0.163***	(0.070)	0.364***
Average previous wage in the founding team	(0.049)	(0.056)	0.027**	(0.131)
AverageSizePreviousFirm (ln)	0.033***	0.031***	(0.012)	0.050**
Average size of previous firm in the founding team	(0.009)	(0.009)	0.055***	(0.022)
AverageProductivityPreviousFirm (ln)	0.040***	0.037***	(0.010)	0.054***
Average productivity of previous firm in the founding team	(0.008)	(0.008)	0.007	(0.016)
AverageTurnoverPreviousFirm (ln)	0.009	0.008	(0.007)	0.013
Average turnover of previous firm in the founding team	(0.006)	(0.006)	-0.026***	(0.011)
AverageHighschoolGrade	0.096***	0.091***	(0.038)	0.025
Average highschool grade in the founding team	(0.030)	(0.030)	-0.000	(0.063)
GradeMissing (dummy)	0.011***	0.010***	(0.004)	-0.004
	(0.003)	(0.003)	0.002	(0.008)
Exporter (dummy)	-0.020***	-0.019***	(0.007)	-0.031***
The start-up exports	(0.006)	(0.006)	0.023	(0.012)
Importer (dummy)	-0.006	-0.007	(0.060)	0.100
The start-up imports	(0.046)	(0.046)	0.106***	(0.091)
ManagerShare	0.158***	0.148***	(0.067)	-0.172
Share of managers in the start-up	(0.054)	(0.054)	0.126	(0.135)
ProfessionalShare	0.325***	0.202***	(0.086)	0.087
Share of professionals in the start-up	(0.060)	(0.062)	0.235***	(0.138)
TechnicianShare	0.193***	0.122**	(0.072)	0.113
Share of technicians in the start-up	(0.052)	(0.056)	0.044	(0.130)
Constant	-0.002	-0.003	(0.007)	0.009
	(0.005)	(0.005)	0.100	(0.012)
FirmSize (ln)	0.267	0.403*	1.007***	1.858***
	(0.210)	(0.212)	(0.277)	(0.486)
Observations	10,558	10,558	8,486	3,943
R-squared	0.077	0.080	0.088	0.111

Conclusions

Contributions

- We contribute to the literature on entrepreneurial spawning, by pointing to **MNEs as a type of firm that serve as breeding grounds** for both founders as well as employees who can support the post-entry performance of startups.
 - Start-ups where founders/early joiners have experience working for MNEs are **larger and grow faster**
 - The relationship between MNE experience on post-entry growth depends on the **position the individuals had in the MNE**.
 - It is primarily experiences from having a high-level position in the MNE that associates with higher post-entry employment growth, **particularly a position as manager**.
- We contribute to understanding the indirect effects of local MNE presence by providing evidence on an under-explored mechanism: MNEs 'feeding' the local economy with relevant experience and skills, and the effect this has on start-up quality and growth.

Limitations

- No distinction between founders and early joiners
- No information on what former MNE employees actually do for the startup
- Selection into MNEs
- Generalizability of the Swedish context