

Network Mechanisms in the Entry and Post-Entry Phases of Internationalisation: Evidence from Finnish Family Firms

In this study we posed the questions (i) What network mechanisms do family firms (FFs) use in their entry and post-entry? (ii) How do they use these network mechanisms? (iii) Why do they use these mechanisms? We based our study on social network theory, and on two opposing network mechanisms, *network closure* and *structural holes*, referring also to research on FFs and international networking. Applying a multiple case design with 15 Finnish FFs, we identified four types of FFs – trotter, preserver, explorer, and conqueror – based on how they used their network mechanisms at entry and post entry. We offer a new mechanism that we label *network termination*, and explain the heterogeneous networking behaviour of the investigated cases. During post entry, bifurcation-biased FFs used network mechanisms differently from FFs that were able to rely on non-family relational assets. The study contributes to social network theory, and sheds light on FF heterogeneity in the context of international networking.

Introduction

Social networks play an important role in the internationalisation of firms (Ellis, 2011; Sun, Mellahi & Thun, 2010; Zhang, Tan & Tan, 2016; Zhou, Wu & Luo, 2007). Studies have emphasised the role of social networks in the entry phase of internationalisation (Ellis, 2011; Coviello, 2006), with their post-entry role given less prominence (Jones & Coviello, 2005; Prashantham & Dhanaraj, 2010). One issue that has inhibited understanding of the post-entry role of social networks is the absence of studies using *network mechanisms* as their perspective (Elfring, Klyver & Van Burg, 2021; Prashantham & Dhanaraj, 2010). Network mechanisms can illuminate how and through what kinds of processes an outcome is produced in a particular context, especially over time (Bunge, 2004; Elfring et al., 2021; Pajunen, 2008).

Two network mechanisms that have received considerable attention in the broader social network literature are *network closure* and *structural holes (SHs)* (Burt, 2005; Coleman, 1988). Network closure emphasises the positive effects of cohesive, strongly embedded social ties within social networks where everyone is connected in such a way that no one can escape the notice of others (e.g. Coleman, 1988). In contrast, the SH mechanism describes how holes (gaps) in a social structure exist, and how actors located on either side of a structural hole have access to and circulate

different flows of information (Burt, 2005). Such actors may well be aware of one another. However, in Burt's (2005) view they neither interact nor attend to each other's activities; hence, such actors offer 'a place in a network that could create value' (p. 25). On the basis of existing studies, it appears that in the initial formation of inter-organisational ties firms prefer to focus on network closure, but thereafter favour SHs, since they offer more flexibility in situations calling for organisational change (Burt, 2005, 2018; Gulati & Gargiulo, 1999).

In the context of internationalisation, it has been suggested that useful insights on the use of network mechanisms can be generated by focusing on *family firms (FFs)* (Kontinen & Ojala, 2012; Metsola et al., 2020). Work on FFs has shown that their international existence depends on a complex web of family and professional relationships (Ciravegna et al., 2019; Kampouri et al., 2017). Within their social networks, FFs tend to look for ties with international co-operators who are trustworthy, and who offer close, longstanding network ties (Zellweger et al., 2018). Based on this preference, there is a view that FFs are driven by both economic and social gains (Roessl, 2005); these co-exist and may make the social network mechanisms of FFs somewhat distinctive (Kontinen & Ojala, 2012; Ciravegna et al., 2019).

The co-existence of economic and social gains is related to the emerging concept of *bifurcation bias* (see Kano & Verbeke, 2018; Verbeke & Kano, 2012) which refers to the tendency of family firms to favour family vs. nonfamily assets. This bias is a unique, affect-based phenomenon influencing the decisions taken by FFs. It manifests itself in two simultaneous, diverging patterns of behaviour towards the family, involving assets of heritage, uniqueness, and nurture vs. nonfamily (commodity type) assets, and it is applied systemically and by default (Kano & Verbeke, 2018). There is a view that FFs are inherently prone towards bifurcation bias, albeit among some FFs more than others over time (building on the notion of FF heterogeneity; see Arregle et al., 2017; Hennart et al., 2019; Metsola et al., 2020).

Our study deals with the questions, (i) *What network mechanisms do FFs use at entry and post entry?* (ii) *How do they use these network mechanisms?* and (iii) *Why do they use these mechanisms?* We chose a multiple case study design and an abductive approach to our analysis, seeking to unpack the networking experiences of 15 Finnish FFs operating in the manufacturing sector. Our aim was to explore how network mechanisms are used in the entry and post-entry phases of internationalisation.

Through our study we offer *a typology* that captures the use of network mechanisms in the entry and post-entry phases of FFs internationalisation, explaining *what* mechanisms FFs use, and *how* and *why* they use them. We elaborate our evidence using (i) network theory and (ii) *bifurcation bias* (Verbeke et al., 2018), a theoretical lens which emerged through our abductive analysis. We further suggest that our approach to the data is well positioned to offer theoretical contributions, summarised as follows.

1. Concerning *what* network mechanisms are used, we found that the mechanisms of network closure and SH *did not sufficiently describe* how the investigated FFs behaved in their internationalisation. Our evidence points to a new network mechanism, namely *network termination*, conceptualised as *a process for the ending of a network tie, either by choice or force of circumstance, leading to the breaking of a business relationship*. By introducing this mechanism we *extend conceptualisations of network mechanisms* related to network closure and SHs, and to the interplay of network mechanisms in the *social network literature* (e.g. Burt, 2018, Coleman, 1988; Elfring et al., 2021; Gargiulo & Benassi, 2000; Gulati & Gargiulo, 1999).

2. Concerning *how* network mechanisms are used, we show that for FFs, social network ties and the network closure mechanism were significant not only in the entry phase, but also in the post-entry phases. Previous studies (Ellis, 2011; Coviello, 2006; Prashantham & Dhanaraj, 2010) have highlighted the importance of social ties at entry, but have not explicitly focused on post-entry phases. Hence, we here advance the fields of *international business* (IB) and *international*

entrepreneurship (IE), and the literature on SME internationalisation (Ellis, 2011; Coviello, 2006; Prashantham & Dhanaraj, 2010; Sun, et al., 2010; Zhang et al., 2016; Zhou et al., 2007). In our data, *the FFs who overcame bifurcation bias behaved in a rather similar way to the SME patterns illustrated in the IB and IE literatures*. We also show that for different types of family firms, network termination came about for different reasons (see also Halinen & Tähtinen, 2002).

3. We shed light on *why* network mechanisms are used heterogeneously, contributing to the literature on the internationalisation of FFs in particular (Arregle et al., 2017; Hennart et al., 2019; Kontinen & Ojala, 2012; Metsola et al., 2020). We show that bifurcation-biased firms (Verbeke et al., 2018) focused on social networks and on the network closure mechanism at both the entry and post-entry phases of internationalisation. Furthermore, they used the mechanisms of SH and network termination only when necessary, specifically to support the survival of the firm. Firms which had overcome bifurcation bias applied network closure at the entry stage, but used network termination and SHs strategically post entry.

Theoretical Background

Social Network Mechanisms and Family Firm Internationalisation

The literature illustrates conflicting insights on the use of social networks and network mechanisms (Elfring et al, 2021; Zhou, et al., 2007). Granovetter (1985) claimed that social ties are of great importance. However, Burt (2018) suggests that social ties in any form are potentially disadvantageous to a firm, except at the launch of a firm where they can be an advantage.

According to social network theory, network closure facilitates access to information, because another person in the network can briefly convey what is essential, with correspondingly efficient knowledge-sharing (Coleman, 1988). A structural hole exists when there is a lack of direct contact or ties between two or more actors in a social network (Burt, 2005). Indeed, SHs reflect an ‘opportunity to broker the flow of information between people and control the projects that bring

together people from opposite sides of the hole' (Burt, 2001, p. 35). In the case of the SH mechanism (Burt, 2000; 2018), the benefits result from the diversity of information and the brokerage opportunities created by the lack of connections between separate groups in social networks, i.e. their non-embeddedness. SHs (gaps in networks) offer a competitive advantage for a person (or firm) whose relationships are able to span the holes. Individuals whose networks have only a limited number of SHs know and have control over more rewarding opportunities.

Although the two mechanisms have been regarded as opposites of each other, they have also been seen as complementary (Burt, 2000; Podolny & Baron, 1997). In his earlier work, Burt (2000) found that the performance of a firm is optimal when it achieves high levels in both network closure and the number of SHs bridged. Networks that span SHs may provide timely information on new opportunities, whereas network closure, involving closer and denser ties, is needed to exploit those opportunities (Podolny & Baron, 1997). Gargiulo and Benassi (2000) provide evidence that because of the trade-off between safety (via network closure) and flexibility (via SHs), the two mechanisms cannot be maximised simultaneously. Gulati and Gargiulo (1999) found that in the early phases, organisations tend to form social ties, potentially leading to network closure, whereas in later phases, SHs may become more important than network closure. Despite the importance of both mechanisms for international operations (Coviello, 2006), few studies have encompassed both network closure and SHs in seeking to explain the behaviour of firms vis-à-vis internationalisation (Kontinen & Ojala, 2012; Ciravegna et al., 2019).

The types of mechanisms deployed in different phases of internationalisation warrant further investigation. *Pre-entry*, *entry*, and *post-entry* phases have been widely used as temporal frames (see e.g. Schwens & Kabst, 2011; Zheng et al., 2012). The *pre-entry* phases concern the time before internationalisation and the first foreign market entry; the *entry* phase is related to the actual entry abroad, and the *post-entry* phase is related to furthering internationalisation after the first entry. Coviello (2006) found that social networks were of the utmost importance for the pre-

internationalisation, pre-growth, and even pre-commercialisation of newly established SMEs.

During growth and internationalisation there was an increase in network range and a decrease in network density (Coviello, 2006). In their study on the early phases of internationalising SMEs, Prashantham and Dhanaraj (2010) found that successful SMEs applied an SH mechanism by extending their networks in their existing markets, making efforts to go beyond the initial base of contacts comprising prior professional contacts. The less successful SMEs, by contrast, failed to extend their network stock appreciably: they found it difficult to move beyond the initial ties, and their correspondence with potential partners was ad hoc and ineffectual (Prashantham & Dhanaraj, 2010). For his part, Ellis (2011) found that the international opportunities discovered via social ties were of high quality, leading to valuable exchanges.

Networks within FFs may differ from those among firms with other types of ownership structure, bearing in mind that FFs are often based on the unification of ownership and management (Salvato & Melin, 2008). FFs are oriented toward personal relationships, with a focus on interpersonal trust (Ciravegna et al., 2019; Roessl, 2005). Social ties have an important role for FFs: they permit the bridging of new network ties, due to the strong bonds that such firms tend to enter into (Fletcher, 2008). Kontinen and Ojala (2012) found that the tendency of FFs to promote network closure and strong ties with a small number of foreign partners might cause them to miss out on potential international opportunities. While social networks are at the heart of the FF internationalisation literature, research has given little attention to this issue. Here, we are aligned with other scholars in noting that the international networking behaviour of FFs has yet to be explored (Kontinen & Ojala, 2012; Pukall & Calabrò, 2014).

Bifurcation Bias

We initially framed our study using social network theory. However, our abductive case analysis pointed us toward the theoretical view of *bifurcation bias*, as a means of accounting for the

heterogeneous deployment of network mechanisms in the firms we examined. The concept of bifurcation bias encompasses *heritage assets*, which consist of family members, foundational product lines, heritage locations of plants, assets linked to ‘chosen’ family members and their initiatives, particular sets of family-specific values/routines/capabilities, and relationships. Typical *commodity assets* consist of non-family managers and employees, and of other assets that the family does not have an emotional attachment to, typically treated as substitutable short-term assets (Kano & Verbeke, 2018).

Within internationalisation, the internationalisation decisions depend on the presence or absence of bifurcation bias, and on whether the focus lies on heritage or commodity assets. It has been suggested that economising, commodity-related practices will be more beneficial to FFs in the long term (Kano & Verbeke, 2018; Verbeke & Kano, 2012). According to Kano and Verbeke (2018, p. 158): ‘If left unremedied, bifurcation bias will lead to poor decisions in family-owned multinationals that undertake international expansion, in terms of the choices of which markets to enter and how to enter these.’ Ciravegna et al. (2019) propose that when a FF is bifurcation-biased it rarely utilises its strong social capital to attract the best potential international ties, such as would facilitate long-term survival.

Methodology & Research Setting

We followed a multiple case study design to understand the key phenomenon of the study, namely network mechanisms during entry and post entry in a collection of cases, while appreciating the semantic richness and particulars of individual cases (Stake, 2006; Tsoukas, 2009; Welch et al., 2011). Our approach is broadly one of theory elaboration (Lee et al., 1999; Welch et al., 2013), in that we employed an abductive, qualitative case study approach (Plakoyiannaki & Budhwar, 2021; Sætre & Van de Ven, 2021) to enrich social network theory, through jointly investigating network

closure and structural hole mechanisms (Coleman, 1988), looking also at how these mechanisms are deployed in the entry and post-entry stages of internationalisation.

Case selection and Context

We selected a country whose survival is dependent on international operations, whose language (Finnish) is not spoken anywhere else, and whose economy relies on FFs. In Finland, 75% of firms are family-owned (Finnish Family Firm Association, 2017). Thus, Finland provided a theoretically interesting context in that it heightened our sensitivity towards the phenomenon under study, namely the international networking mechanisms of FFs (Johns, 2006).

Given that this was a multiple case study, careful consideration was given to the mix of cases in our sample, which were identified via criterion and theoretical sampling. We selected cases from a cohort of 724 Finnish SMEs who (in 2013) responded to a survey on family ownership and international operations. The survey was sent out to 4200 Finnish SMEs with international involvement. The detailed questions included in the survey enabled us to screen for suitable case firm candidates. Hence, out of the 724 SMEs, we screened for firms in which the family (i) controlled more than 50% of the shares or votes in the firms (ownership), (ii) had one or more of its members in key management positions (management), and (iii) had members of more than one generation actively involved with the business (continuity). Secondly, we screened for international operations. Thus, in order to ensure that we captured cases offering an in-depth internationalisation history, we selected firms with (on average) a 50% ratio of foreign sales to total sales, and with at least three foreign markets in which they operated regularly; these requirements corresponded to the criteria adopted by, for example, Cooper and Kleinschmidt (1985). For the purposes of a cross-case comparison we minimised the effect of the field of operations by selecting firms from the manufacturing industry, an area which is typical of family-owned firms, both in Finland and beyond. In relation to the organisational and product category context (see Poulis et al., 2013), we

selected FFs representing different manufacturing products. These ranged from window profiles to design lamps and fashion items.

These steps allowed us to identify FF cases that were comparable in terms of ownership, management, industry, and continuity (see Zahra, 2003). As a third step, in seeking to capture networking behaviour in depth, we employed theoretical sampling by seeking out and collecting pertinent data, with the aim of elaborating and refining social network theory (see Charmaz, 2006). Following Charmaz's view of theoretical sampling, we opted for FFs that employed both network closure and structural hole mechanisms for internationalisation, to allow for richness in our sample (Charmaz, 2006). Given the emerging nature of theoretical sampling, we wished not only to elaborate pre-existing theory, i.e. social network theory, but also to generate insights through an iterative process of data analysis (Charmaz, 2006).

In combination with an abductive logic method, this sampling strategy further allowed us to explore the (hitherto unresearched) mechanism of *network termination*. We found it appropriate to employ an emerging theoretical lens (i.e. bifurcation bias) to explain the evidence, and to facilitate the entry and post-entry comparisons that contributed to our typology. This provided us with 35 suitable case firms (cases that fitted with the screening criteria and were theoretically interesting). Five of these firms had ended operations or had been taken over by corporations, thus ending their family ownership. We therefore contacted 30 different case firms meeting the criteria above, out of which 15 volunteered to collaborate. Our multiple case study design was informed by recommendations from the relevant literature (e.g. Stake, 2006; Varvus & Bartlett, 2017) on cross-setting comparisons of multiple cases. Table 1 below offers details on the case firms and on the data sources used in the study.

****Add Table 1 about here****

Data Collection

Our main data consisted of semi-structured interviews, but we also conducted triangulation using secondary data sources (Denzin, 2009). These consisted of company correspondence, meeting minutes, yearbooks, web pages, annual reports, brochures, email correspondence, newspaper and magazine articles, and financial records. Primary and secondary data offered an understanding of the networking mechanisms of the FFs investigated. They also facilitated theoretical saturation, to the point when extra data no longer sparked theoretical insights into the four types of FFs that we identified during the last phase of the case analysis (Charmaz, 2006; Saunders & Townsend, 2016).

The case firms were established between 1928 and 1990 and are currently run by the members of the 1st and 2nd, or 2nd and 3rd generations. The case firms internationalised 1 to 30 years after they were established, most typically 20–25 years. Most of the case firms operate abroad through export via agents/distributors, or their own exports; however, five of them (Firms A, C, K, N, O) operate also through sales subsidiaries, and one of them (Firm O) via production sites. Most firms have operations in European countries only, Sweden, Norway, UK, and Germany being the most important markets, but some firms also operate further away, e.g. in China, India, North America, and South Korea. Two Finnish interviewees conducted in total 40 first-round semi-structured interviews.

Our interviews covered CEOs, ex-CEOs, board managers, and sales managers. The first-round interviews conducted in 2015–2016 generated rich details on the networking behaviour of the firms. They were further complemented by 23 follow-up interviews conducted in 2017–2018, two years after the first round of interviews. These interviews followed up the development of the international networks of the investigated FFs in relation to the two years following the first round of interviews. They also enabled further questioning on some notable networking events that had been discussed in the first round. In the second round, we also interviewed new informants (family members and sales managers) who were not available during the first round of interviews. We used Atkinson and Coffey's (2001) recommendations for addressing 'recency bias' by encouraging

participants to share longer narratives during the interviews, and by using company archives as additional sources that would allow us to trace decisions during entry and post entry.

Our interview guide explored broad themes, including the role and story of the interviewee in the firm, the most important foreign markets, the development of networks in the three most important foreign markets, and the family values and role of the family in international business. We further invited participants to reflect on how they initiated ties, how each tie developed over time, and how challenges related to network ties were addressed. These questions allowed us to probe deeper into network ties and to uncover the new mechanism of network termination. We further asked questions relating specifically to family firms, including the emotional attachment to the firm, the identification with the firm; the relationships between family members, and the passing of the firm to the next generation. This set of questions had the potential to shed light on important internationalisation decisions, and on the interplay of emotions vs. strategic thinking.

We applied a localist approach to interviews (Alvesson, 2003), in that we understood the interviews in the Finnish context and not as data in isolation. Thus, we emphasised the need to approach the world from the interviewee's perspective – i.e. that of Finnish entrepreneurs and managers – and ensured that questions and answers were produced through interpersonal talk (Qu & Dumay, 2011). As a first step, the current owner-manager of each firm was interviewed. Secondly, whenever possible, the previous generation CEO was interviewed, or another relevant family member such as the planned successor, daughter, or spouse, if they were strongly involved in managing the FF. We then asked these informants to point us to other relevant participant(s). All the interviews were digitally recorded and transcribed verbatim, resulting in 450 pages of transcribed text. Complete case reports were sent back to the interviewees, and any inaccuracies they noted were corrected.

Data Analysis

During this study we were confronted with anomalies in the dataset. This led us to the use of abduction as a ‘cyclical process of identifying and confirming anomalies and generating and evaluating hunches’ (Sætre & Van de Ven, 2021, p.6). Drawing on Sætre and Van de Ven, (2021), our data analysis included four interrelated sense-making steps: (i) observing the anomaly, (ii) confirming the anomaly, (iii) developing hunches, and (iv) evaluating hunches (Weick, 1989) that pointed to iterations between theory and data.

*****Add Figure 1 about here*****

During the first stage, we engaged in data analysis following a systematic combining approach (Dubois & Gadde, 2002). We developed detailed case histories to understand FF’s networking behaviour during entry and post-entry phases. Moreover, we homed in on their networking behaviour in international markets, seeking to tease out the types of networks used and to explore *how* and *when* (in terms of phases of internationalisation) these types were used. This was done via a thematic analysis. Continuous iteration between social network theory and data allowed us to pick up ‘anomalies’, i.e. unexpected findings that were not in line with our current understandings (Sætre & Van de Ven, 2021). In particular, as opposed to earlier literature on social networks in firm internationalisation, our data revealed that social network ties were not important only in the initial entry, but also during post entry. Moreover, our data revealed that in terms of network mechanisms at post entry, while most firms had a primary focus on network closure (trust and commitment), some FFs also ended network ties and vigorously built new ties, or else were balanced equally between all three network mechanisms. This encouraged us to consider the heterogeneity of FFs in deploying mechanisms in foreign markets.

In the second stage, we confirmed these anomalies by zigzagging back and forth between theory and data. Here, following the guidelines of Sætre and Van de Ven (2021), we asked ‘Am I really seeing this?’ and considered the *who*, *what*, *where*, *when*, *why*, and *how* aspects of the phenomenon. At this point we grounded the unexpected insights more firmly in our data, with

reference to the surrounding context and existing literature (Rousseau, 2020), and also by juxtaposing with theory. We explored under which circumstances FFs used social network ties post-entry, ended network ties, and combined network mechanisms in a new manner. Further questioning of the investigated cases – how are they similar or different? – sensitised us towards typological theorising (Biggart & Delbridge, 2004).

We drew on relevant literature (Cornelissen, 2017; Biggart & Delbridge, 2004; Elman, 2005; Collier, LaPorte & Seawright 2012) to consider our analytical moves in typology formation. Following Elman (2005), we clarified the overarching phenomenon of our typology, namely the networking behaviour of internationalising FFs. Drawing on our thematic analysis and our understanding of theory, we further detailed the investigated phenomenon into two dimensions, namely *network types* and *phases of internationalisation*, incorporating also the temporal dimension in our typology. We here profiled the FFs within a matrix that captured four different types of networking behaviour, mindful of what constitutes each type and what each type is a case of (Elman, 2005, p. 297).

Moving on with our analysis we sought plausible explanations for the four identified types. During this third phase, abductive reasoning facilitated typological analysis through theoretical imagination (Biggart & Delbridge, 2004), along with reappraisal of existing theoretical lenses or consideration of alternative lenses. We moved between the data and the literature on social networking – acknowledging its limitations in fully explaining our findings – and turned to FF internationalisation studies. Our ‘thought trials’ (Weick, 1989) led us to the concept of *bifurcation bias* as a means to explain the networking behaviour of the FFs (involving why some family firms used network termination, focused on network closure or structural holes, or were equally balanced between these). Finally, we grounded this explanation on the data and refined the typology by including the dimension of bifurcation bias. Having found no direct concept corresponding to *network termination* in the various theoretical lenses employed in previous studies, we proposed

this as a concept of our own.

To ensure the quality of the case study findings, we followed numerous practices recommended in the literature to enhance the methodological trustworthiness of the case evidence. In particular, we used theory to structure the list of interview themes, and applied data triangulation in order to capture the investigated phenomenon holistically. The evidence on network closure and SHs was acquired by integrating insights from our semi-structured interviews and secondary sources, which were compared across case studies and against theory (Welch & Piekkari, 2017). The trustworthiness of the findings was further ensured by the development of a retrievable case study database, by the use of case study protocol throughout the data collection process, and by the circulation of interview transcripts and case study reports to respondents.

Findings

The findings on our research questions (see pages 1–2) are set out in Table 2 and Appendix 1.

Taken together, our evidence points to four distinct types of FFs, labelled *trotter*, *preserver*, *explorer*, and *conqueror*. We found that these deploy social network mechanisms heterogeneously in relation to the mechanisms they use, and how they use them, especially with respect to the post-entry phases of internationalisation. In particular, we observed different patterns in the application of a network closure mechanism and of an SH mechanism, plus the mechanism we term network termination. We take the view that the heterogeneity can be explained through the concept of bifurcation bias (Kano & Verbeke, 2018). The characteristics of the four FF types are detailed below.

*** *Add Table 2 about here* ***

Trotters

The term *trotter* describes eight FFs (Firms A, B, C, E, I, K, M, N), which in both the entry and

post-entry phase had focused on network closure, i.e. on trust, and on maintaining initial network ties. In their initial entry abroad, the trotters concentrated on social ties, including both foreign and domestic customers and partners (see Appendix 1 for a case-based illustration). In relation to how network mechanisms and social networks were used, Firms A, C, and N used their large domestic customers to mediate suitable sales channels abroad.

Our long-term important Finnish customer gave us excellent recommendations and they helped us in approaching customers in different markets. This helped us a lot, because we did not actually need to introduce ourselves, since they knew that [recommending firm] was a trustworthy company and would not recommend anyone with low standards. (CEO of Firm C)

Firms B, E, and I benefited from domestic trade fairs that they had been attending for years. In these venues, agreements were made with available foreign and domestic agents who seemed to be a good match as representatives. In the case of Firm E, a domestic export ring participating in trade fairs made it possible to find a Swedish agent. In Firm H, the CEO participated in trade fairs in Sweden together with two domestic agents.

In the case of Firm M, the initiative to export came from an Austrian agent who was visiting another company in Finland, and who recognised the logo of Firm M. The relationship initiated by the foreign agent quickly developed into a trustworthy tie: ‘He approached us. Since he was genuinely interested and seemed like a nice guy, we wanted to meet him and give it a try.’ (CEO of Firm M)

Firm K developed network ties independently in European seminars, socialising with their prospective partners: ‘We took an active approach and concentrated on learning to know people. I attended several seminars in Europe and found good people to start up sales subsidiaries.’ (CEO of Firm K)

At post entry, the main focus for all the trotters was also on network closure, i.e. the building of trust, commitment, and closeness within their network ties during internationalisation.

Agents with their families have become part of the ‘Firm E family’. We have very close, friendly, and trustworthy relationships and also the wives and children sometimes meet each other. We are invited to their homes, and also share personal issues. (CEO of Firm E)

In terms of how the network mechanisms had been used, our findings illustrate that the focus on network closure could continue even in a case where collaboration and the quality of the relationship had been unsatisfactory. The CEO of Firm I explained the relationship with its Swiss agent as follows:

We have basically created all the customers together with them [the collaborator] and trained them for this job, and still visit the customer two or three times annually, together with them. Even though they have taken on three other companies, and now they try to get what they can in terms of sales from each of us and we get fewer sales than before.

With network closure as a clear focus, the trotters mainly applied the SH mechanism to replace lost partners, or to gain better coverage in international markets. This was explained by the CEO of Firm I: ‘No, there had not been changes on other occasions, except when we lost the market and all [the agents] needed to be reformed.’

Similarly, the CEO of Firm C explained the matter as follows: ‘The agent network does not cover all the potential customers. So, we keep looking for new agents to have growth in our most important export markets.’

We discovered that two out of the eight trotters (Firms A and K) applied a third mechanism, which we labelled *network termination*. Here, too, it was notable that they only applied the mechanism when the situation was more or less forced on them, having become financially acute: ‘We needed to leave Italy and India for price and quality reasons... we just had to end collaboration so as not to have big losses.’ (CEO of Firm A)

Overall, we recognised that five trotters (Firms B, E, I, M, N) only bridged SHs if they had lost their foreign collaborator; hence, they continued to work even with unbeneficial partners. By contrast, three trotters (Firms A, C, K), went beyond network closure and ended some unbeneficial relationships (Firms A and K), or else added new network ties out of pure necessity (Firms C and K). In seeking to understand this, we recognised that the emerging theoretical approach of bifurcation bias was useful in explaining this behaviour, answering the *why* question we had posed

(based on the observation that Firms B, E, I, M, and N determinedly maintained non-economic values over time, hence keeping the original ties no matter what). Three trotters (Firms A, C, K), by contrast, were willing to end unbeneficial relationships or to add ties out of necessity. These were firms that had entered the phase of thinking also of the economic benefit to the firm. The CEO of Firm K expressed this as follows: ‘We needed to end our store in Sweden due to the poor development of the market there – despite the good collaborators we had.’ It appeared that in ending some networks, these three trotters had partly overcome bifurcation bias in their international networking (see Kano & Verbeke, 2018; Verbeke & Kano, 2012), even if their main focus was still on network closure.

Preservers

The term *preserver* is used for five FFs (Firms D, G, H, J, L), which both in the entry and post-entry phases had focused on trust, and on maintaining the initial network ties through thick and thin. The difference from the trotters lay in the feature that the preservers *did not exercise network termination at all*. Like the trotters, the preservers based their foreign market entries on social ties. As explained by the CEO, Firm L entered Sweden via a relative living in Sweden: ‘It started in such a way that he contacted a potential agent in Sweden and we went to meet him together.’

As another example relating to how network mechanisms were used, in Firm D, a staff member of the firm went to live in Sweden, establishing there the first agency for the Swedish market. With regard to the post-entry phase, the main (though not exclusive) focus of the preservers had remained on the network closure mechanism: building trust, commitment, and closeness within their network ties during internationalisation. However, as distinct from the trotters, (i) they had not applied a network termination mechanism at all, and (ii) they had applied the SH mechanism only in extreme situations. Firm H is an example in which the original agents were maintained, despite a

difficult situation in its Austrian agency, where network termination might have been a better choice:

We work with them, although it is not very easy, since their succession [in the Austrian agency] has not gone very smoothly and the new generation still cannot even access the accounts of the company, and the father has a serious alcohol problem, and all the payments are late, and they even lie to us. (CEO, Firm H).

The SH mechanism was applied by the preservers only in acute situations, where they had lost the entire market. This was well illustrated by the CEO of Firm J:

Some agents have finished representing us due to retirement, death, or because of selling the enterprise. But we have continued cooperation with all those agents who have found a suitable successor.

A detailed examination of why preservers used network mechanisms in the way they did shows that (as distinct from the trotters) they had not overcome bifurcation bias. Hence, the preservers continued to work with unbeneficial partners or widen their network, placing non-economic assets at the forefront of their thinking.

Explorer

The term *explorer* is used for a FF that had a major focus on the SH mechanism at both the entry and post-entry phase, and which had also vigorously terminated problematic ties. In relation to how it had used network mechanisms, the internationalisation of the explorer began with the CEO and his colleagues driving around Central Europe, demonstrating products by going door-to-door, and approaching salespeople who might be interested. Market entry was based on a wide and extensive search for newly-established, non-social ties, on the grounds that it was efficient 'to see as many people as possible each day to build the initial network'.

In the post-entry phase too, the explorer firm focused mainly on the SH mechanism. It had followed a multi-channel approach, constantly looking to widen its range of international agents over time, but giving no specific role to any agent after the very initial phase, and socialising only to the extent needed to ensure an adequate commitment from the agent:

We apply a multi-channel approach... We take on all competent agents who are interested in us... Yes, we might also meet them, but then we take a neutral stance even if we appreciate continuity. We don't want to commit strongly just to certain actors, which could prevent us from having other relationships.

The explorer had also applied network termination in cases where a new distributor did not fit well with the firm: 'It turned out that our product was not a good fit for their product portfolio, and we suggested it might be better to end the collaboration.' At the time of the interviews, the agency and reseller network of the explorer covered 65 countries on all the continents of the world. Examination of the network mechanisms applied by the explorer indicates that for it, the economic assets came first. As regards why it used network mechanisms as it did, we noted that the explorer had overcome bifurcation bias. This was evident from three different modalities in the firm's international networking: it bridged SHs as its main strategy, it did not apply network closure too firmly, and it practised network termination when the network ties proved unbeneficial. Hence, the non-economic view did not dictate its international approach, and it was able to have a flexible network strategy.

Conqueror

The term *conqueror* illustrates a FF international networking strategy with a balanced focus between three network mechanisms, namely network closure plus construction of a range of networks by bridging SHs, together with the termination of problematic ties. The conqueror had based its initial entry into foreign markets on new ties created at trade fairs, followed by the 2nd generation CEO developing strong social ties abroad before taking over the firm from the 1st generation.

Regarding how network mechanisms were used at post entry, as the only firm in this category, the conqueror (Firm O) represented a balanced focus on all three network mechanisms. It thus exhibited network closure, SH, and network termination. The current CEO of Firm O explained this as follows:

Especially since I took over, we have had a very strategic approach in relation to networking, considering where we have sales subsidiaries, agents, production, etc., and we also attend trade fairs in addition to our own search for partners. ...However, we won't play around with people for a long time if they don't show results. We can spend time on them, but it is useless to continue with it if the results are not good.

Hence, the conqueror had invested in building trust with all its main partners, but it had also added new ties for the sake of better market coverage and potential future needs. The CEO was very willing to terminate problematic relationships with agents and customers, and then replace these individuals with better ones.

At the time of the study, the conqueror had jointly-owned production sites in 15 countries around the world, and its agency network covered over 60 countries. In relation to why the conqueror used network mechanisms in a special way, we noted that the economic assets had come first, suggesting that it had overcome bifurcation bias. Like the explorer, it had efficiently bridged SHs, had not spent too much energy on network closure, and had practised network termination when the network ties proved unbeneficial. However, the conqueror had balanced network mechanisms more equally than the explorer, emphasising more the social side of the relationships, and enabling the establishment of 15 production units. Thus, the conqueror demonstrated a fourth type of international networking strategy at entry and post entry, displaying close family-like relationships, but also the termination of network ties and construction of a wide network.

Discussion and Conclusions

Our main contribution is a typology involving four types of FFs, categorised according to their network mechanisms and their adherence/non-adherence to bifurcation bias in the entry and post-entry phases of internationalisation. We also make three other theoretical contributions.

Firstly, with regard to our question on *what network mechanisms are used*, this study breaks new ground by adding a new network mechanism – *network termination* – to the conceptualisation of network mechanisms, and to the social network literature more broadly (Burt, 2018; Elfring et al., 2021; Gargiulo & Benassi, 2000; Gulati & Gargiulo, 1999). We found that the mechanisms of

network closure and SH did not sufficiently describe how the investigated FFs behaved in their internationalisation. Our evidence points to the need to conceptualise networking as a process involving the ending of a network tie, rather than merely the formation of a new network tie (SH mechanism) or the building of a strong, trustworthy tie (network closure). The evidence shows that while network termination was (in the terminology of Halinen & Tähtinen, 2002) a ‘chosen’ approach for the explorers and conquerors, it was ‘forced’ on the trotters. These considerations lead to our definition of network termination as *a process for ending a network tie, either chosen or forced, leading to the breaking of a business relationship*. Overall, we show that *the network termination mechanism needs to be considered in efforts to understand network mechanisms*.

Secondly, in relation to *how* network mechanisms are used, we advance the fields of IB, IE, and SME internationalisation by adding insights on the use of social networks (Coviello, 2006; Ellis, 2011; Sun, et al., 2010; Zhang et al., 2016; Zhou et al., 2007) and on the interplay of network mechanisms in the entry and post-entry phases of internationalisation (Kontinen & Ojala, 2012; Prashantham & Dhanaraj, 2010). Previous studies (e.g. Ellis, 2011; Coviello, 2006; Prashantham & Dhanaraj, 2010) have highlighted the importance of social ties at entry, but have emphasised a shift to weaker and more calculative ties in a later phase (e.g. Coviello, 2006), or have not explicitly focused on the post-entry phases. Our evidence suggests that among FFs, social ties and the network closure mechanism remain important, not only in the entry but also in the post-entry phases of internationalisation, in which firms often maintained the social ties they already had. In fact, most of our FFs did *not* make the shift toward more calculative and weaker network ties post-entry, and the ties survived generation after generation.

Our findings indicate family ownership and longer time horizons can actually emphasise the role of social ties. This would run counter to the situation in which a firm seeks to obtain venture capital, for example, or to the early phases of INVs, in which more calculative thinking may have greater relevance (see e.g. Coviello, 2006; Ellis, 2011; Prashantham & Dhanaraj, 2010). In our data,

the FFs that overcame bifurcation bias (Verbeke et al., 2018) built networks rather similarly to the SME patterns illustrated in the IB and the IE literatures; by contrast, bifurcation-biased firms were more focused on social networks and the network closure mechanism.

Thirdly, in considering *why* the network mechanisms are used heterogeneously, our evidence suggests that *heterogeneity in the use of network mechanisms can be explained via bifurcation bias*. We understand this as related to whether the firm has or has not overcome bifurcation bias, here contributing to the literature on FF internationalisation (cf. Arregle et al., 2017; Metsola et al., 2020; Verbeke et al., 2018). We show that the bifurcation-biased firms focused on network closure both at entry and post entry. Furthermore, they used the mechanisms of SHs and network termination only when necessary, specifically to support the survival of the firm. Those firms that had overcome bifurcation bias applied network closure at the entry stage, but used network termination and SHs strategically and voluntarily post entry. We also show that the conqueror – a niche manufacturer of packaging material (cf. Hennart et al., 2019) – was able to balance three network mechanisms equally. The overcoming of bifurcation bias manifests itself most obviously through the use of the network termination mechanism, in line with the notion that it is non-economic thinking that inhibits FFs from abandoning networks in the manner required if they are to move forward with internationalisation. Our findings also point to bifurcation bias as a phenomenon that a firm needs to address in its operations from time to time. In our data, some trotters were on their way to overcoming it, the preservers had not overcome it at all, and the explorer and conqueror types had overcome it more or less entirely. Our study also adds to family firm literature by empirical observations on heterogeneity (Arregle et al., 2017; Hennart et al., 2019; Metsola et al., 2020) and on ways of overcoming bifurcation bias (Kano & Verbeke, 2018; Verbeke & Kano, 2012), with in-depth insights on this emerging concept in the context of international networking. Altogether, our evidence shows that it is difficult and rare to overcome bifurcation bias; nevertheless, there are family firms that *are* able to overcome bifurcation bias, and hence to think

more strategically and economically. This manifests itself also in their use of network mechanisms for internationalisation, such that those FFs who have overcome bifurcation bias are more flexible in building their international networks.

The study indicates how network mechanisms can operate within a social system, namely the network of internationalising family firms; also how important it is to consider what network mechanisms are used, how they are used, and why they are used heterogeneously. This also relates to the importance of the contextual grounding of social network structures (Moliterno & Mahony, 2011). Hence, the findings can be of interest to the wider management community, within which the study of social ties and social networks continues to be a popular topic, associated for example with organisational and institutional development, corporate governance, and organisational performance (Chaudry, Kontonikas & Vagenas-Nanos, 2021; Mateos de Cabo et al., 2021; Xiao & Anderson 2021).

In terms of managerial implications, FF managers would be well advised to pay full attention to economic aspects in their internationalisation decisions over time. For long-term success, it is important to abandon unbeneficial international partnerships and to keep the network evolving via a search for new ties. In relation to the typical search for closer connections, the recommendation would be to not necessarily aim for the highest level of closeness and trust with international ties; in fact, one may very well be satisfied with a rather more distant relationship, if the tie otherwise works well. Having said this, it is always necessary to find an international networking approach that fits the situation of the FF in question. Thus, for some, a family-like relationship is the only one the firm can live with, whereas for others, more distant ties could also be part of the network portfolio. The entry of the new generation can change the approach dramatically, and offer further opportunities.

Our study has some limitations that point to directions for future research. Firstly, the data were from one geographical location (Finland). Secondly, we looked at the networking behaviour of

FFs only in their three most important foreign markets. Future studies could concentrate on a wider range of foreign markets with fewer firms, or else on just one foreign market with more cases.

Thirdly, we did not have the opportunity to collect data from the international counterparts of the FFs. Future research could embrace the dyads of the FFs in the most important foreign market(s).

Fourthly, social network literature offers a wide array of concepts other than network mechanisms.

Examination of other concepts could generate a more rounded understanding of how internationalisation works among FFs.

We would claim to have made a first step in bringing together international business and entrepreneurship, social network theory, and FF heterogeneity, and in applying insights from the bifurcation bias literature. In future it would be useful to apply, for example, a qualitative comparative analysis (see Byrne & Ragin, 2009) and combine the lenses of bifurcation bias (e.g. Verbeke et al., 2018) and FF heterogeneity (cf. Hennart et al., 2019) with new datasets from various geographical and historical contexts, to obtain in-depth information on the role of the country of origin and of family structures (cf. Arregle et al., 2019) on FFs' international networking. Studies in other regions could also consider how unfunctional ties (i.e. ties that are not performing as anticipated) are terminated in the context of family firms and firm internationalisation. It would also be of interest to have a single, in-depth longitudinal case study, in addition to multiple case studies. Furthermore, we see it as important for our findings to be transferred into hypotheses, and tested with larger datasets.

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Table 1. Profiles and Types of Case Study Firms

Case Firm	% family ownership	Year of Establishment	Start of Internationalization	Generation(s)	Data Sources	Product	Three Most Important Foreign Markets (on the basis of sales %)	Operation Modes Abroad
<i>Trotter A</i>	90	1975	1990s	1 st & 2 nd	Interviews (3); yearbooks, web pages, annual reports, brochures, email correspondence, newspaper and magazine articles	Linkage parts and rear hitches	China, India, Italy	Export via agents and sales subsidiary
<i>Trotter B</i>	100	1928	1929	3 rd & 4 th	Interviews (2); web pages; brochures; yearbooks, annual reports, newspaper articles	Profile structures and frames for windows	Norway, Sweden, Poland	Own exports and export via agents
<i>Trotter C</i>	100	1945	1970s	2 nd & 3 rd	Interviews (4); web pages; brochures; history book; newspaper articles, company correspondence, annual reports, and financial records	Measuring equipment	North America (Canada & the USA), Sweden, Germany	Export via distributors and sales subsidiaries
<i>Preserver D</i>	100	1983	1984	1 st & 2 nd	Interviews (2); web pages; meeting minutes, annual reports, brochures, and financial records	Sliding and folding door systems	Sweden, Norway, UK	Export via agents
<i>Trotter E</i>	100	1995	2000	1 st & 2 nd	Interviews (3); web pages; company correspondence, brochures, newspaper and magazine articles, and financial records	Wooden design lamps	Germany, UK, Sweden	Export via agents and distributors
<i>Explorer F</i>	100	1986	1989	1 st & 2 nd	Interviews (2); web pages; brochures; company correspondence, brochures, newspaper and magazine articles, and financial records	Hydraulic generators, power washers, and compressors	Sweden, North America, UK	Export via distributors

<i>Preserver G</i>	100	1990	2009	1 st & 2 nd	Interviews (2); web pages; company correspondence, brochures, newspaper and magazine articles, and financial records	Machines and equipment for paper industry	Sweden, Germany, Estonia	Export via agents
<i>Preserver H</i>	100	1967	1970s	1 st & 2 nd	Interviews (3); web pages; company correspondence, emails, brochures; newspaper articles; meeting minutes; annual reports; yearbook, and financial records	Machines for forestry and agriculture	Austria, Belgium, Norway	Export via agents
<i>Trotter I</i>	100	1952	1960s	3 rd & 4 th	Interviews (3); web pages; company correspondence, emails, brochures; newspaper articles; meeting minutes; and financial records	Custom sawn timber products	Switzerland, Germany, France	Export via agents
<i>Preserver J</i>	100	1956	1994	1 st & 2 nd	Interviews (2); web pages; company correspondence, emails, brochures; newspaper articles; meeting minutes; and financial records	Protective gloves for firefighters	Norway, Switzerland, Germany	Export via distributors
<i>Trotter K</i>	100	1976	1993	2 nd & 3 rd	Interviews (3); web pages; brochures; newspaper articles; annual reports; yearbook, and financial records	Clothing items	China, South Korea, Sweden	Export via subsidiaries
<i>Preserver L</i>	100	1965	1970s	2 nd & 3 rd	Interviews (2); web pages; brochures; newspaper articles, and financial records	Electronic detection and control devices	Sweden, USA, UK	Export via agents
<i>Trotter M</i>	98	1953	1982	2 nd & 3 rd	Interviews (2); web pages; brochures; newspaper articles; meeting minutes, and financial records	Boilers	Sweden, Estonia, Norway	Export via agents
<i>Trotter N</i>	98	1966	1980s	2 nd & 3 rd	Interviews (3); web pages; brochures; newspaper articles, and financial records	Filling stations, tanks and related systems	Norway, Poland, Sweden	Own exports or export via subsidiaries

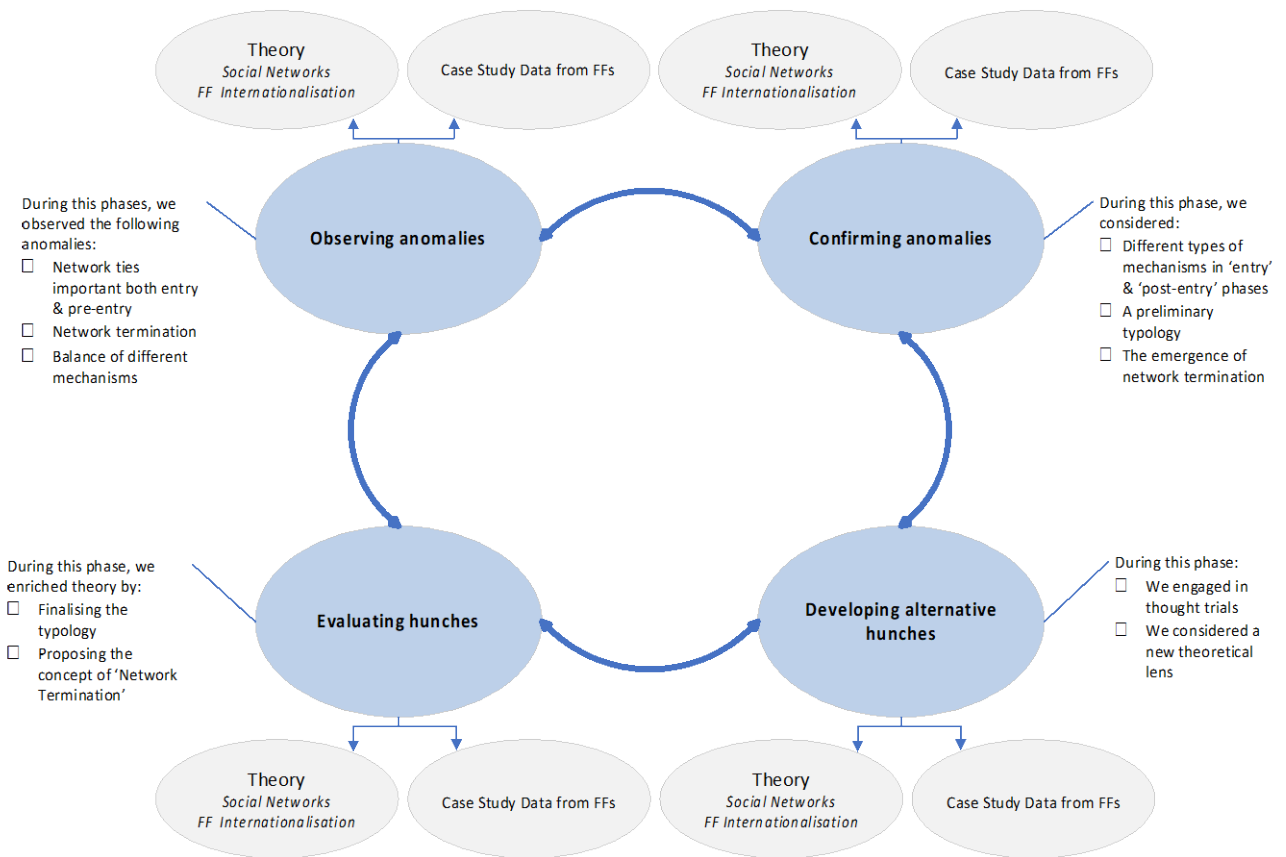
<i>Conqueror O</i>	100	1972	1980s	1 st & 2 nd	Interviews (4); web pages; brochures; newspaper articles; meeting minutes; annual books; meeting minutes; and financial records	Transport packaging material	France, Germany, China	Production sites abroad, sales subsidiaries and export via agents
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Table 2. Typology of Mechanisms Deployed by FFs

	NETWORK CLOSURE	STRUCTURAL HOLES	NETWORK TERMINATION	BIFURCATION BIAS	SUMMARY OF THE TYPOLOGY
TROTTER	For entry Main focus of post-entry	To replace lost partners To expand Not applied	Forced ending (rare): Due to poor financial situation OR Not applied	Partly overcome by bridging structural holes/ ending ties OR Not overcome	Focus on network closure at both entry and post entry. Some trotters practised network termination, and the active bridging of structural holes. <i>Bifurcation bias:</i> Five trotter firms had non-economic values, indicated primarily through duration – keeping the original ties no matter what. Three trotters were in the phase of thinking also of the economic benefit of ending unbeneficial relationships or of adding ties, out of necessity (i.e. when they had lost a partner or a market; they did not add ties voluntarily).
PRESERVER	For entry Main focus of post-entry	To replace lost partners Not applied	Not applied	Not overcome	Focused on trust, and on maintaining the initial network ties both in the entry and post-entry phases. The SH mechanism was applied solely in acute situations, when the preservers had lost an entire market. <i>Bifurcation bias:</i> had non-economic values, indicated primarily through duration – keeping the original ties no matter what. Different from the trotters in that the preservers <i>did not exercise network termination at all.</i>
EXPLORER	Not applied	To build a wide network base	Chosen ending: To grow and ensure a good network	Overcome by bridging structural holes and avoiding overly strong ties	A major focus of the SH mechanism in both the entry and post-entry phase, and a vigorous termination of problematic ties. <i>Bifurcation bias:</i> had overcome this in three ways: by efficiently bridging structural holes, not spending too much energy on network closure, and practising chosen network termination when the

					network ties were unbeneficial.
CONQUEROR	For entry For post-entry	To build a wide network base	Chosen ending: to grow and ensure a good network	Overcome by bridging structural holes and avoiding overly strong ties	<p>A balanced focus between three network mechanisms: (i) building network closure, (ii) constructing a wide range of networks by bridging structural holes, but with (iii) termination of problematic ties.</p> <p><i>Bifurcation bias</i>: had overcome this in three different ways: by efficiently bridging structural holes, not spending too much energy on network closure, and practising chosen network termination when the network ties were unbeneficial.</p> <p>However, unlike the explorer, the conqueror balanced network mechanisms more equally – paying more attention to the social side of the relationships.</p>

Figure 1: Abductive Research Process in the Current Study



Source: Adapted from Sætre and Van de Ven (2021)