Strategic agility and international joint ventures: The willingness-ability paradox of family firms

Abstract

International joint ventures (IJVs) have high failure rates because of the many governance complexities that emerge post-formation of the agreement. Anecdotal evidence suggests that family firms (FFs) have paradoxically lower willingness to form IJVs, yet higher ability to govern them, compared to non-family organizations. However, alliance research in FFs’ context is limited and a theoretical explanation of this difference is warranted. Drawing on the three distinctive components of strategic agility (i.e. strategic sensitivity, leadership unity, and resource fluidity), we develop a theoretical framework supporting this paradox. Specifically, we extend Transaction Cost Economics (TCE) to FFs’ context and argue that FFs’ propensity to protect their Socioemotional Wealth (SEW) explains family firms’ willingness to form IJVs as well as their ability to implement more adequate governance mechanisms in order to enhance inter-partner cooperation. We thus argue that family owners’ strong emotional attachment reduces FFs’ strategic sensitivity, creating a motivational gap in forming IJVs. On the other hand, if FFs overcome this gap by making full use of their board, family control and social ties will lead to superior leadership unity, which positively affects IJV governance. Moreover, due to family members’ identification with the firm and their desire to maintain the business for future generations, FFs have superior resource fluidity that helps to create a trustful relationship, reducing opportunistic hazards and increasing odds of IJV long-term success.

Keywords: international joint ventures; strategic agility; family firms; socioemotional wealth; transaction cost economics; willingness-ability paradox.
Introduction

International joint ventures (IJVs) represent one of the most diffused entry modes for gaining competitive edge at international level (Ali and Larimo, 2016; Das and Rahman, 2010). Indeed, IJVs allow firms to develop through technology and knowledge sharing, as well as limiting the commitment of resources and mitigating the risk to enter in totally unfamiliar business environments (Beamish and Lupton, 2016). Recent research shows that the occurrence of IJVs has increased dramatically over the last years (Perkins et al., 2014), but a high percentage of them ends up as failures (e.g. Klijn et al., 2013; Park and Harris, 2014). In fact, IJVs are particularly difficult to manage, because each partner is subject to a relational vis-à-vis risk, in addition to business risks (Das and Rahman, 2010). Specifically, IJVs require efforts not only in the ex-ante design choices, but they are particularly complex because of the many governance complexities post-formation of the agreement (Fryxell et al., 2002). Moreover, the international aspect of IJVs indicates that the joint venture operates in a different host country and joins parent firms from different nations, with different institutional and cultural backgrounds. As a consequence, the alignment of interests and the development of adequate governance mechanisms is even more difficult (Reuer et al., 2014). IJVs rely on contracts that by nature cannot fully anticipate all future contingencies (Reuer et al., 2011). So, in the long-run, only social control mechanisms (e.g. self-enforcing contracts through trust, credible collective commitments) will be able to guarantee IJV success (Fryxell et al., 2002). In turn, the ability to rely on social control mechanisms depends on firms’ level of strategic agility, i.e. the ability of an organization to be flexible, in order to continuously adapt, adjust (Weber and Tarba, 2014) and make collective commitments for pursuing the agreed strategic change (Doz and Kosonen, 2010). We thus argue that the three meta-capabilities of strategic agility (i.e. strategic sensitivity, leadership unity, resource fluidity) affect both willingness and ability to govern IJVs in any organization. Due to their different framing of strategic decisions based on family-centred
noneconomic goals (Gómez-Mejía et al., 2007), family firms (FFs) may have a different strategic agility compared to non-family organizations.

FFs, which constitute the majority of firms worldwide (De Massis, Frattini, et al., 2018), assess their strategic decisions in relation to both financial wealth and socioemotional wealth (Gomez-Mejia et al., 2011) and gains in one dimension of wealth are often associated with losses in the other dimension (Kotlar et al., 2018). Their choices are motivated by the willingness to preserve SEW (Gómez-Mejía et al., 2007) and they have unique characteristics in terms of governance (Miller et al., 2013) that make them unique in terms of strategic agility. We argue that this strategic agility will impact on their preferences as well as ability to engage and implement IJVs. Specifically, we draw the ability and willingness perspective that has been adopted to examine family firm behaviour (e.g., Chrisman et al., 2015; De Massis et al., 2014) and develop propositions arguing that, paradoxically, FFs have lower willingness, yet higher ability in governing IJVs. In fact, due to family owners’ emotional attachment, FFs have lower strategic sensitivity and perceive IJVs as hazardous investments that may hinder SEW, so preventing them to engage in those ventures. FFs can overtake this motivational gap by gaining an “outside-in” perspective (Doz and Kosonen, 2010), through simultaneously opening their board to external members and avoiding dysfunctional bifurcation bias (Verbeke and Kano, 2012). This will change their frame of IJV potential, letting them recognize that by renouncing to IJV formation, FFs risk to jeopardize the survivor of the firm in the long-term, and so SEW preservation. Once that the motivational gap has been overcome, FFs will be able to exploit their superior leadership unity and resource fluidity. In particular, family influence and strong social ties within the firm positively affect the ability to enhance collaboration among firm members and lead them to make collective commitments in the IJV implementation. Moreover, FFs’ longer-term orientation as well as their stronger sensitivity about corporate image allow these firms to rely more on informal social governance mechanisms, so facilitating common action and generation of value in the IJV.
The purpose of this paper is to answer the following research questions: Are there differences between family and non-family firms in their international joint venture behaviour? If yes, what are the mechanisms through which family involvement in a business organization influence its international joint venture behaviour? In order to respond to these questions, we draw on the three meta-capabilities of strategic agility to examine IJVs in the context of FFs. We thus develop a theoretical framework supporting the willingness/ability paradox of FFs in IJVs. Doing so, we extend Transaction Cost Economics (TCE) (Williamson, 1979) to FFs’ context and we argue that preservation of Socioemotional Wealth (SEW) as pivotal non-economic reference point for decision making (Berrone et al., 2012; Gómez-Mejía et al., 2007) explains FFs’ preferences to form IJVs as well as their ability to implement more adequate governance mechanisms to enhance inter-partner cooperation. In line with our theoretical framework, anecdotal evidence suggests that when family firms engage in IJVs, they are more able to succeed compared to non-family organizations. For instance, in order to enter in cultural and distant markets, Day & Zimmerman - a 3rd generation firm awarded as U.S. "Family Business of the Year" in 1998 - has mainly built its growth on IJVs and it is now a worldwide leader in construction & engineering, operating in over 150 locations. Another relevant case is the one of Almax, an Italian 2nd generation family-owned business involved in the design and production of high-quality mannequins that entered the Asian market in 2010 by forming an IJV with a Chinese partner, so overcoming problems regarding liability of outsidership, getting easily domestic know how and political connection with the local government. One additional important reason for setting up an IJV is the possibility to cooperate and pool resources with a complementary market player. To this end, in 2010, Fiat Chrysler formed with the Chinese partner Guangzhou Automobile Group Co. a joint venture with the aim of locally producing and selling cars such as the Jeep Compass, Cherokee and Renegade. Moreover, IJVs represent a very powerful strategic weapon especially for family firms of small and medium size. For instance, in 1989, Gabrielli – a 2nd generation family firm operating in iron and steel industry – made a joint venture
with Voestalpine (an Austrian multinational steelwork) creating Metalservice Spa, that after 30 years, is now one of the most efficient service centres for thin plate in Europe.

Our paper offers three main contributions, integrating and developing three research areas that have developed quite separately from each other, namely: family business, international strategic alliance, and strategic agility literatures. First, we study IJVs made by family firms and how their key non-economic reference point for decision-making affects the choice to engage in such ventures as well as their ability to manage partners’ opportunistic hazards. Doing so, we advance recent research efforts done by some authors (e.g. Kano and Verbeke, 2018; Majocchi et al., 2018; Sestu and Majocchi, 2018) in integrating TCE with family business’ governance literature. Moreover, by arguing that the critical differentiator for gaining strategic sensitivity in family firms is the ability to open the board to external directors, without incurring in dysfunctional bifurcation bias, we integrate the recent assertion of Kano and Verbeke (2018) on the importance of bifurcation bias as determinants of family firm heterogeneity and consequent international success. Therefore, we advance family firms’ internationalization research (De Massis, Frattini, et al., 2018; Pukall and Calabrò, 2014; Reuber, 2016), which has mainly focused on exports, neglecting all the idiosyncratic challenges that must be faced when firms decide to adopt entry modes beyond exports (Stoian et al., 2018). Second, prior studies have largely ignored alliance formation by FFs and we bring theoretical evidence that because of their different strategic agility, the governance mix (i.e. trust and contracts) diverges from those IJVs established by conventional organizations. As such, our study significantly adds value to research on effects of formal and informal governance mechanisms in IJVs (e.g. Poppo and Zenger, 2002; Reuer et al., 2014), introducing family ownership as critical moderating variable. Finally, by using strategic agility pillars in order to describe FFs’ willingness/ability to engage in IJVs, we extend the theoretical application of strategic agility concept to IJV and FF context. Doing so, we also respond to recent calls of research (e.g. Arbussa et al., 2017) about the need to explore appropriate
strategic agility-driven business models, in order to prolifically and promptly support firms in their international growth.

In the following section, we develop our theoretical framework by describing in detail FFs’ unique characteristics and how they are related to the three organizational meta-capabilities of strategic agility. In order to illustrate FFs’ specific features, we disentangle the various dimensions of SEW drawing on the five dimensions of FIBER scale developed by Berrone et al. (2012): Family control and influence, Identification of family members with the firm, Binding social ties, Emotional attachment of family members, and Renewal of family bonds to the firm through dynastic succession. At the end, we discuss our propositions, providing implications and opportunities for future research.

Fig. 1 summarizes our conceptual framework.
Theoretical framework

Strategic sensitivity

In the FFs’ context, preservation of SEW is a key criterion for taking key strategic decisions (Zellweger et al., 2012). Therefore, depending on the type of risk being considered, FFs can be both risk willing and risk averse at the same time (Gómez-Mejía et al., 2007). Basing on this assumption, we identify two possible obstacles that may prevent family firms from engaging in IJVs: the inability of sensing, i.e. the non-recognition of the need to grow, and the fear of SEW loss, i.e. the unwillingness to move forward, when the strategic opportunity has been identified. Both constitute a psychological block that is mainly related to family’s emotional attachment to the firm.

The problem of sensing exists when family’s emotional attachment is so strong that they value much existing knowledge assets, such that they attribute lower value to external opportunities that are distant from their knowledge bases (König et al., 2013). Consequently, family owners avoid to consider the possibility to engage in strategic equity alliances with foreign partners to gain external knowledge. It follows that as emotional attachment strengthens, family owners will become increasingly committed to current knowledge assets (Pierce et al., 2001) and less willing to consider diverse sources of external knowledge. Existing knowledge has plausibly contributed to the firm’s success and the acquisition of new external knowledge could thus be seen as “painful” (Tushman and Anderson, 1986), requiring a substantial reconfiguration of existing knowledge and divesting assets that formerly constituted the firm’s core.

The unwillingness to move forward despite the strategic opportunity has been identified, instead, exists when owners’ strong emotional attachment leads to see the preservation of their emotional value as a primary reference in strategic decisions (Gómez-Mejía et al., 2007; Zellweger et al., 2012) and thus to avoid the potential loss of control ensuing from the constitution of an IJV. The benefits of external knowledge acquisition and assimilation are uncertain since managers are required to make decisions on aspects over which they have less control than within the boundaries
Moreover, by engaging in an IJV, FFs inevitably share part of their knowledge, facing a risk of misappropriation in case of partners’ opportunistic behaviour. Therefore, when emotional attachment is strong, family owners are less likely to engage in IJVs because they see the uncertainty related to share own knowledge and assimilate external one as a threat to maintaining their socio-emotional endowment (Chrisman and Patel, 2012; Kotlar et al., 2013).

When family firms lack the necessary strategic sensitivity, they incur in one of these two limits described above. Specifically, strategic sensitivity is defined as “the sharpness of perception of, the intensity of awareness and attention to strategic developments” (Doz and Kosonen, 2010). This rapid-fire world of breakthrough innovations in which we are moving creates a constant urgency about the opportunity to grow, where urgency is intended as the understanding that strategic opportunities fly away faster and faster (Kotter, 2014). In order to become agile, it is thus necessary to be able to stand “outside” one’s own organization, gaining some different perspectives for identify and assess strategic opportunities. Therefore, it is necessary to enrich the network with external contacts and gain an “outside-in” perspective (Doz and Kosonen, 2010). Family firms are surely not exempted by these challenges. However, gaining an “outside-in” perspective is particularly complex in their context, considering that families are reluctant to “open” their social system to external stakeholders and that their strategic orientation is inseparable from the owners’ personal objectives (Kotey, 2005).

On this regard, the board of directors, which is the “apex of firm’s decision control system” (Fama and Jensen, 1983: 311), has a strong influence on all key firm’s decisions (Kor and Sundaramurthy, 2009) and consequent level of strategic sensitivity. Directors’ social capital is a vehicle through which organizations develop their key strategic decision-making processes (Chen et al., 2017; Kim and Cannella, 2008). Therefore, the board knowledge, experience and skills can significantly affect family owners’ perception of the IJV potential and of the risks deriving by not engaging in such venture.

Family firms represent an idiosyncratic governance structure (Majocchi et al., 2018) which is usually characterized by a predominance of family directors (Le Breton-Miller and Miller, 2013).
Family directors are often selected only because of belonging to the family, rather than because of their skills (Pearson et al., 2008). Therefore, there is a high risk of bounded rationality (Verbeke and Kano, 2012), given that less skilled directors will be responsible for achieving economic goals and their pivotal goal is to preserve family influence and control, even at the expense of financial performance (Gómez-Mejía et al., 2007). The predominance of family directors creates capital and managerial constraints (Carney, 2005). Therefore, non-family high-skilled directors are needed to bring more independence to the decision-making process, as well as important resources such as external linkages, legitimacy, counsel and advice (Anderson et al., 2011; Hillman and Dalziel, 2003). Non-family members, given their freedom from any emotional boundary with the family, are more prone to change and international growth (Poza et al., 1997). Moreover, they have high human and relational capital, expertise and personal prestige (Bammens et al., 2011) that increases firm’s legitimacy and fulfils the lack of experience and capabilities of family members, helping to create good relationships with foreign partners and governments (Hitt et al., 2006). Nevertheless, Cannella et al. (2015) show that family owners tend to reduce the involvement of outsiders in decision-making. This is mainly due to family members’ reluctance to relinquish control (Boeker and Karichalil, 2002; Davis and Harveston, 1999), tendency to nepotism (De Vries, 1996) and other issues that would hinder SEW (Arregle et al., 2012; Banalieva and Eddleston, 2011).

The presence of high-skilled non-family members in the board is thus a necessary, yet not sufficient condition to gain strategic sensitivity. Indeed, given the mutual interdependence that directors have in holding a strategic role, it is also important that outside directors’ different values and visions are not too much misaligned from family members’ ones, otherwise dysfunctional bifurcation bias, i.e. the default asymmetric treatment of family and nonfamily members (Verbeke and Kano, 2012), will emerge, reducing the efficiency of board decision-making processes. Kotter (2014) explains how important is to become nimble in catching strategic opportunities and in order to do it is necessary to “bring the outside in”. An outside-in approach, in family firms, means to
selectively hiring some high-skilled external directors who can help to overcome this mindset motivational gap. Recent research has shown that many FFs do not make full use of their board, using it as mere “rubber stamping” body (Arzubiaga et al., 2018) and this can be a clear explanation of why family firms often do not overcome this motivational gap. Therefore, we propose that:

**Proposition 1 (P1): Family firms have less strategic sensitivity compared to non-family organizations, such that they suffer from a motivational gap that prevents them from engaging in International Joint Ventures.**

**Leadership unity**

Once that the motivational gap has been overtaken, firms need to gain leadership unity and flexibility for implementing the strategic change. Leadership unity is defined as “the ability of organization members to understand and trust each other” (Doz and Kosonen, 2010), making firms more able to quickly take bold strategic decisions and pushing firm members to collectively commit for the agreed strategic changes (Gurkov et al., 2017). In particular, leadership unity requires to surface and share assumptions, as well as it consists in a high quality, open and honest dialogue around strategic issues within the firm. On this perspective, strategic agility in a firm applies only when values, principles, practices and benefits are shared and infused as corporate culture (Rigby et al., 2016).

One fundamental aspect of leadership unity is that owners have to “care” about their business (Doz and Kosonen, 2010). Literature suggests that when family owners identify with the firm and see it as “our business” (Demsetz and Lehn, 1985), they tend to perceive the firm’s wealth as an extension of their family’s wellbeing (e.g. Miller and Breton-Miller, 2006). Furthermore, they perceive a higher sense of belonging that leads them to feel emotionally invested in the firm (Deephouse and Jaskiewicz, 2013; Zellweger et al., 2012). This generally follows a psychological appropriation process, namely, over time the owner increasingly perceives an asset as “mine” and its possession...
gradually becomes part of the owner’s identity (Belk, 1988). Moreover, family ownership can influence the hierarchical structure and informal social relations within the firm (Cannella et al., 2015; Cruz et al., 2010; Patel and Cooper, 2014), enhancing collaboration among family firm members, so that there will be greater ability to make clear collective commitments that are needed to implement the strategic changes required by the IJV. Furthermore, power concentration endows family owners with greater discretion and latitude of action (Carney, 2005), increasing the ability to achieve strategic unity in taking decisions.

Another fundamental aspect of leadership unity is interests’ alignment among firm members. In this case, shared values between firm members can act as “inner cultural and ethical compass that allows more flexibility in reconfiguring business models” (Doz and Kosonen, 2010: 378), providing a deeper meaning to organizational members. Family firms have a particularly emotion-dense organizational setting (Kellermanns and Eddleston, 2004; Zellweger and Dehlen, 2012), that creates stronger social and affective ties between family owners and the firm. Therefore, we contend that this dimension qualifies the type of family influence in terms of its role in determining the firm’s strategic goals and so creating greater unity and ability in taking promptly bold strategic decisions. In IJVs, firms need to combine their existing knowledge with the partner’s one and this has to be integrated into the cognitive frames of the organizational members (Nag and Gioia, 2012). The newly acquired knowledge must be integrated into the existing knowledge base, challenging to refine the resource stock and modify the operational routines. In this case, the family owners’ control as well as family members’ strong social ties may have a positive role in terms of source of engagement, allowing the extent of principles adopted for their own family firm also for the JV. Moreover, kin ties among family members are likely to engender strong social bonds also with non-family employees (Berrone et al., 2012), who will share the FF’ sense of belonging and identity, promoting commitment to the firm (Miller and Le Breton-Miller, 2005). Therefore, we propose:
Proposition 2 (P2): Family firms have a superior leadership unity compared to non-family organizations, such that they have higher ability to implement International Joint Ventures.

Resource fluidity

Resource fluidity is the ability to implement the agreed strategic changes by redeploying resources (Gurkov et al., 2017) and being able to adjust, adapt and reconfigure the business system (Doz and Kosonen, 2010). Often, firms have tendency toward increasing rigidity of the business model that prevents the achievement of a good level of resource fluidity (Doz and Kosonen, 2010). This rigidity prevents the adaptability to partners’ emerging needs and the ability to successfully perform in IJVs. On this perspective, family firms are known for having greater organizational flexibility (Broekaert et al., 2016), so being more able to build a high level of inter-partner trust.

An IJV requires to create and sustain a mixture of governance mechanisms able to fit with the changing external and internal environments. Relational contracting based on trust becomes thus fundamental for ensuring IJV success, given that it reduces monitoring costs and provides safeguards against opportunistic behaviour (Klijn et al., 2013). Therefore, trust is useful by enhancing information processing, improving partners’ strategic adaptation and helping to solve intra-partners conflicts. Indeed, trust enhances cooperation and goal alignment, increasing the confidence necessary for facilitating the exchange of information and guarantee the commitment of each partner, avoiding dysfunctional conflicts. Developing relational trust is crucial because it drives the formation of relational capital, affecting the overall satisfaction of partners and the consequent performance of the alliance (Beamish and Lupton, 2016). Trust is defined as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer et al., 1995: 712). Therefore, trust is a critical lubricant of the social system (Arrow, 1974) and helps to reduce transaction costs in the IJV. Prior strategic alliance research suggests that relationships start with formal contracts and hierarchical governance systems, but it is only through an effective
relational governance that a long-term basis of cooperation can be ensured (Steier et al., 2015). Therefore, the success of the IJV will be done by the ability to create a climate of trust between partners that can push them to bind their mutual promises in the long term. As Steier (2001) has highlighted, trust as governance mechanism within family firms is significantly different from that of non-family firms, given that business transactions are not purely economic, but include additional dimensions. Therefore, for family firms, trust represents a fundamental basis for cooperation and potentially provides superior resource fluidity. Specifically, FF’s superior resource fluidity is built on two main components: long-term orientation for maintaining the business for future generations and reputation, due to the strong identification of family members with the firm.

Prior research suggests that FBs are longer-term orientation compared to non-family business, owing to their multigenerational perspective and preference for stability (Lumpkin and Brigham, 2011). Moreover, family firms have been described as having higher patient capital compared to non-family organizations (De Visscher et al., 1995), with the consequent quality to be more capable in investing in long-term activities, putting emphasis on the firm growth potential. A long-term orientation provides needed commitment to a good intra-partner relationship. Indeed, a long-term orientation helps an IJV to be successful, aligning the incentives of the partners, as they know that they will be working together for a long time and creating a “shadow of the future” effect (Das and Teng, 2000), which discourages opportunistic behaviours among partners. Moreover, for maintaining strong current relations in alliances, it is necessary that partners develop “mutual forbearance” (Casson, 1989). Given that family firms have a longer-term vision, it is thus likely that they have more ability to show the necessary forbearance to adapt to changing circumstances, in view of better returns in the long-term.

Due to the high identification of family members with the family firm, reputation is also an important differentiator between family and non-family firms. Reputation is defined as the general level of favourability towards a firm held by its stakeholders (Deephouse and Jaskiewicz, 2013: 338)
and is thus strongly related with trust given that affects the expectations of the firm behaviour. Given that family firms want to keep strong their reputation, as it is an important socioemotional goal (Berrone et al., 2010; Zellweger and Dehlen, 2012) it is reasonable to argue that family firms will be more prone to avoid opportunistic behaviours, make more efforts to save the amicability of the JV relationship and so preserve their favourable corporate reputation. In sum, FFs want to keep a positive firm image and will tend to maintain a reputation for integrity and trust (Eddleston et al. 2010), building trustworthy relationships with partners.

Long-term orientation and reputation are important components related to SEW preservation. These characteristics reduce transaction costs and facilitate information flows, knowledge creation and accumulation (Lin et al., 2001), helping to create trustful relationships between organizations and facilitate common action and generation of value (Adler and Kwon, 2002). Therefore, we propose:

*Proposition 3 (P3): Family firms have superior resource fluidity compared to non-family organizations, such that they have higher ability to implement International Joint Ventures.*

**Discussion**

The primary purpose of this article is to introduce strategic agility as a critical element to advance understanding of why FFs are unique in their willingness as well as their ability to grow internationally through IJVs. We argue that strategic agility in family firms differs from non-family organizations because the preservation of SEW represents a pivotal reference value in decision-making. Specifically, we consider the effect of the various dimensions of SEW on the three meta-capabilities of strategic agility. Doing so, we develop a theoretical framework supporting the argument that FFs have less willingness to form IJVs, yet superior ability to govern them.

In P1, we thus argue that family owners’ strong emotional attachment reduces firms’ strategic sensitivity, creating a motivational gap in forming IJVs. Family firms can overcome this motivational
gap only by making full use of their board of directors, opening it to high-skilled non-family members and, at the same time, avoiding dysfunctional bifurcation bias (Verbeke and Kano, 2012). Opening the board to external members brings family owners not to reduce their preference for SEW, but to change the framing of strategic decisions. So, by making full use of the board, family owners will not downgrade SEW as key criterion for strategic decision-making. Rather, they will understand that renouncing to engage in the IJV (and to all the critical external knowledges and networks that it involves) can be dangerous right for the survivor of the firm, and so definitively, for preserving SEW.

Once this gap in terms of strategic sensitivity has been overtaken, family firms present unique characteristics that allow them to have a superior leadership unity and resource fluidity compared to non-family organizations. These dimensions lead to higher ability of governing the complexities of IJVs, significantly raising the odds of long-term success of the relationship. Specifically, family control and social ties are positively related to leadership unity (P2), which brings the firm to be more able in IJV implementation. Moreover, in P3, we argue that due to their longer-term orientation and reputation, family firms have more ability to base the IJV relationship on informal governance mechanisms, rather than on rigid and too extensive contracts. Informal governance emphasizes the role of mutual trust and commitment (Fryxell et al. 2002), augmenting flexibility of partners to adjust, adapt and reconfigure the IJV deal when new contingencies emerge. Therefore, family firms have a superior resource fluidity, which helps to establish a trustworthy relationship, enhancing the odds of IJV long-term success.

In sum, our propositions contend that family firms often suffer of a motivational gap that prevents them to gain the strategic sensitivity needed to grow internationally through IJVs. However, their unique characteristics give them a superior leadership unity and resource fluidity, that can be exploited only by gaining an “outside-in” perspective (i.e. by “opening” their board to external members and avoiding bifurcation bias). By gaining an outside-in perspective, FFs will be able to overcome the motivational gap. In this case, family owners’ will not reduce their preference for
socioemotional goals, rather they will more likely recognize that “what got the firm here, won’t get it there”. Family firms cannot isolate anymore from the effects of globalization and due to their managerial and financial constraints, IJVs are often the only strategic weapon for gaining critical external knowledge and networks. Therefore, undervaluing the potential of IJVs risks not only to bring the firm to achieve a below-target financial performance, but it seriously risks to jeopardize the entire survivor in the market, and so SEW. In most of the cases, engaging in IJVs is a must-do-choice in order to preserve the long-term stability of the firm. Understanding this will align both financial and socioemotional goals, so allowing the FF to overtake the motivational gap and exploit its superior leadership unity and resource fluidity.

**Contributions and implications**

Our study contributes to literature in three important ways. First, we extend family firms’ internationalization literature (De Massis, Frattini, et al., 2018; Pukall and Calabrò, 2014; Reuber, 2016) focusing on IJVs. Existing research on FF internationalization has mainly focused on exports, showing only a very limited portrait of international business dynamics and neglecting the more complexities that firms with limited resources have to face when they go abroad with entry modes “beyond exports” (Stoian et al., 2018). In fact, with exports, the contract is the main mechanism to exert control and coordination. Instead, the success or failure of the IJVs depends only in part from the initial planning, and it depends much on the strategic agility of partner companies to adapt to both external evolution of competitive environment and internal emerging strategies of individual partners. Indeed, IJVs require continuous “cycles of learning, re-evaluation and readjustment” (Yan and Zeng, 1999: 405). By studying how family firms can manage IJV opportunistic hazards through their relational qualities, we thus integrate recent research efforts done by some authors (e.g., Kano and Verbeke, 2018; Majocchi et al., 2018; Sestu and Majocchi, 2018) in merging TCE with family business’ governance literature. IJVs constitute a key strategic weapon to expand, helping to
overcome asset limitation related to lack of experience, legal barriers and capability deficiencies. Improving the understanding of complexities of IJVs made by FFs is thus particularly relevant, and we call future research to continue to investigate on this important phenomenon.

Second, we argue that the critical differentiator for gaining strategic sensitivity is the ability to open the board to external directors, without incurring in bifurcation bias. Doing so, we integrate the recent assertion of Kano & Verbeke (2018) on the importance of bifurcation bias as determinants of family firm heterogeneity and consequent international success. Therefore, with our study, we contribute to answer to recent calls of research about studying how FFs manage the unique challenges of internationalization (Arregle et al., 2017), taking into account corporate governance characteristics (Sestu and Majocchi, 2018) and shedding light on the still open question of how family vs non-family based governance affect internationalization (Kano and Verbeke, 2018). This follows that we cannot say à-priori if family firms have more or less strategic agility than non-family organizations, but the board of directors has a role as differentiator between FFs having low and high strategic sensitivity. FFs suffer of strategic sensitivity limits and only those FFs that will be able to overcome this gap, by making full use of their board, will have the opportunity to exploit their superior leadership unity and resource fluidity in the implementation of IJVs. It would be interesting to investigate how strategic agility characteristics and board design affect choices related to different international entry modes. More research on this regard is surely warranted.

Moreover, by using strategic agility pillars in order to describe how family firms’ characteristics are related to their willingness/ability to form IJVs, we also respond to recent calls of research (e.g., Arbussa et al., 2017) about the need to explore appropriate strategic agility-driven business models, in order to prolifically and promptly support firms in their international growth. The concept of strategic agility took off in software development in 2001 with the “Agility Manifesto”, but in the last decade has not received sufficient attention by management scholars. Considering that technological breakthroughs and global integration drastically reduce the time frame necessary to
take key strategic decisions and force all firms to become agile in the competitive environment, with this paper we aim to call future research to consider the importance of strategic agility and integrate it in family business research.

**Limitations and opportunities for future research.**

Our paper is not exempted from limitations. First, in our theoretical framework, we did not consider issues related to generational succession. When family ownership is divided among multiple members, the principal family owners tend to lose authority and influence over other family shareholders and struggle to obtain their support to pursue their preferences (Schulze et al., 2003), especially in light of the diversity of goals and values pursued by other family members (De Massis, Kotlar, et al., 2018; Kotlar and De Massis, 2013). Therefore, family ownership dispersion is likely to reduce power inequality and bifurcation biases in the firm (Patel and Cooper, 2014; Verbeke and Kano, 2012). How changes in family ownership affect IJV governance is an important research question that calls more attention by further research.

One additional limit of our paper is that we do not explicitly consider the number and the type of the other partners involved in the IJV made by the family firm. It is reasonable to think that a higher number of partners, as well as the chance to establish a JV with a non-family organization, will make more difficult to share same values and have goals aligned. This will likely increase the difficulties to overcome the motivational gap and the ability to base the relationship prevalently on social governance mechanisms. FFs have unique characteristics and restrictions that influence their strategic decision-making and the way they collaborate. Thus, studying how they structure and they change their governance mix (i.e. formal and informal mechanisms) according to different conditions, is important and warrants more examination. Another noteworthy opportunity for future research is to investigate not only on how family firms govern IJVs in order to prevent possible moral hazards by partners, but also to research how IJV boards are structured when partners are family firms,
compared to non-family organizations. The literature on alliances and family businesses have largely developed independently from each other and many opportunities exist to bring them together. Doing so would have significant scholarly value and would generate spill-over effects to corporate governance research and international business literature as well.

Finally, FFs that are engaged in IJVs can pursue several avenues when behavioural uncertainty arises and conflicts escalate. So, what happens when the current governance mix results to be not sufficient for containing inter-partner instability? Given that FFs have limited financial resources (Fernández and Nieto, 2006), it is likely that they will try to avoid to turn to expensive public legal institutions and it is thus important to investigate what other mechanisms they design to resolve disputes internally. For instance, FFs may craft specific trilateral mechanisms in their IJV contracts, in the event that boards fail to contain conflicts internally. These private mechanisms aim to foster credible commitment to contractual terms while preserving amicability and continuity of the relationship (Williamson, 1991). Therefore, we urge future research to shed light on governance design by family boards, investigating how they control partners’ behaviour uncertainty and how they resolve conflicts when they occur.
References


