

Internationalization of a migrant family firm and contextual uncertainty: The role of ethnic social networks

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Abstract

There is a dearth of studies that investigate how and why firms, formed by migrant families in uncertain contexts, internationalise. Such topic is important as there are calls to understand the unique approach migrant families in business may take to address contextual uncertainty.

Recent studies suggest that a focus on social networks may help to theorize the way migrant families in business go beyond host country borders. We argue that the social resources that migrant families in business leverage to internationalise, particularly ethnic networks, may provide them with both advantages and disadvantages. This chapter relies on a single case study of a diversified agrobusiness, owned and managed by a German migrant family in business in Nicaragua. Findings reveal how contextual challenges foster the early and continued reliance on ethnic networks to internationalise. Critical events reinforce such dependence yet prompt the expansion of existing networks beyond family and ethnic circles. The chapter contributes to extending knowledge in the fields of internationalisation and family business in developing economies.

Keywords: Internationalisation, Migrant families in business, Social Capital, Nicaragua

Introduction

This study is motivated by the need to understand the approach and rationale of migrant families in businesses to internationalisation. In this study, a migrant family in business relates to members of a family of migrants, or descendants of migrants, that engage in the foundation, management and continuity of one or several family business ventures over time (Hamilton, Discua Cruz & Jack, 2017; Elo et al., 2018). Studying migrant families in business is important as recent studies on internationalization suggest shifting our attention from the firm to the family level of analysis (Kontinen & Ojala, 2011a,b). Such shift can help our understanding about how migrant family firms achieve long-term competitiveness in increasingly challenging environments (Discua Cruz, Basco, Parada, Malfense Fierro, & Alvarado Alvarez, 2019). A migrant family firm can be conceptualized as a venture where members of a migrant family in business participate in the management of the firm and own enough equity to be able to exert control over strategy (Howorth, Rose, Hamilton, & Westhead, 2010). As strategies to internationalise in migrant family firms may be only understandable within the specific context and place in which they occur (Roscoe, Discua Cruz, & Howorth, 2013; Discua Cruz et al., 2020) further attention to migrant families in business (Elo and Dana, 2019) and their approach to internationalisation in different contexts is needed (Elo & Minto-Coy, 2019).

The migrant family in business concept links to theoretical discussions around transnationalism, ethnicity, networks and context. Transnationalism refers broadly to the processes by which migrants create and preserve multiple economic, cultural and social relationships that link them to their origin and host societies (Vertovec, 2001). Accordingly, transnational networks relate to multiple social relationships (familial, economic, social, organizational, religious, and political) that span borders and that link immigrant entrepreneurs to others across borders to provide information or resources to trade or identify international markets (Mustafa & Chen, 2010). Such relationships are extensively regarded in the study of Diasporas, transnationalism, ethnic communities and migration (Rodgers et al., 2017; Vershinina et al., 2011). The importance of ethnicity is attributed to the way it allows people from similar background to share information (Larson & Lewis, 2017). Ethnic networks, that is, networks of social relationships connected by ethnicity may be more relevant than previously believed to explain internationalization (Brzozowski, Cucculelli, & Surdej, 2017). Such importance may be paramount in uncertain contexts, characterized by

weak institutions, social unrest, economic volatility and political turmoil (Lynch, Mason, Beresford, & Found, 2012). Such contexts represent an interesting milieu to understand the role of ethnic networks in the approach of migrant families in business to internationalisation. Thus, this study aims to answer the following question: *What is the role of ethnic networks in the internationalisation of migrant family firms in uncertain contexts?*

To answer our question, we depart from the argument that migrant families in developing economies internationalise their businesses through social relationships in family, ethnic and business networks (Jack, Moulton, Anderson, & Dodd, 2010). The relevance of relationships in local and familiar networks as well as transnational networks highlights the nature of strong and weak ties (Anderson et al., 2005; Elo et al., 2018; 2019). The study of relationships between individuals in networks, which facilitates business activities, is studied under a social capital perspective (Anderson et al., 2007). Social capital is a theoretical perspective that has gained acceptance in studies of family businesses and internationalisation (Nahapiet & Ghoshal, 1998; Uzzi, 1997; Oviatt and McDougall, 2005). While some studies suggest that social capital in ethnic networks is relevant in the emergence and development of a firm created by migrants (Rosa et al., 2019; Elo and Dana, 2019) other studies suggest that the value of relationships in such networks may become less significant for subsequent generations as descendants become more embedded in their host countries (Deakins, Ishaq, Smallbone, Whittam, & Wyper, 2007).

In this study, we focus in Central America, a context where migrant families in business from developed economies have thrived, often amidst adverse contextual conditions (Müller, Botero, Discua Cruz, & Subramanian, 2019; Discua Cruz et al., 2016). This study relies on a single case study (Leppäaho, Plakoyiannaki, & Dimitratos, 2016) in Nicaragua, where family firms previously dominated the economic landscape (Strachan, 1976) and where migration waves, mainly from European countries, helped Nicaragua initial economic development (Leogrande, 1996). Yet contextual crisis (e.g. wars and governmental policies) affected migrant families in business in Nicaragua (Duarte, 2009). Exploring the approach and rationale of a migrant family in business in such a context is relevant as some families, when facing diverse contextual pressures may either exhibit resilient behaviour (Discua Cruz et al., 2019) or opt to exit such environment (Fernández Pérez & Lluch, 2016).

Based on the narratives of a migrant family in business (Hamilton, Discua Cruz, & Jack, 2017) in Nicaragua, we extend understanding of the role of ethnic networks behind the internationalisation of a family firm. Findings reveal why migrant families in business may rely on ethnic networks to internationalise and how after setbacks occur, such networks allow business continuity and internationalisation. In this study, a deliberate approach to rely on ethnic networks, drives and supports the internationalisation of a migrant family firm. Moreover, in uncertain contexts, migrant families may consider relationships outside familiar and ethnic networks to advance business purposes. Taken together, the findings extend understanding in the literature of internationalisation of migrant family firms in uncertain contexts.

The chapter continues as follows: First, it describes the theoretical background, then it explains the contextual scope and the research method. It continues by focusing on case findings and discussion. Finally, it suggests limitations and opportunities for further research.

Theoretical Framework

Migrant families in businesses.

Migrant families that have established their firms in host countries around the world are more widespread than originally believed (Elo & Minto-Coy, 2019). Many migrant families introduce novel perspectives and ideas into a host country business landscape because their cultural and institutional background and mind-set are different from local counterparts (Elo et al., 2018). To understand how they operate, studies suggest to shift our attention away from the business *per se* and focus on the family in business, which relates to “*members of a family that engage in the foundation, management and continuity of one or several family business ventures over time*” (Hamilton et al., 2017, p. 3). In this study we suggest that further understanding on migrant families in business, that is, members of a family of migrants, or descendants of migrants, that voice their migrant narrative and leverage ethnic relationships to operate their venture(s), is important to advance our understanding about internationalisation of migrant family firms.

Migrant families in business do not emerge in a vacuum. Migration policy or business opportunity (Elo & Minto-Coy, 2019) may encourage the arrival of migrants, and their

families, to developing economies and prompt the establishment of family ventures (Discua Cruz et al., 2016). Many migrant families often settle in peripheral areas of a host country, which do not only refer to distance from urban locations (e.g. large cities) but also to limited business and resource frameworks (Elo et al., 2018). Such periphery may translate into limited resource availability, small market share, investment and information access, straining the pace and breadth of entrepreneurial activities. For migrant families, such starting point may influence the motivation to pursue opportunities outside local boundaries (Discua Cruz & Basco, 2018).

Networks and Social Capital

The internationalisation of migrant family firms has implicitly associated to the literature on networks and social relationships, which highlight the role of family, ethnic networks and social capital. First, social relationships have been widely regarded in the study of internationalisation (Kontinen & Ojala, 2011a,b), transnationalism, ethnic communities and migration (Vershina, Barrett, & Meyer, 2011). Prior research posits that family is a source, user and builder of social capital (Bubolz, 2001) which relates to '*the goodwill available to individuals and groups*' (Adler and Kwon 2002, p. 18; Kwon and Adler 2014, p. 412) and is considered a social phenomenon embedded in networks of relationships (Stam & Elfring 2008; Estrin, Mickiewicz & Stephan 2013). One feature of family stands out universally: the family helps place individuals into a patterned network of interweaving social relationships (Bubolz, 2001). Migrant families can perform such social function by acting as an agent of social placement for their members in origin and host societies (Stark, 2000). Members of migrant families may have access to local and transnational relationships that may support future business activities (Anderson & Miller, 2003). As a result, diverse ties help to position members of a migrant family in a complex web of social ties that can span beyond local borders.

Second, the relevance of social ties for migrant families in business underscores the strength of relationships between individuals and the formation of network structures by individual and groups (Soetanto, 2017), studied through a strong and weak tie perspective (Granovetter, 1973). "Strong ties" are represented through strong relationships and closely-knit networks of family, friends, class and ethnicity circles. The term "ethnic" is linked to a "group" of common origin and culture (Yinger, 1985). For migrant families, close friends and family in

the origin and host country are considered strong ties, which would help out most, and thus facilitate collaboration as migrants know them, trust them and interact frequently. Core members of a migrant community may be naturally inclined to discuss ideas or projects within familiar or close circles. In entrepreneurship literature the terms ‘ethnic’ and ‘immigrant’ are often used interchangeably (Collins & Low, 2010). “Weak ties” cut across diverse social network structures outside closely-knit circles and are represented through relationships in business, community and professional associations (e.g. local chambers of commerce, Church, Rotary or Lions Club) (Davidsson & Honig, 2003). Weak ties are important because they represent bridges to access networks or groups of people outside familiar circles providing relevant information and resources (Soetanto, 2017). Nevertheless, in comparison with strong ties, the amount of information, support or empathy to be procured through weak ties is uncertain.

Benefits and disadvantages of ethnic networks

The benefits and disadvantages of ethnic ties can be observed in the role of ethnic networks for migrant entrepreneurs engaged in international business (Brzozowski, Cucculelli, & Surdej, 2017). Strong and weak ties are found in the degree of relationships in diverse networks spheres and may include customers, suppliers, financial advisors, and often a transnational family network that provide a heterogeneous knowledge base (Rauch, 2001; Bagwell, 2008). If migrants settle in (and remain within) ethnic enclaves they may benefit from low social distance between members of similar ethnic origin, stimulate social networks between ethnic peers and benefit from knowledge transfer, information access, similar attitudes and ideas, with an increased ‘quality’ of social capital that the interaction within such enclave can provide (Anderssons et al., 2017). In developed economies ethnic minority businesses have been found to rely heavily in strong ties in the early stages of entrepreneurial development (Deakins et al. 2007),

Thus, migrant families in business may have a unique position to internationalise based on social capital from ethnic strong and weak ties because an extended network of contacts may be activated at any point in time. This occurs as business founders may have gained legitimacy and trust to sustain business activity in the host country (Ensign and Robinson, 2011). Moreover, founders can leverage family ties on transnational networks which are an inherent part of a web of their social relationships (Bagwell, 2008). Most importantly, ties

within transnational networks may be leveraged to identify and evaluate opportunities in relation to countries of origin (Katila & Wahlbeck, 2012).

Yet, scholars also warn of the disadvantages of ethnic networks in host countries. Settling in an enclave can cause migrants to experience a social and institutional ‘distance’ to natives and local institutions (Andersson, et al., 2017). Deakins et al. (2007) hint that reliance on ethnic networks can also act as a constraint for entrepreneurship or business expansion for future generations of a migrant family. Subsequent generations of migrant families in business may decide to become more embedded within the local cultural landscape over time and minimize their involvement with ethnic networks (Katila & Wahlbeck 2012). This is particularly evident when second and third generation members adherence to cultural practices in ethnic networks may not aligned with previous generations (Light & Dana, 2013). Yet, while social capital in ethnic networks may be important to internationalise, literature suggest a gradual disinterest from involvement in such networks by subsequent generations. Little is known whether such premise prevails in diverse contexts.

Uncertain contexts, risk and instability

Some migrant families in businesses face uncertain, high risk and unstable environments over time, characterized by weak institutions, social unrest, economic volatility and political turmoil (Lynch, Mason, Beresford, & Found, 2012). To address the difficulties in launching and developing new ventures in such contexts (Acs & Amorós, 2008) migrants may rely on information and resources from diverse networks (Laqjni & Krasniqui, 2017; Luk et al., 2008). Recent studies suggest that ethnic networks may be relevant for migrant families in business aiming to internationalise their products (Discua Cruz et al. 2020). Yet, further understanding about how (whether) ethnic social networks play any role in firms as a response to contextual uncertainty remains scarce. The next section focuses in such a context.

Context

Nicaragua and German families in business

Nicaragua is a developing country located in Central America. It has a population of about 6.2 million and a GDP of about US\$13.8 billion (World Bank, 2017). The Nicaraguan economy is strongly associated to agricultural production, which plays a vital role in employment

generation, entrepreneurship, food security, poverty alleviation, biodiversity conservation, culture tradition, and financial investments (Salcedo and Guzman, 2014).

Nicaragua is particularly interesting for this study for several reasons: First, the Nicaraguan Government, following similar policies of nearby countries (Discua Cruz et al., 2016), enticed migration from Europe by facilitating land to promote agricultural production and improve the local economy; soon after arrival, exports were dominated by English, Italians, and Germans migrants (Khül, 2014, p. 239). This study concentrates on German families as, of all migrant groups, the presence and relevance of the German community since the 1800's has been well documented (Khül, 2014). Second, early migrants settled primarily near the Atlantic coast and in the northern areas of Nicaragua. From 1852 to 1858 the German government appointed consuls in the most important Nicaraguan cities linked to German trade. To address the limitations of peripheral areas, German families created diverse associations in locations where fellow countrymen gradually settled, such as Managua, Matagalpa and Jinotega, and besides, they created a German club (1932), a German school (1934), and a German cultural center (1963) (von Houwald, 1975) which nurtured and strengthened ethnics ties.

Third, the perceived cultural distance between German migrants and Nicaraguan natives was significant (Khül, 2004). Some of the principles that characterized the first Germans arriving in Nicaragua related to punctuality, solidarity among countrymen, hard work, honesty, businesses diversification, frugality and zeal towards excessive expenses, which contrasted to more relaxed attitude of locals (Kühl, 2004; Hofstede, 2001). The need to develop strong ethnic ties to conduct business activities, both in Nicaragua with the German community was encouraged. Yet, as many German male migrants were single, marriage with local women occurred. Subsequent generations had a mixed background, which enriched a mixed ethnic network that was leveraged often to establish business ventures (Tijerino, 1964).

Finally, several contextual crisis have affected German migrant families in Nicaragua in the last century. During the First World War (1914 to 1918) the German colony endured severe business penalties. In the Second World War (1939) the Nicaraguan government, like most Central American countries honoring pacts with the US, declared war on Nazi Germany and its allies. Government officials confiscated all property and assets (coffee farms, machinery, vehicles, etc.) from any person of German origin, including those born in Nicaragua; all men,

including the elderly, were detained and taken to detention centers (Von Houwald, 1975, p.150-151; Duarte, 2009). In 1939, the German community accounted for 330 residents, not including descendants, but in the 1970s the colony only accounted for 300 Germans living in the country (von Houwald, 1975, p. 44-45). In the 80's, German families in business suffered the confiscation of assets due to communist policies enforced during the Sandinista government (Leogrande, 1996; Roche, 2006; Tyroler, 1991). Several large companies of German and English origin did not survive the Sandinista Era. Such contextual crisis resulted in the development of a generalised distrust of locals by German families and an increased reliance on ethnic networks. We explore next the challenges of a German family in business in the export of the most important agricultural product in Nicaragua.

The coffee industry

In Central America, production of coffee for export has involved the effort of farming families for centuries (Discua Cruz et al., 2020; Hearst, 1932). Coffee has been an important resource for Nicaragua for the last 200 years; however, the earliest indications of coffee plantations date from the 1750s in the Mosquito region (Roberts, 1827). The first coffee plantation began in 1825 by a Spanish migrant (Levy, 1873; Radell, 1969), with the first coffee export made to Mexico in 1848 (La Gaceta, 1848). The first commercial coffee plantation in northern Nicaragua was started by Germans in the 1850s (Khül, 2014, p. 249). Immigration laws granted European migrants large land extensions and subsidies of US\$0.05 per tree planted (Merrill, 1994, p.101). By 1870, coffee became the principal export product and has remained in such position to date (Merrill, 1994, p.1001). From 2010 to 2014 coffee accounted for 19-20% of total exports, followed by beef, gold, and sugar (Colburn, 2012, p. 95 and ICO, 2013, p. 3) and in 2017 Nicaragua exported around 3 million coffee sacks, generating US \$446 million for the economy (CETREX, 2018).

Several contextual influences affect Nicaraguan farming families, which can be understood through Wright *et al.*'s (2014) levels of contextual importance (organizational, institutional, and temporal (Table 1)).

<insert table 1 about here>

Table 1 shows that in terms of a temporal dimension, the coffee sector can be influenced by international market shocks, trends and demands. Fluctuation in coffee prices can have a

profound impact across coffee-producing regions, as they influence land use decisions and consumer demand over time (Wilson, 1994). The emergence of geographic indications, appellations of origin, and international certifications have emerged as mechanisms to guarantee the quality and attributes that global markets demand from coffee (Paz Cafferata & Pomareda, 2009). Consumer demand for differentiation in coffee has been growing significantly, relying on intrinsic characteristics or perceived product attributes that relate to place, process and circumstances by which the coffee is cultivated, produced, processed, and marketed (Lara Estrada, Rasche, & Schneider, 2017). In terms of an institutional dimension, coffee producers are influenced by local legal frameworks, international certifications and competitions, government systems and worldwide trade policies (Wilson, 2010). For example, political instability may prompt families in business to reconsider their local strategies and sell their products overseas. Moreover, trends fueled by gourmet, eco-concerned consumers are modifying the coffee value chain (Rueda and Lambin, 2013). In term of an organizational dimension, Table 1 shows that whilst coffee farming families may benefit from idiosyncratic resources (Sirmon & Hitt, 2003), they also deal with diverse family skills and knowledge, unpredictable working conditions and limited financial resources (Wilson, 2007).

The previous description is important as the beginning of the 20th century German migrants accounted for the largest value of Nicaraguan exports, mainly to Germany, with several corporations, managers and workers, migrating and settling in the country (von Houwald, 1975, p. 41-42). Initial German migrants that engaged in coffee production were physically "isolated" in the central and northern mountain regions known as the Matagalpa region (Bro et al., 2019), developing a strong ethnic enclave (Khül, 2014). In 1934, 260,000 coffee sacks were exported, with 51,796 units sold to Germany (Von Houwald, 1975, p. 295). Mejía-Lacayo (2018) argues that descendants of German migrants have remained in such location producing coffee for export as well as developed diversified businesses, contributing more than any other ethnic group to the development of Matagalpa and nearby regions.

Recently, the sophistication of the coffee industry has pushed exporters to transform their product into an added value offering for the international market (Kilian, Jones, Pratt, & Villalobos, 2006). The demand for specialty coffee prompts exporters to consider their unique approach to sourcing, processing, brewing and serving coffee to differentiate existing products (Bacon, 2008). Recent studies suggest that coffee farming families in developing countries may leverage diverse networks to internationalise specialty coffee (Discua Cruz et

al., 2020). Yet, there is limited insight about migrant families involved in the production of specialty coffee and the networks they rely on. Thus, the coffee industry represents an ideal context to understand how (whether) a migrant family firm in Nicaragua engages in internationalisation and the extent to which the process is influenced by ethnic networks.

Methodology

To answer our research question, detailed and in-depth insights from those involved directly in internationalisation, which could illustrate what it means, the tensions involved, rooted in actual context, is needed (Miles, Huberman, & Saldana, 2013). Qualitative research allows answering 'how' questions, understanding the world from the perspective of those studied, examining and articulating processes (Pratt, 2009). As the interest is in exploring and interpreting internationalisation of migrant family firms, then a single case study research is ideal (Stake, 2008). Single case studies offer rich insights when focusing on understanding the complex processes of unique family businesses (Leppäaho et al., 2016) and can be used to explore internationalisation (Poulis, Poulis, & Plakoyiannaki, 2013). Our interest was to find a migrant family in business in Nicaragua that engaged in the production and internationalisation of specialty coffee. In 2018, a family who fulfilled the definition of a migrant family in business was approached by the first author. As detailed information is difficult to obtain in Latin American family firms (Jones, 2004), access was procured through family and professional relationships. The actual name for the participant migrant family in business and their venture(s) are utilized in this study.

The Khül family and the Selva Negra Estate

The Khül family, descendants of German migrants in the Matagalpa region, acquired the La Hammonia Farm in 1975, a farm with 528.75 hectares. The farm now hosts several business ventures currently owned by Eddy and Mausi Khül and is now known as Selva Negra Estate (Black Forest). To date 300 people work at Selva Negra Estate. Among the employees, three families of workers have accompanied the Khül family for three generations, 27 families for two generations, with intermarriages occurring between worker's children. The new families formed have remained in the farm and work with the Khül family. Selva Negra Estate provides a school and a library for its employees.

During the 1980s, the Khül family had to flee the country due to the Sandinista revolution. Eddy and Mausi have 4 daughters, Victoria, Karen, Gretel, and Ursula who were educated in

both Germany and the United States during their exile. The family returned to Nicaragua after democratic governments were re-established in the 1990s and reclaimed the Hammonia farm. Soon after the family restarted farm operations, their coffee began to be exported as a specialty estate-grown origin product in 1992, with the name ‘Selva Negra Estate Coffee’. In 2000, Selva Negra Estate exported 250 tons of coffee: 80% to the US and the rest to Europe, and by 2017, they exported around 5,000 sacks to the same geographical areas.

For the Khül family, and most of German families in business, Nicaragua represented a small market, unable to provide them with the resources they needed to develop their businesses and thus diversification was sought (Grant, 2002). Over 45 years, the Khül family developed different businesses in the agro industrial and tourism sectors. Diversification was pursued to ensure the sustainability of their farm (Alsos et al., 2003). Eddy and Mausi created a small network of family businesses housed at the Selva Negra Estate. According to Eddy and Mausi, Selva Negra Estate (<http://www.selvanegra.com/>) is the most diversified agribusiness in Nicaragua with some 12 different ventures, including: horticulture, coffee (from plantation to roasting), coffee export, hotel and restaurant services, livestock, poultry, pig, vegetable production, dairy products, processed meat, and tourism in virgin mountains. One third of the farm (141 hectares of virgin jungle) remains unexploited as the family wanted to create a tropical micro climate, procure water supply and as a tourist attraction. Residual products are used to create compost and material to be reused throughout the farm complex. Table 2 shows important milestones in Selva Negra Estate and the Khül family.

<insert table 2 about here>

Data analysis

The initial data analysis was in Spanish; translation into English was done later. Interpretive methods were used to analyse how and why migrant families in business internationalise. The early stages of the analysis included categorizing responses to uncertainty which highlighted the relevance of ethnic networks. Data analysis was inductive, as the study sought to understand individual perceptions and experiences (Grbich, 2007). The search for meaning led us to gain an in-depth understanding of meanings and diverse perspectives about internationalization. Based on Neergard and Leitch (2015), the authors started by independently examining the data in interviews, observation notes and documents. Then, a coding process was carried out by reading and re-reading transcripts, notes and documents in order to organize data. Once coding was completed, data were organized to identify emerging

themes. Analysis of the data was reiterative in moving between data and emerging findings (Alvesson & Skoldberg, 2000). The interpretation of emergent findings was discussed with case study participants to inform ongoing analysis. In analysing the data, experience of the Nicaraguan culture was important, as was experience in being part of family businesses (Discua Cruz et al, 2020). Finally, findings were ‘re-contextualized’ by comparing them to arguments in existing literature (Neergaard & Leitch, 2015).

Table 3 summarizes the data coding, themes, and concepts that emerged in the process. In the findings section, compelling excerpts from the data are used to illustrate arguments made. Manual analysis methods support the key themes emerging from the analysis (Pratt, 2009). The aim was to increase transparency and address the validity of the study (Gibbert & Ruigrok, 2010).

<insert table 3 about here>

Findings

Ethnic identity and networks as starting points

Evidence from the interviews (Table 3) highlighted that family members shared the view that German ethnic networks were crucial for internationalisation. The main feature from ethnic networks that fueled such shared vision was the appreciation of ethnic identity and solidarity over time. Eddy explained ethnic solidarity when describing that the first German families that arrived in Nicaragua settled in the Matagalpa region around the 1800’s. These families were encouraged to produce coffee given the good quality of the soil. Over the years the demand for coffee grew and these contacted others in Germany to come and settle in Nicaragua to increase supply and create an ethnic community dedicated to coffee production. Eddy and Mausí belong to the 4th and 5th generations of German families in business who started and developed coffee plantations, which they are proud of. Such initial preference for ethnic families in the development of the Nicaraguan coffee industry grounded a strong reliance on ethnic networks. Ethnic networks provided a trusted group to work with, not only to produce coffee but also to secure transnational links for export to their preferred market: Germany.

Eddy suggested that early German settlers fuelled a shared vision, among migrant families producing coffee, that their main market was not Nicaragua but Germany. Germany was considered the place where future generations of migrant families have to return to continue higher education, to look for partners, resources, and new markets. The gradual growth of coffee farms, and the close psychological distance (Hofstede, 2001) between the German enclave in Matagalpa with Germany, facilitated that unplanned requests to export coffee were addressed through trust on ethnic ties. Doing business with families that had the same cultural background, became an early and essential aspect for internationalisation based on trust in the transnational network involved. Eddy argued that ethnic networks facilitated international trade between Nicaragua and Germany for several decades.

Moreover, the relevance of ethnic networks related to fostering strong links locally to preserve an ethnic identity, which was considered critical for the continuity of international trade. This was noted when Eddy expressed:

“If you ask me what has been the secret of our success I can say that it is the Lutheran ethics, good family habits and being of German origin: the values that we all share here is not to waste money, avoid loans with local banks, avoid unnecessary luxuries, being an example to the workers by not being drunk, carrying weapons, avoid foul language and other German values... The descendants of Europeans (in Nicaragua) normally study in good schools, and then do their undergraduate and postgraduate studies abroad; Germans descendants have studied in Germany and the USA for example... my wife has maintained contact with family in Germany, and we have sent our 4 daughters to study German and train there in different subjects; Our grandson, who grew up with us in this farm, has followed the same path, we want to preserve our identity “

Eddy and Maudi expressed that the German ethnic network in Nicaragua have preserved over time specific values, skills and cultural features. Such cultural items have endured since the first migrants arrived and endured through diverse crisis. Such values were supported by ethnic institutions (e.g. schools, cultural centers). Eddy argued that distinctive benefits over local entrepreneurs were achieved due to culturally determined attitudes such as dedication and hard work, suggesting that cultural and social factors differences influenced internationalisation. Table 3 shows that ethnic solidarity and loyalty, personal motivation to help fellow countryman, hardworking ethics, good relationships with people from the same

ethnic group, flexible financing arrangements between fellow countryman, supported the importance to maintain ties to ethnic networks. Ethnic networks then allowed continued access to co-ethnic producers and suppliers to engage in internationalisation.

Relevance of ethnic relational resources for succeeding generations

Findings suggest that migrant families in business may strengthen links with the community of migrants from their country, contacts with the country of origin and family structures in business over time based on family narratives. Table 3 shows that in Selva Negra Estate, an intentional strengthening of ties with ethnic networks was evidenced by the accounts passed on by family members about critical events. Eddy and Mausi recalled the stories told by their ancestors about the expropriation of their family assets in the past around WWI, WWII and the Sandinista era in Nicaragua. The narratives around such adverse circumstances became part of a collective family memory for generations of the Khül family in business. Such shared understandings supported a distrustful attitude towards non-German descendants and government officials and reinforced the relevance of strengthening relationships within ethnic networks.

In the 80s, the Khül family experienced a critical event due to the Sandinista government. As properties in the Matagalpa area were being confiscated, the Khül family fled to the US, where they remained for about 10 years until democratic order was restored. Eddy's mother refused to leave the country and stayed behind looking after the family assets. Due to the good employee-owner relationships that persisted since the farm was founded, workers vouched for the family when government officials considered seizing the family estates. Moreover, ethnic networks in Nicaragua spread the rumor that the farm was part of a larger German foreign investment. Such actions prevented Sandinista officials to confiscate family assets. Given the neutral policy of Germany towards Nicaragua during the Sandinista government the Khül family ventures were largely unaffected.

Upon the restoration of democratic governments in Nicaragua in the 1990s, Eddy, Mausi and their oldest daughter, Victoria, returned to Nicaragua. Victoria brought her husband and children to continue with the family business. The remaining daughters decided to stay overseas completing post-graduate education before returning to Nicaragua. Today the entire family is integrated in the management of sensitive areas of the corporation; Mausi and the

eldest daughter Victoria are in charge of La Hammonia coffee farm, attending the day-to-day's activities along with 300 workers; Karen, the second daughter manages the Selva Negra Hotel; Gretel, the third daughter handles international coffee sales in the US through Javavino (<http://www.javavino.com/>). Selva Negra Estate currently exports 10% of their coffee production to Gretel's venture. Ursula, the youngest daughter, is the artistic director, helping with logos, decorations, promotions, etc.

Mausi suggested that the exile experience allowed them to appreciate the significance of their ethnic networks and prioritised the relevance of export markets for their coffee. After their exile, the Khül family reinforced a shared view of Nicaragua as a place where their businesses would be located but where ethnic identity and reliance on ethnic networks should be reinforced. Family relationships, technical training, and business relationships were to be linked to the external markets. For the Khül family, what happened in Germany or the US became more important to whatever happened in Managua, especially in terms of price and market dynamics of their main export item – coffee. Upon their return from exile, Mausi and Eddy prompted the reactivation of ties in transnational ethnic networks, to procure trustworthy information, knowledge and skills that would benefit their firm's internationalisation process. Eddy expressed:

“The products offered by Selva Negra Estate have been improved with technical assistance, i.e., two German technicians were brought in... given that they [Selva Negra's products] are aimed at highly competitive markets, such as the market of Europeans living here and people abroad. ... There is always a technician present to guarantee the quality of the product in its different phases...”

By relating the improvement of existing products based to relationships to ethnic circles, the intention of the Khül family was to increase the perception of quality, both locally and internationally, linked to a German identity in business. An ethnic relational resource, related to supporting a narrative of ethnic influence in products made in a host country highlighted the importance of strengthening the importance of ethnic networks for future generations.

The relevance of a mixed network for future international purposes

Whilst ethnic networks could be reactivated for internationalization by the Khül family upon return from exile, evidence shows that development of stronger relationships outside of ethnic circles was not underestimated. Table 3 shows that whilst Eddy and Mausi relied on relationships within ethnic networks upon return, the development of instrumental relationships outside ethnic networks and with diverse actors in Nicaragua society was relevant for further exports efforts. Eddy commented that exile was relevant in several ways. First, it allowed them to be exposed to what demanding international markets expected, in terms of quality of coffee, which prompted the interest to develop new relationships and create an export venture. Eddy recalled:

“Upon our return [from exile] ... Mausi told me that we were spending a lot [of money] on exporting coffee the way we were traditionally doing it – by paying an export office. We needed to set up our own export office; my first reaction was that it was only for large companies. Yet Mausi asked around for someone with such experience, and found, through our networks a retired lady who had worked in an export company before. Mausi asked her “what do I need to set up an export office?”, and the lady said: “only an office in Managua, I am going to move there soon “. And that was it, they started the export office “

Second, Eddy and Mausi seized the opportunity to become better informed about the coffee market whilst in exile. They investigated how to patent the name of their farm in the US as well as the relevance of export certifications for export markets. Upon return from exile, they realized that relationships with officials in local and national institutions would allow them to comply with export requirements. Moreover, their discussions in networks overseas prompted them to introduce new technologies, such as GPS, to address the increased interest for traceability of coffee batches by international consumers (Niederhauser et al., 2008). The introduction of environmental practices, such as the production of compost from residual products (Ronga et al., 2016) and the creation of coffee trails, where visitors can experience coffee culture, plantation and production (Jolliffe, 2010) emerged from interaction with diverse circles in the farm (Table 3).

Finally, during exile, Eddy and Mausi became aware of groups and associations that would appreciate the rich production heritage and quality in coffee by German families in Nicaragua (e.g. in the US, Table 3). Upon return from exile, the Khül family shared the view that diversification into other export products would depend on ethnic networks and identity but

also on a deliberate effort to cultivate local relationships in parallel. Moreover, as they improved their firm over the years following their return Eddy suggested that ethnic solidarity became more evident as fellow countrymen promoted the value of their products not only locally but also internationally. Eddy expressed: *“Café Selva Negra is strongly positioned with the country's tourism agencies, foreigners living in Nicaragua, and inhabitants of the city of Matagalpa, many of whom are of German origin, and they are proud that a company founded by countrymen has achieved so much success and fame”*.

Contextual uncertainty encouraged the Khül family to consider diversification and further internationalisation. While coffee exports would remain their core business, the family shared the view to export new products such as wood, cocoa, and others to Germany as well as other markets. At the time of the interview they considered further diversification into hospitality (mountain lodges) with an international consumer base in mind. Moving forwards, the interest to internationalise further their different products would be supported by networks that combine the advantages of ethnic, local and transnational ties.

Discussion

This study concerned with what is the role of ethnic networks in the internationalisation of migrant family firms in uncertain contexts? There are three main items for discussion based on the findings and its relationship with literature. First, findings support prior literature suggested that ethnic enclaves provide advantages and disadvantages for migrant families in business. Yet some of the mechanisms that provided advantages for internationalization were elusive. In this study, several generations of migrant family members in this study endured adverse contextual conditions yet relied constantly on strong ties in ethnic networks to overcome challenges (Soetanto, 2017). A deliberate interest over generations to adhere to cultural identity and ethnic networks appears to create relevant ethnic relational resources. Institutional crisis (e.g. WWI, WWII) appear to nurture a shared narrative (Hamilton et al., 2017) around ethnicity, that supports migrant families vision to be in business together and consider internationalization as a relevant strategy (Discua Cruz, Howorth, & Hamilton, 2013). Adherence to Lutheran ethics highlighted the relevance of a common religion of migrant families in business to support business operations locally (Discua Cruz, 2015). This suggests that continued crisis in an uncertain context may nurture a collective narrative by

migrant families. Such shared narratives become an ethnic relational resource which would support the value of ethnicity to procure information and resources for internationalisation.

Second, prior literature suggested that the role of ethnic networks may relate mainly to how information and resources could support the founding generations of a family firm. Yet, this study suggests that as a context remains uncertain over time then the role of ethnic networks may depend on how ethnicity provides resources to respond to diverse (and adverse) circumstances (Danes et al., 2009; Danes, Rueter, Kwon, & Doherty, 2002). Findings suggest that adverse conditions in Nicaragua, such as government regimes or policies created an interruption of commercial activities yet did not sever the strength of relationships within German ethnic networks. As a result of strengthening ties in ethnic networks, German migrant families in Nicaragua appear to possess over time a level of institutional gravitas and internal solidarity that provide descendants with an advantage in mobilizing ethnic resources over time compared to natives (Aldrich and Waldinger, 1990).

Finally, findings suggest that when critical events occur (Cope & Watts, 2000) the role of ethnic networks for migrant family firms can be supported by social capital in local networks. As families face setbacks, including forced migration, then ethnic and extended networks may be relevant for the mitigation of risks and setbacks in firms left behind temporarily. This was first evidenced when a family affected by exile was benefited by strong ties in close circles (family, German community), but also by seemingly “weak” ties (native employee workers) to safeguard existing assets. Such finding suggests that whilst a greater preference for ethnic ties may be encouraged, the actions of migrant families for the benefit of peripheral communities may grant them goodwill within the local community. Critical events then provided the opportunity to appreciate that diverse risks can be addressed by nurturing relationships outside their close circles (Danes et al. 2002). Institutional uncertainty may then prompt migrant families in business to act upon the patterns of change in diverse networks (Jack et al., 2010) that become relevant for internationalization over time.

Taken together, the findings in this study suggest that ethnic networks in uncertain context have a crucial role in the internationalisation of migrant family firms. A migrant narrative and identity may influence internationalisation over generations thus challenging the notion that subsequent generations of migrants may diminish the reliance on ethnic networks over time. Subsequent generations in a migrant family firm may be motivated to nurture social capital

within ethnic circles, particularly where shared common challenges have been faced (e.g. persecution, unfair treatment). Thus the role of ethnic networks may not only pertain to the initial internationalization of a migrant family firm but also to its continuity in an uncertain context. Institutional uncertainty may prompt migrant families to deliberately nurture relationships in diverse networks to safeguard their internationalization efforts. Such approach enhances our understanding of the role of ethnic networks for migrant family firms.

Limitations and further research

This study has a few caveats, and so its findings must be interpreted with caution. First, this is a single case study, the sampling logic would have been stronger if a broader sample of cases from developing countries with significant levels of coffee production and migrant families had been included, such as Honduras, Brazil, Mexico and Colombia. Second, research on migrant family firms in other industries or across industries in different countries (e.g. see Fernandez et al., 2016), where unique narratives by descendants of migrant families can be examined in relation to a place, should be conducted (see Spielmann, Discua Cruz, Tyler, & Beukel, 2019). Further research on migrant families in business can be extended to different levels and units of analysis (Discua Cruz and Basco, 2018) and contexts that are affected by changing conditions (e.g. see Estrada-Robles, Williams, & Vorley, 2018). Contexts where migrant or mixed nationality families cater for international markets (e.g. see Arias & Discua Cruz, 2018) offer as well an interesting milieu to investigate. Future studies that follow up on the findings in this chapter will enhance understanding about the relational resources that migrant families leverage to internationalise their firms.

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Table 1 Contextual framework in the Nicaraguan coffee industry context

Organizational	Contextual dimensions	
	Institutional	Temporal
Interest in farm preservation	Governmental policy and regulatory agencies	Changing practices in coffee farming (e.g. certifications)
Tacit and formal knowledge	Technology processes (e.g. GPS)	Regulations in land property (e.g. confiscation)
Strong intra- and inter-generational bonds	Strong community social capital	Family lifecycles
Specialized human capital	Tradition of farming sector	Expectations of family succession
Family financial support	Inheritance laws	Changes in society/environmental concerns
Family emotional support	Cultural expectations (local and ethnic)	Industry trends and market demands
Resilience during difficult times	Business networks	International policy changes

Source: Adapted from Wright et al. (2014) and Discua Cruz et al., (2020).

Table 2 Important dates for the Kühhl family and the Selva Negra Farm. Source: Kühhl family.

Date	Event
1888	Mausi's great-grandfather, marries a woman from Matagalpa
1890s	Hans Bosche, a German immigrant, buys La Hammonia farm and establishes a shade-grown coffee farm.
1956	Fred Bosche, Hans Bosche's son, sells the farm to Renaldo Rivera. Hans retires and settles in the US.
1967	Eddy and Mausi marry; they represent the 4 th and 5 th generation of German coffee producers in Nicaragua.
1968	Eddy and Mausi create their first company (metal and steel structures)
1975	Mausi and Eddy purchase La Hammonia coffee farm from the Rivera family.
1978/9	Family exile due to the Sandinista revolution. Extended family members remain to run La Hammonia day-to-day operations.
1989	Mausi and Eddy return to Nicaragua, and resumed the management of La Hammonia farm
1992	First coffee export under the name Selva Negra Coffee Estate

Table 3. Data coding

Excerpts from data	First order concepts	Second order themes
<p>“Our farm is frequently visited by professors and students from prestigious national and international business schools who try to understand the success of Selva Negra Estate from a financial perspective, but fail to do so; our success is because of our German heritage, which always accompanies us and we cannot “renounce” to it; besides, we are descendants of the first coffee producers in Nicaragua.” (Eddy)</p>	Strong ethnic heritage	
<p>“Selva Negra’s café [a venture within the estate] is like a German museum where we keep old books, documents, photos, objects, machines and tools that highlight the German heritage in Matagalpa. It is visited daily by local and international visitors, both for socializing and to do business.” (Eddy)</p>	Safeguarding ethnic heritage	Ethnic identity and networks as starting points
<p>“We feel more Germans than Nicaraguans” (Eddy)</p>	Shared ethnic identity	
<p>“My wife, contrary to the Latin American culture, made a deal with our daughters: ‘do not ask for parties, on the contrary you can travel’; and in fact, they began to travel, which has given them a cultural, linguistic, professional, discipline, contact with others, etc. that otherwise they would not have had access to.” (Eddy)</p>	Family objectives in building alliances	
<p>“The products offered by Selva Negra Estate have been improved with technical assistance, i.e., two German technicians were brought in... given that they [Selva Negra’s products] are aimed at highly competitive markets, such as the market of Europeans living here and people abroad. ... There is always a technician present to guarantee the quality of the product in its different phases...” (Eddy)</p>	Specialized knowledge in ethnic network	
<p>“Well, we export 80% of its coffee to the US, partly to German-owned companies, and the rest to Europe” (Eddy) “One of the problems is that in Matagalpa (where Selva Negra Estate is located) there wasn’t a university for years, so it was often the case that the next generation that came to the country as a settler, did not study, yet brought with them a tradition in farming or working ethics that was useful in blending family and business goals...The descendants of Europeans usually study in good schools in Nicaragua, and then do their undergraduate and postgraduate studies abroad.” (Eddy)</p>	Relevance of ethnic networks to keep for future businesses	Relevance of ethnic relational resources for succeeding generations
	Traditional knowledge to complement lack of specialized knowledge	
<p>“However, all the daughters, together with their relatives, have shown interest in the future to settle in the property of Selva Negra. The son of the oldest daughter (grandson of the founders) is studying two careers (agriculture and journalism) ... everyone, in one way or another, will be involved in the various activities that comprise the company because there is space for everyone”. (Mausi)</p>	Complementing family objectives with future business growth	

"Many of the new products were emerging because of the exclusivity of the market that visits Selva Negra Estate, since the majority of visitors are foreigners who have settled in the country or who are visiting from overseas; then we can talk to them in our nearby restaurant to talk and get a lot of feedback on the quality of the services, new (coffee) products, etc."
(Mausi)

Non-family networks' support for differentiation

"Selva Negra Coffee Estate is very well positioned among foreigners, mainly European; whenever Eddy is in the farm or the restaurant or the hotel there are different personalities such as diplomats, journalists, doctors, Protestant pastors which forces us to maintain many international relations, which makes our interest to be proficient in English increase." (Mausi)

Ethnic network outside enclave

"Selva Negra Estate has managed to position itself properly in the international market for our marketing we patented our name in the United States. When the consumer sees the symbol of the registered trademark, he has more confidence in the product, and also because he knows that the farm exists, and can check it whenever he wants." (Mausi)

Shared understanding of international requirements

The relevance of a mixed network for future international purposes

"Our coffee is now exported and consumed by the Club of the Boston Revolution Daughters in the US, who always ask for coffee with the same consistency as the previous year, which for us is easier to comply with as our coffee has a computerized code specifying the specific lot by GPS, height, soil properties, bean variety – it is just similar to how the wine is produced. This club pays more because it knows the quality of the product and the family behind it." (Eddy)

Development of relationships based on external consumers

"Mausi speaks Spanish, English, and German, and gives international talks about community improvement topics around coffee. She has already delivered talks in Barcelona, Austria and Seattle, which is the capital of gourmet coffee, about 'women building community', and also in New York..." (Eddy)

Dissemination of information where family coffee is produced outside local border