

FAMILY FIRMS IN THE GLOBAL ECONOMY: TOWARD A DEEPER UNDERSTANDING OF INTERNATIONALIZATION DETERMINANTS, PROCESSES, AND OUTCOMES

Abstract

Research on the internationalization of family firms has flourished in recent years, yet the mechanisms through which family involvement shapes the determinants, processes, and outcomes of internationalization remain little understood and largely undertheorized. We contribute to research at the intersection of international business and family business by examining the roles of different sources of family firm heterogeneity and the context in shaping the determinants, processes, and outcomes of business internationalization. Drawing on this analysis, we summarize the articles published in this special issue and set out an agenda for further research aimed at advancing a more fine-grained and contextualized understanding of internationalization in family firms.

Keywords: family business; family firms; internationalization; globalization; international diversification.

INTRODUCTION

Family businesses dominate the economic landscape. According to the latest statistics from the Family Firm Institute, family firms account for two thirds of all businesses around the world, generate around 70-90 percent of annual global GDP, and create 50-80 percent of jobs in the majority of countries worldwide (Family Firm Institute, 2017). In the United States, one third of S&P 500 firms are owned/controlled and/or managed by the founding family, family firms account for 89 percent of total tax returns, 64 percent of GDP, and employ 62 percent of the total workforce (Anderson and Reeb, 2003; Astrachan and Shanker, 2003).

While the importance of family firms is even greater in Europe (Botero *et al.*, 2015), they also significantly contribute to the growth of economies in South and East Asia, Latin America, and Africa (Tharawat Magazine, 2014).

Globalization, aggressive worldwide competition, technological developments, and new growth prospects beyond national borders increasingly force family firms toward international diversification and global strategic growth to nurture their competitive advantage and/or to overcome economic downturns. Internationalization allows these firms to take advantage of economies of scale, lower labor costs and commodity prices, access to qualified and cheaper human resources and know-how in foreign industry clusters, and local opportunities for innovation. Internationalization is widely acknowledged as an important determinant of the sustained performance of family firms in the global economy. Irrespective of size, these firms have recently seen significant international growth through exports, foreign direct investments, contractual agreements, joint ventures, or a mix of these entry modes in foreign markets. In fact, many of the world's largest multinational companies (MNCs) are family influenced (Casillas and Pastor, 2015), and several small- and medium-sized family enterprises are internationally recognized for their globalization strategies (e.g., for recent analysis on German Mittelstand firms, see De Massis *et al.*, 2018).

Therefore, the interest of management and organization studies in family firm internationalization does not come as a surprise. Notwithstanding that the worldwide diffusion and international growth of family businesses has intrigued researchers for decades, the debate on the role of family involvement in influencing international diversification, growth, and performance is still far from conclusive.

The first studies on this topic were published in the late 80s and early 90s. As the number of studies has exponentially grown in the last decade, the need to systematize them has recently prompted a number of reviews and meta-analyses (Kontinen and Ojala, 2010; Pukall

and Calabrò, 2014; Arregle *et al.*, 2017). Figure 1 reports the results of a search using the Web of Science and Scopus databases¹. The trend is similar when using Google Scholar, with only four studies in the 80s, 11 in the 90s, 110 in the 2000-2010 period, and 234 in the 2011-2017 period.

Insert Figure 1 here

The main question these studies address is whether family firms internationalize less or more than non-family firms generally in terms of foreign sales, exports, and – more recently – foreign direct investments. Research thus far essentially agrees that specific aspects distinguishing firms with family involvement from other forms of business organizations – such as the innate tendency of family owners to centralize and personalize administrative power (Carney, 2005), their personal investment and consequent parsimony (Carney, 2005), the pursuit of non-economic goals (Kotlar and De Massis, 2013; De Massis *et al.*, 2018), and the asymmetrical treatment of family and non-family employees (Verbeke and Kano, 2012) – pose unique challenges for their growth and development. However, the same consensus does not exist in relation to the effect that the distinctive features of family firms have on the extent and form of internationalization.

On the one hand, family firms are considered inclined to remain in their domestic markets and adopt conservative behaviors, tending to protect their socioemotional wealth (Gomez-Mejia *et al.*, 2007; Kotlar *et al.*, 2017), which refers to the family members' affective endowment, including family control and influence over the firm, their emotional attachment

¹ We searched these databases using the following keywords: 'family ownership' 'family firm' 'family-owned business enterprise' 'family coalition' 'family involvement' 'families' 'family business' 'family control' 'founder' 'founding family' 'lone founder' 'family business group', in combination with 'internationalization' 'internationalisation' 'entry process' 'entry' 'international operations' 'international trade' 'globalization' 'globalisation' 'international' 'global' 'mode of entry' 'foreign' 'export' 'international sales' 'international commitments' 'multinational' 'foreign direct investment' 'global strategy', and ensured the substantial relevance of the findings combining the keywords with the paper titles.

and shared identification with the firm, their social ties with stakeholders, and their desire to renew family bonds through dynastic succession. This view is consistent with the common assumption that family firms have a strong connection to their home regions and local roots (Bird and Wennberg, 2014). Moreover, family owners are likely to have a larger share of their capital bound to the firm (Casson, 1999), which often leads to their aversion to risky investments in international markets.

Consequently, the majority of studies argue that family firms internationalize less (Fernández and Nieto, 2005, 2006). This is likely due to their well-known reluctance to dilute ownership, which may lead to the lack of not only financial resources needed to grow internationally (Anderson and Reeb, 2004), but also specialized management with specific knowledge of different consumer tastes, international distribution policies, production, and logistics (Graves and Thomas, 2006). Gómez-Mejía, Makri, and Larraza-Kintana (2010) support these conclusions arguing that family firms tend to be more conservative than non-family firms. Therefore, risk avoidance considerations push family firms toward a greater focus on the home market, and when they do internationalize, they tend to focus on countries that are geographically and culturally closer.

On the other hand, family firms have recently been recognized as important protagonists of international entrepreneurship. Their particular characteristics, the strength of family involvement and emotional attachment to the firm, e.g., firm-specific human capital (Gedajlovic and Carney, 2010), patient capital and long-term orientation (De Massis *et al.*, 2018), lower agency costs (Chrisman, Chua and Litz, 2004; Miller and Le Breton-Miller, 2006), and higher endowment of social capital (Gallo and Pont, 1996; Piva, Rossi-Lamastra, and De Massis, 2013; Sirmon and Hitt, 2003; Zhara, 2003) act as incentives to embark on global initiatives.

Other scholars, such as Arregle *et al.* (2017) in their recent meta-analysis comparing family and non-family firms, find no statistically significant difference in their degree of internationalization. Specifically, family involvement is almost non-influential (Carr and Batemann, 2009) at least in large firms, or the relationship with internationalization may even have an inverted U-shape (Sciascia *et al.*, 2012) where for a low level of family ownership the positive relationship holds, while for higher level of ownership the curve slopes downwards.

Departing from these discussions, some authors (Verbeke and Kano, 2012; Hennart, Majocchi and Forlani, 2017) argue that the question of whether family firms internationalize more or less than their non-family counterparts is ill-posed, since every firm has an optimal level of internationalization, and the important theoretical problem to address is under which conditions family firms tend to move toward or away from these optimal levels.

In addition, scholars tend to use different theoretical perspectives to frame the relationship between family involvement and internationalization, which in turn promotes the use of different empirical methodologies, often leading to different conclusions.

This state-of-the-art clearly indicates that the relationship between family involvement and internationalization is quite complex, which requires accounting for the heterogeneity of family firms (e.g., Chua *et al.*, 2012) and several contingency factors at the intersection of international business and family business, even suggesting *assemblages* of different theoretical perspectives (e.g., Reuber, 2016).

In this article, we contribute to research precisely at this intersection of international business and family business by examining the roles of different sources of family firm heterogeneity and the context in shaping the determinants, processes, and outcomes of family firm internationalization, and by outlining some promising directions for future theoretical

and empirical research on the internationalization of family firms. Furthermore, we summarize the papers in this special issue that constitute cutting-edge studies on the topic.

INTERNATIONALIZATION OF FAMILY FIRMS: THE KEY ROLE OF HETEROGENEITY AND THE CONTEXT

Once acknowledged that family firms differ from non-family firms, it becomes key to examine the heterogeneity among family firms both theoretically and empirically (e.g., Chua *et al.*, 2012; Arregle *et al.*, 2017). Not all family firms are the same and not all pursue similar internationalization strategies. Accordingly, some studies investigate different types of family firms, exploring the differing role of family and non-family managers in the business (Graves and Thomas, 2006; Muñoz-Bullon and Sanchez-Bueno, 2012; Sanchez-Bueno and Usero, 2014).

In this vein, Majocchi and Strange (2012) investigate the role of board composition and the specific contribution of external members on the board of listed family firms with respect to their international diversification. Fernández and Nieto (2005, 2006) study the effect of the presence of second or subsequent generations in the management team, finding a positive relationship with export propensity and intensity in a sample of Spanish firms in the 1991-1999 period. Sciascia *et al.* (2012) analyze the combination of family and external capital, concluding that an optimal mix exists. Arriving at similar conclusions, Arregle *et al.* (2012) study the difference between family-owned and family-influenced firms, while D'Angelo *et al.* (2017) argue that to promote export performance, the hiring of external managers should be sustained and reinforced with a parallel action to attract external capital.

However, all these studies investigate the impact of family firm heterogeneity on one specific dimension of internationalization, i.e., foreign sales/exports, ignoring other relevant dimensions, such as foreign direct investments (FDIs). Although a number of studies recently

studied FDIs in the context of family firms (Carney *et al.*, 2017), the findings are still inconclusive. Investigating the Indian automotive and pharmaceutical sector, Bhaumik, Driffield, and Pal (2010) find that family firms are less likely to invest overseas, while Lien *et al.* (2005) analyze a sample of Taiwanese firms and argue the opposite. Based on diversification motives, they find that family firms are more likely to undertake FDIs. Overall, while all these studies find that family ownership affects FDI policies, few investigate the role of different family characteristics on FDI decisions. This leaves considerable room to investigate the role of family heterogeneity, and whether and how family ownership and control affect other relevant internationalization dimensions, such as choice of entry mode (Boellis *et al.*, 2016; Chang, Kao, and Kuo, 2014; Kuo *et al.*, 2012. Liang, Wang, and Cui, 2014; Pongelli, Caroli, and Cucculelli, 2016), and internationalization speed (Lin, 2012).

On a more general level, the inclusion of corporate governance variables in the theoretical framework is relatively new and would seem to be a promising direction for future research (Strange *et al.*, 2009) challenging corporate governance literature. For example, agency theory makes clear predictions about performance, but produces mixed predictions about family firm internationalization. In its original version (Jensen and Meckling, 1976), agency theory posits that family ownership mitigates the potential conflicts between owner-principals and managerial agents, lowering agency costs (Denis, Denis, and Sarin, 1999). However, in family firms, type-II agency costs (Villalonga and Amit, 2009) are amplified due to potential conflicts between large family shareholders (blockholders) and minority non-family shareholders. In these circumstances, family owners may leverage their controlling position to extract private benefits at the expense of other minority shareholders (Cheng, 2014; Gedajlovic and Carney, 2010). In both cases, while the consequences on performance are relatively evident (Miller, Minichilli, and Corbetta, 2013), the effect of the distinctive

agency issues of family firms on internationalization are far from clear. Classic family-centered stewardship theory offers a similarly ambiguous approach toward internationalization (Miller *et al.*, 2007), emphasizing the strengths of family firms in terms of strong managerial identification with the firm, deep knowledge of the business, continuity and speed of command, social capital, and the strength of family brand names. However, these family assets may turn into limitations to international growth when requiring new knowledge, new managerial skills, and new capital (Bloom and Van Reenen, 2007; Claver, Rienda, and Quer, 2009).

Using a behavioral lens, the Socioemotional Wealth (SEW) approach identifies these same strengths and weaknesses of family involvement (Berrone, Cruz, and Gomez-Mejia, 2012), underlining the pivotal role of the utility that family owners derive from pursuing family-centered non-economic goals. Based on risk avoidance considerations, Gomez Mejia *et al.* (2010) argue that family firms are pulled in two opposite directions: toward greater internationalization to dilute geographically concentrated business risks, but also toward a lower level of export to preserve the family's SEW, avoiding external funding and non-family executives (Berrone *et al.*, 2012). Based on their empirical findings rather than on explicit theoretical arguments, the authors conclude that the latter direction will eventually prevail.

Since family firm behavior is affected by institutions and differs from country to country, another research stream investigates the role of the institutional setting and formal and informal country-specific institutions (Bhaumik *et al.*, 2010; Carney *et al.*, 2017). Arregle *et al.* (2017), for example, consider the moderating effects of the level of minority shareholder protection and trust toward people from other nations.

The different empirical findings and theoretical approaches call for reconciling these seemingly incompatible family firm and internationalization theories. Different authors have

recently moved into this promising direction, for instance, suggesting the need for a more general framework able to integrate internationalization, corporate governance, and family firm theories (e.g., Aguilera and Crespi-Cladera, 2012), or using both agency and stewardship theories to justify the different international performances of firms with and without family leaders at high and low levels of regional focus (e.g., Banalieva and Eddleston, 2011), or integrating agency and stewardship theories into transaction cost economics (e.g., Gedajlovic and Carney, 2010; Verbeke and Kano, 2010, 2012; Majocchi *et al.*, in press) to define family firms as a specific governance institution.

Sources of heterogeneity in the internationalization of family firms

Table 1 summarizes some important sources of heterogeneity that should be taken into account to understand the complexity of the determinants, processes, and outcomes of family firm internationalization: on the one hand, emphasizing the need to examine different sources of heterogeneity in family involvement, the behavioral propensities of the involved family, the strategic drivers of family firms, the internationalization processes and outcomes; on the other hand, emphasizing the need to examine the role of the context as a source of heterogeneous family firm internationalization behavior.

Insert Table 1 here

Family involvement

The contention that *family involvement* affects firm behavior and performance is not new (e.g., Zahra, 2003), although some scholars have cautioned that family involvement is a necessary but insufficient condition for family firms to behave in a distinctive way, meaning that such involvement is insufficient to directly determine distinctive family firm processes unless taking into account the behavioral propensities of the involved family, i.e., willingness

and ability (De Massis *et al.*, 2014; De Massis, Di Minin, and Frattini, 2015). More recently, some scholars (e.g., Chrisman *et al.*, 2015) pointed to the importance of considering both the *degree* and *type* of family involvement to understand how family involvement translates into firm behavior. This entails capturing the *heterogeneity of the family* and its effects, an accomplishment that existing family business research has scarcely achieved (Combs *et al.*, 2017; Jaskiewicz and Dyer, 2017).

Pioneering studies highlight the relevance of family structures (Aldrich and Cliff, 2003) and the family system (Olson *et al.*, 2003) to understand family firm behavior and outcomes, and a recent study shows the implications of family functionality for family business innovativeness (Filser *et al.*, 2017). However, we still lack a comprehensive overview linking the main family science theories and relevant dimensions of family heterogeneity to enable understanding the influence of family involvement (Jaskiewicz and Dyer, 2017), which may help us theorize how such involvement exercises its effect on family business behaviors and outcomes through a direct effect on the family's behavioral propensities.

Building on the work of Jaskiewicz and Dyer (2017), we identify four dimensions of family heterogeneity: *family structures*, *family functions*, *family interactions*, and *family events*.

Family structure refers to a group of individuals who share family ties, consider themselves part of a family, and interact with each other (e.g., Galvin, Bylund, and Brommel, 2012). Different families may be characterized by different structures (e.g., nuclear families vs. extended families vs. domestic partnerships vs. same-sex marriages vs. multiple marriages). Family structures may affect the managerial discretion of individuals, their capabilities through resource mobilizations, and their motivations; yet family business research implicitly assumes the prevalence of particular family structures, such as the nuclear family.

Family functions relate to the functions families assign to their members and expect of them (Popenoe, 1996). Families can be responsible for different functions, such as ensuring that family members have employment and status, training and educating the young generation, elderly care, and old age security, spare time activities, etc. Understanding family functions is important because these influence the behavioral propensities of the involved families, for instance, by constraining access to the family resource pool or stimulating the family's intention to perpetuate control in the hands of the family. Yet, empirical evidence on the way these functions may affect family firm behaviors and outcomes is rather limited.

Family interactions refer to the type of interactions that characterize family member relationships. Three prominent family science theories have been mainly used to examine the heterogeneous interactions among family members: family communication patterns theory (Fitzpatrick and Ritchie, 1994; Ritchie and Fitzpatrick, 1990), parental control theory (Baumrind, 1971), and intergenerational solidarity theory (Silverstein and Bengtson, 1997). These respectively consider communication patterns in families, parenting styles, and level of intergenerational solidarity between parents and their adult children (e.g., family cohesion) as potential determinants of family firm behavior and outcomes (Jaskiewicz *et al.*, 2017). Although pioneering studies indicate that lively family interactions can have important effects on specific family firm behaviors, such as, for instance, entrepreneurship behavior (Danes *et al.*, 2008), this dimension of family heterogeneity has been largely overlooked in family business literature.

Family events relate to those episodes in the family lifecycle that change the structure and functions of families and member interactions. Examples of family events are births, marriage, divorce, and remarriage. Such events typically determine shifts from one family lifecycle stage to another, which may have implications for family firm behaviors and outcomes. Although some family science theories, such as family development theory

examining the common lifecycle stages of families (Mederer and Hill, 1983; Rodgers, 1964) implicitly point to the possible implications of family events on family firm behavior and outcomes, such implications have not yet been empirically accounted for in family business research.

In summary, family structures, family functions, family interactions, and family events are four dimensions of family heterogeneity that should be taken into account to better understand both the degree and type of family involvement, and its effect on the behavioral and strategic propensities of the involved family.

Behavioral propensities of the involved family

Drawing on the work of De Massis *et al.* (2014, 2015), we distinguish three behavioral propensities that affect the involved family's choice of strategic drivers to produce distinctive firm behavior: *ability as discretion*, *ability as resources*, and *willingness*.

Ability as discretion is defined as the involved family's discretion to direct, allocate, add to, or dispose of a firm's resources. This includes latitude in selecting the direction of the organization and in choosing from among the range of feasible strategic, structural, and tactical decisions (Hambrick and Finkelstein 1987; Morck, Shleifer, and Vishny, 1988).

Ability as capability refers to those capabilities that members of the involved family need or should use to lead the firm in the preferred direction.

Willingness is defined as the involved family's favorable disposition to engage in distinctive behavior. This has been attributed to transgenerational succession intentions, socioemotional wealth concerns, and commitment to the business (Chrisman *et al.* 2012; Gomez-Mejia *et al.*, 2007). These three behavioral propensities affect the strategic drivers of family firms, which we examine next.

Strategic drivers of family firms

Building on Chua *et al.* (2012), we identify three strategic drivers that family firms must leverage to produce distinctive behavior: *governance systems*, *resources*, and *goals*.

Governance systems consist of the incentives, monitoring, and authority structures, as well as the norms of accountability that shape the policies and strategies a firm uses to create long-term value for stakeholders (cf., Carney, 2005). The family exercising its ability as discretion to govern the firm may lead to the board of directors being entirely controlled by family members or ownership involving pyramids, cross-holdings, and dual voting class shares (Claessens, Djankov, and Lang 2000), allowing the family to bypass the board when making strategic decisions (Carney 2005; Lorsch and MacIver, 1989). Likewise, the presence of a family Chairman/CEO or institutional investors is another aspect of heterogeneity in the governance systems of family firms.

The *resources* of a family firm can be financial, social, human, and emotional (Habbershon and Williams, 1999), and how such resources are developed, deployed, and discarded depends largely on the involved family's ability as capability.

Goals in family firms can be *economic vs. non-economic* as well as *family-centered vs. business-centered* (Chrisman *et al.*, 2012; Kotlar and De Massis, 2013) and are a major cause of heterogeneity of family firm behavior (Chua *et al.*, 2012). The distinctive strategic goals of the family firm emerge as a result of the involved family's willingness and abilities. For instance, if the family is not willing to pursue family-centered goals, instead prioritizing business-centered goals, then clearly the family-centered goals will not be pursued. Likewise, families that lack the discretion and/or capabilities needed to lead the firm in the preferred family-centered direction will not be able to pursue such goals, for instance, when there are influential non-family shareholders or managers who object, and/or when the family lacks the resources needed.

Internationalization processes

Internationalization processes can be simplified into four key aspects: (i) *locality vs. globality*; (ii) *scope, modes, and location choices*; (iii) *timing and speed of internationalization*; (iv) *international business models*.

The *locality vs. globality* trade-off refers to the extent to which a family firm chooses to be anchored to its local roots rather than pursue global growth and/or operate internationally.

Family firms are often torn between their local roots and their desire and need for global growth and international activities (Graves and Thomas, 2008). For instance, the attachment of family firms to their home territory's tradition (De Massis *et al.*, 2016a) may lead them to be inclined to focus on the local context rather than pursue internationalization (e.g., Bird and Wennberg, 2014). At the same time, other types of family firm goals, as well particular resources and governance configurations, such as the presence of internationally-oriented institutional investors, may influence their decision-making toward becoming internationally more active.

The internationalization *scope, modes, and location choices* are pivotal aspects of firm size and configuration. Scope refers to the firm's geographic extent (Lin, 2012), while mode defines the means of entry in foreign markets, and refers to the degree of control over foreign activities. Whether family firms tend to internationalize toward closer countries rather than pursue a global scope (e.g., Gomez-Mejia *et al.*, 2010) and whether family members prefer keeping control within the family (as they are typically unwilling to dilute their stake in the firm) are still open questions.

How quickly firms become international after their foundation i.e., their *speed of internationalization*, is one of the more relevant aspects of the process (e.g., Casillas and Moreno-Menéndez, 2014). Once again, family involvement plays two opposing roles. On the

one hand, family firms tend to be quicker in their decision processes, since family culture fosters a more homogenous management team that allows family firms to promptly react to changes in the environment typical of international markets (e.g., Kontinenand and Ojala, 2012). On the other hand, the desire to protect family wealth and pass the business to future generations makes family firms more risk averse and therefore slower to leap into new markets without adequate preparation (e.g., Gomez-Mejia *et al.*, 2010).

International business models refer to the options in terms of the *focused (niche) vs. mass market (broad)* strategy that family firms adopt in foreign markets (e.g., Hennart, 2014).

When firms with fewer resources – especially in the case of small and medium-sized family firms – focus their activity on a limited range of high quality products and services targeted at a worldwide audience of knowledgeable customers, they can achieve significant international results (Simon, 2009; Hennart *et al.*, 2017). Conversely, mass markets strategies typically require significant investments in foreign production facilities, distribution and marketing policies, but also specialized managers with extensive international knowledge (e.g., De Massis *et al.*, 2018). These strategies are typically followed by larger family firms and family MNCs, such as Samsung, Tata Consultancy Services, Toyota, and Walmart.

Internationalization outcomes

The family firm's internationalization outcomes and performance in terms of achieving both economic and non-economic goals will flow from the internationalization processes.

Such economic and non-economic outcomes and performance can vary when considering the firm, its subsidiaries, the business and family systems. Under- or over-performance compared to the aspiration level ensuing from the goals may then lead to revising the strategic drivers, behavioral propensities, or even family involvement through feedback-loop processes.

Context

In an attempt to integrate the role of context in our framework, we focus on two broad categories of contexts (Banalieva, Eddleston, and Zellweger, 2014): first, the *exo context*, which refers to the economic, social, political, legal, cultural, spatial, and technological environment; second, the *chrono context*, which consists of the life courses of the family and business systems, and encompasses factors that lead to evolutionary or punctuated changes along the family's and the business's life, such as succession, business exit, mergers and acquisitions, declining performance, and environmental jolts. Both the *exo* and *chrono* contexts affect the determinants, processes, and outcomes of family firm internationalization.

ARTICLES IN THE SPECIAL ISSUE

The seven articles featured in this special issue draw on different theoretical perspectives and employ different methodologies. However, a number of common themes emerge: first, the focus on various dimensions of heterogeneity among family firms; and second, the role of the *exo* and *chrono* context.

Hernandez *et al.* (2018) compare family and non-family firms and study how institutional distance influences their international location choice. Specifically, they argue that family firms do not respond to institutional pressures in the same way as non-family firms. Through a quantitative analysis of Italian firms observed in the period 2000-2013, the authors show that firms are generally more likely to choose foreign locations with higher institutional quality, i.e., countries with clearer rules, more secure systems, and more transparent institutions. Moreover, compared to non-family firms, family firms are less reluctant to invest. In locations with institutional voids, where family firms' social capital facilitates access to and screening of new business opportunities (Carney, 2005), family firms may exploit their relational capabilities – those that enable them to better position themselves than

non-family firms to benefit from the favors of politicians and other networks, thus confirming the role of the external (*exo*) context in influencing family firms' internationalization decisions.

Alessandri *et al.* (2018) consider both the distinction between family firms and non-family firms, and the heterogeneity among family firms. Specifically, the authors investigate the internationalization strategies (extent of internationalization, breadth of internalization, and home region orientation) of different types of family firms (i.e., weak family-owned, strong family-owned, and family-owned-and-managed) vs. non-family firms, considering how differences in family involvement alter the perceptions of potential gains and losses to socioemotional and financial wealth. Relying on a mixed gamble perspective and on a sample of 935 Standard & Poor's 1500 firms from 2003-2006, their analysis shows that the nature of family involvement (i.e., family management and level of ownership) influences the perception of risk associated with potential losses of SEW from internationalization, thereby leading to diverse internationalization strategies among family firms.

Likewise, although relying on the socioemotional wealth perspective and agency theory, Ray *et al.* (2018) show that the heterogeneity among family firms in their ownership structure, concentration, and family involvement in management influences the internationalization strategy in terms of export and outward FDI intensity. Drawing primarily on SEW and agency theory, the authors claim that family owners and managers are not favorably disposed toward a risky internationalization strategy. However, specific contingencies, such as the presence of foreign institutional owners, help family members improve their understanding of international markets, reduce the fear of the unknown, and appreciate the benefits of internationalization. Through an empirical analysis on a longitudinal panel dataset of 303 family-owned Indian firms listed on the S&P Bombay Stock Exchange (BSE) 500 index covering a six-year period from 2007-08 to 2012-13, this paper

uncovers some interesting facets of how heterogeneity in ownership and management influences family firms' internationalization, especially in under-represented regions, such as Asia.

Yamanoi and Asaba (2018) investigate the influence of family ownership on a particular aspect of the internationalization process, i.e., choice of entry mode in foreign markets, distinguishing between greenfield investments vs. acquisitions, and focusing on full equity as an ownership mode. Using data on foreign subsidiaries established by 117 Japanese public firms in the electronic machinery industry between 1996 and 2007, the authors find that family ownership increases the likelihood that the parent firm engages in a greenfield investment rather than acquisition to establish a foreign subsidiary, as well as the likelihood that the parent firm pursues full ownership of a foreign subsidiary rather than partial ownership. Moreover, they contribute to existing literature by showing the moderating role of the degree of corruption in the host country, which strengthens the positive relationship between family ownership and the likelihood of engaging in a greenfield investment relative to acquisition. In doing so, this article sheds light on the influence of an important factor linked to the exo context.

Fang *et al.* (2018) examine how variations in the extent of family control, combined with differences in the goals of founding and later generation family owner-managers, influence their engagement in international activities (measured through the ratio of foreign sales to total sales), and how the availability of knowledge-based resources moderates these relationships. Relying on a longitudinal analysis of Standard & Poor's 1500 manufacturing firms, the authors show that compared to non-family firms, as the ownership of family firms managed by the founding generation of a family increases, internationalization decreases, whereas the amount of family ownership of firms managed by later generation family members has the opposite effect. However, they also find that the level of knowledge-based

resources and founding (later) generation ownership positively (negatively) influence internationalization. In doing so, this article illuminates how one important factor characterizing family involvement (i.e., extent of family control) interacts with a chrono context variable (i.e., involvement of founding or later generations) to influence internationalization outcomes.

In the only conceptual article published in this special issue, Kano and Verbeke (2018) investigate how the idiosyncratic characteristics of family firm governance cause internationalization patterns along two dimensions, i.e., location choice and operating mode. Relying on internalization theory, the authors argue, perhaps controversially, that there is no generic difference between a family and a non-family multinational enterprise's internationalization path. However, bifurcation bias, defined as the *de facto* differential treatment of family or heritage assets vs. non-family assets, is a family-firm specific barrier to achieving efficiency in international operations. Specifically, in the short term, the most important difference in international operations is between bifurcation-biased family multinationals and other types of multinationals. In the longer term, biased decisions will become uncompetitive in international markets and will require either eliminating bifurcation bias from their governance practices or switching to another form of governance. Thus, the important differentiator in internationalization paths is not between family and non-family firms, but between bifurcation-biased family firms and all other firms.

Stadler *et al.* (2018) focus on a type of inverse causality, i.e., the moderating effect of product and international diversification on the relationship between the presence of family and professional managers and economic performance measured through Return on Assets (ROA). Using a panel dataset of 262 German listed firms from 2000 to 2009, the authors show that international diversification (product diversification) negatively (positively)

moderates the relationship between the proportion of family members in the top management team and the company's performance.

The study investigates how the degree and scope of a family firm's international activities influence the achievement of organizational goals (i.e., a certain ROA) through the effects of resources, such as the human and social capital of family and professional managers.

SOME DIRECTIONS FOR FUTURE RESEARCH

Despite the abundance of studies on family firms and their role in the global economy, major research avenues remain to be explored on the intersection between international business and family business. We start by acknowledging the need for further theoretical and empirical research that accounts for the high level of heterogeneity among family firms and disentangles the effects that variations in the forms of family involvement, behavioral propensities, governance systems, resources, and goals have on their internationalization processes and outcomes. For instance, how do the heterogeneous behavioral propensities of involved families and/or the ensuing variations in terms of their governance systems, goals, and resources shape internationalization processes? Moreover, we call for a more fine-grained conceptualization of internationalization to understand how different forms of family involvement affect different aspects of internationalization processes, including, for instance, timing and speed of internationalization, scope and degree of internationalization, but also de-internationalization and divestments.

Second, there is a need to more carefully include variables in theoretical and empirical studies capturing the exo context i.e., variables linked to industry, social, political, cultural, and technological factors, and their impact on firms' internationalization processes. For instance, family firms are particularly concerned about their legitimacy and reputation and tend to behave as responsible corporate citizens that develop good relationships with local

actors and institutions to achieve a strong level of social legitimacy. Therefore, the willingness and ability to develop strong and stable relationships with local stakeholders and institutions is a crucial factor influencing family firms' internationalization. Likewise, recent research points to the importance of more prominently taking into account the industrial sector when developing theories about firm behavior (De Massis *et al.*, 2017), and we underline the potential of future studies employing sector-based variables to advance current understanding of the industry-specific determinants, processes, and outcomes of internationalization in family firms.

Third, we call for future research adopting a temporal perspective when studying the internationalization of family firms. As such, we urge scholars to examine the influence that factors that occur over the family and/or business' lifecycle may have on family firm internationalization. For instance, our knowledge of how intra-family succession intention (De Massis *et al.*, 2016b) may affect the internationalization determinants and processes is still limited. Likewise, we still have little knowledge of generational effects on internationalization (e.g., comparing founder-led family firms vs. sibling partnerships vs. cousin consortiums, e.g., Gersick *et al.*, 1997), or how situational variables, such as environmental jolts (e.g., Smith, 2016) and duration of family ownership (e.g., Zellweger *et al.*, 2012), may affect the ability and/or willingness of family firms to internationalize their business. Overall, there is a need to understand whether and how the involved family's ability and willingness to pursue internationalization change over time under the effect of scattered events or following cumulative processes.

Fourth, our research agenda calls for more research aimed at understanding the performance implications of internationalization, and the role that governance-, resource- and goal-related characteristics of family firms have in determining internationalization outcomes. For instance, Lu *et al.* (2015) found that while internationalization has a positive

impact on growth, it has a negative impact on profitability, and the governance system of the family firm positively moderates the relationship between internationalization and profitability. What are the economic and non-economic outcomes of the internationalization processes at the firm and subsidiary level? What are such outcomes at the family and business level? Moreover, further research is needed to illuminate the extent to which the idiosyncratic characteristics of a family firm change and/or interact with the internationalization process and outcomes.

Table 2 summarizes some questions for future research associated with the research directions we have outlined above.

Insert Table 2 here

In addition to these four directions for future research, we also recognize some methodological and empirical challenges at the intersection of family business and global strategy literature. In this regard, special attention should be paid to ensuring the quality of ownership data in large-scale quantitative studies. The well-documented gap between first and ultimate owners (Faccio and Lang, 2002) can be particularly acute in the case of family firms where pyramiding, preferred share issues, and other similar legal tools are common to ensure family control. Similarly, particular care should be taken to address self-selection issues generating potential endogeneity problems. Family firms tend to be concentrated in specific sectors (Demsetz and Lehn, 1985) and in specific countries (Faccio and Lang, 2002; Heugens, van Essen, and van Oosterhout, 2009), typically those with weaker corporate governance institutions. In other words, they are not randomly distributed among industries and regions, which raises potential endogeneity concerns that future empirical studies should adequately address.

In conclusion, do we need additional studies on family business and internationalization? The answer to this question is undoubtedly yes. Beyond the future research directions we

outline in this paper, we recognize the opportunity to integrate complementary approaches to explain family firms' internationalization. Given the many contingencies that might affect internationalization in family firms, we have only started to scratch the surface of the issues that need to be investigated. Nevertheless, we will consider our efforts successful if we have encouraged other scholars to tackle some of the interesting research directions emerging from our examination of the determinants, processes, and outcomes of internationalization in family firms.

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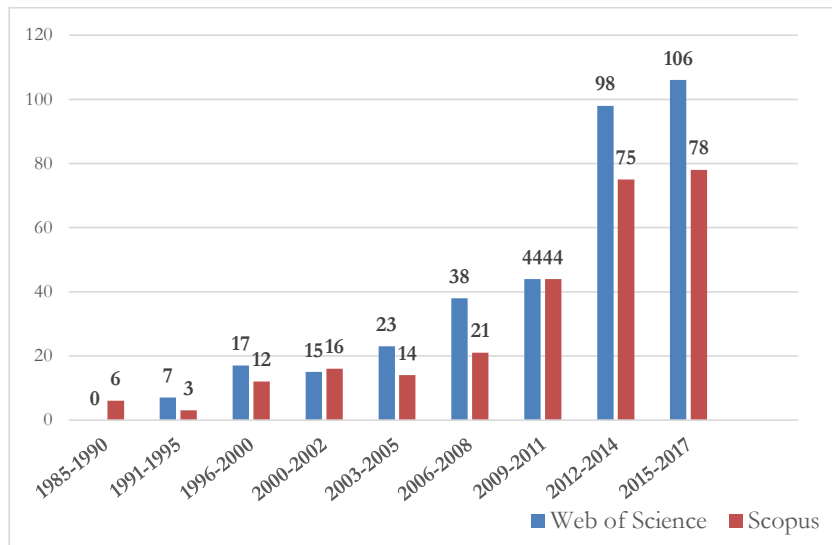


Figure 1. Number of family business articles on internationalization-related issues (1985–2017)

Table 1. Sources of heterogeneity to understand the determinants, processes, and outcomes of internationalization in family firms

	Family involvement →	Behavioral propensities of the involved family →	Strategic drivers of family firms →	Internationalization processes →	Internationalization outcomes
Heterogeneity aspects	<ul style="list-style-type: none"> • Family structures • Family functions • Family interactions • Family events 	<ul style="list-style-type: none"> • Ability as discretion • Ability as capability • Willingness 	<ul style="list-style-type: none"> • Governance • Resources • Goals 	<ul style="list-style-type: none"> • Locality vs. globality • Scope, modes, and location choices • Timing and speed of internationalization • International business models 	<ul style="list-style-type: none"> • Economic vs. noneconomic performance • Firm vs. subsidiary performance • Family vs. business performance
Context	Exo context: economic, social, political, legal, cultural, spatial, and technological environment (e.g., industry features, network position, institutional investments; family institutions, financial markets, legal contexts)				
	Chrono context: the family and business' life courses (e.g., succession, duration of family ownership, family stage, business lifecycle, business exit, mergers and acquisitions, environmental jolts)				

Table 2. Some themes for a research agenda on internationalization in family firms

Focus	Research Gap	Examples of Research Questions
Family firm heterogeneity	The impact that different sources of family firm heterogeneity have on internationalization processes	<p>Are internationalization processes (e.g., scope and speed of internationalization) affected by family functions (such as ensuring status to family members and education of young members)?</p> <p>Is the involved family's structure (e.g., in terms of nuclear family vs. extended family) responsible for different internationalization processes?</p> <p>How do internationalization processes change under the effects of different family events that take place along the family's lifecycle?</p> <p>Do the perceptions of distance of family members explain reliance on different internationalization processes in family firms?</p> <p>Which family characteristics (in terms of structures, functions, interactions, and events) are conducive to more effective and/or efficient internationalization processes?</p> <p>Are internationalization processes influenced by the characteristics of the family firm's governance (such as the dispersion of family ownership, the composition of the top management team, the presence of institutional investors)?</p> <p>Is the ability vs. willingness paradox in family firms a barrier to the pursuit of certain internationalization processes?</p> <p>Are family firms slower or faster at internationalizing? Does family heterogeneity affect the speed of internationalization?</p> <p>Is entry mode affected by family firm strategic drivers? How?</p>
Exo context	The impact that factors occurring in the external environment in which the family firm operates have on internationalization processes and outcomes	<p>How are internationalization processes (such as the extent of local adaptation or standardization, and the degree of local embeddedness) influenced by the interaction of formal and informal country institutions and the characteristics of family involvement?</p> <p>Are the resources needed to achieve superior internationalization outcomes influenced by the characteristics of the industry (such as R&D intensity) in which the family firm operates?</p> <p>How do family firms in different industrial sectors undertake different internationalization processes and/or outcomes?</p>
Chrono context	The impact that factors occurring over time in the life courses of the family and the business have on internationalization processes and outcomes	<p>Are internationalization processes and outcomes influenced by generational effects?</p> <p>Do first and later generation family members differ in their willingness and ability to pursue internationalization processes?</p> <p>How do family firms adapt their internationalization processes to environmental jolts?</p> <p>How does duration of family ownership influence the willingness to pursue internationalization processes and the ability to achieve superior internationalization outcomes?</p> <p>What is the effect of succession on the internationalization processes and outcomes of family firms? Are there differences between internal (i.e., intra-family) and external succession?</p> <p>How do business exits and/or mergers and acquisitions affect the internationalization processes of family firms? Do family firms exit faster than non-family firms from foreign markets?</p>

<p>Internationalization outcomes</p>	<p>The influence that different configurations in corporate governance, goals, and resources have on internationalization outcomes</p> <p>The influence that different internationalization outcomes have on family involvement and/or the behavioral propensities and/or strategic drivers of a family firm through feedback loops</p>	<p>Which family characteristics (in terms of structures, functions, interactions, and events) are conducive to superior internationalization outcomes?</p> <p>What resources and capabilities are more conducive to superior internationalization outcomes (such as economic and non-economic performance of subsidiaries) in family firms?</p> <p>Is the ability vs. willingness paradox in family firms a barrier to the achievement of superior outcomes?</p> <p>How does the heterogeneity of internationalization processes in family firms influence their economic and non-economic performance?</p> <p>How do the effects on internationalization outcomes vary at the firm and subsidiary level?</p> <p>What are the performance implications of heterogeneous internationalization processes on the family and business systems?</p> <p>Do different internationalization outcomes flowing from the same internationalization processes vary among different types of family firms?</p> <p>How does the temporal evolution of the family and business systems affect internationalization outcomes?</p> <p>How do family firm internationalization outcomes influence the behavioral propensity of the involved family through feedback loops?</p> <p>How do family firm internationalization outcomes influence the strategic drivers of family firms (i.e., goals, governance, resources) through feedback loops?</p> <p>Do the characteristics of family involvement (such as the functions exerted by the involved family) change over time as a result of internationalization outcomes?</p>
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