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sinergie

italian journal of management

sinergie

VOL. 38
Issue 2

MAY-AUG
2020

Opportunities and challenges in internationalization of family business

SPECIAL ISSUE

Guest Editors
Ilan Alon, Silvia Ranfagni, Tiziano Vescovi, Donata Vianelli

Vol. 38, Issue 2, 2020

ISSN 0393-5108

Italian Society of MANAGEMENT

Official Journal of Italian Society of Management

sinergie

italian journal of management

Official journal of Italian Society of Management

Vol. 38 Issue 2 N. 112	**Opportunities and challenges in internationalization of family business**	MAY-AUG 2020

Sinergie Italian Journal of Management is a peer-reviewed scholarly publication focusing on the principal trends in management studies.

Formerly *Sinergie rivista di studi e ricerche*

Published quarterly

Founded in 1983

ISSN 0393-5108

Open access at *www.sijm.it*

Indexed in Google Scholar, ACNP, ESSPER

Sinergie Italian journal of management is published by Fondazione CUEIM, a foundation aiming to carry out and to promote scientific research, especially in the fields of business administration and of organizations management, both profit and non profit.

Italian Society of MANAGEMENT

Sinergie Italian journal of management is the official journal of SIMA, the Scientific Society of Italian Professors of Management, whose aim is to contribute to the development and dissemination of management knowledge in the academic, economic and social fields, on an excellence basis.

CUEIM

The editing activity is sponsored by Consorzio Universitario di Economia Industriale e Manageriale - CUEIM - www.cueim.it

Peer reviewed journal

Journal accredited by AIDEA

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Sinergie Italian Journal of Management
Via Interrato dell'Acqua Morta, 26
37129 Verona (VR), Italy
Tel. +39 045 597655
www.sijm.it

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italian journal of management
Vol. 38, Issue 2, 2020

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Aphorisms

sinergie
italian journal of management
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1. *Whenever you see darkness, there is extraordinary opportunity for the light to burn brighter*
   (Bono Vox)

2. *The ability to simplify means to eliminate the unnecessary so that the necessary may speak.*
   (Hans Hofman)

3. *Any fool can make something complicated. It takes a genius to make it simple*
   (Woody Guthrie)

4. *When written in Chinese, the word 'crisis' is composed of two characters. One represents danger and the other represents opportunity.*
   (John F. Kennedy)

5. *The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low, and achieving our mark.*
   (Michelangelo)

Family business internationalization: an insight into opportunities and challenges

Ilan Alon - Silvia Ranfagni - Tiziano Vescovi - Donata Vianelli

The theme of internationalization in family businesses is a highly topical issue that is increasingly attracting management scholars. This is because, in addition of being a particular type of business (Alcorn, 1982), they play a central role in most economies worldwide. Accounting for 65-80 percent of all the world's firms, they generate around 70-90 percent of annual global GDP, and are the source of 50-80 percent of new jobs in most countries. Their essence lies in the close bond they have with their founders and above all, in the family's involvement in the business ownership and management (Franco and Prata, 2019). This bond may prove to be a limit for fuelling internationalization processes. If, in fact, on the one hand, a moderate level of family ownership favors them (Fernández and Nieto, 2005), on the other, family involvement in management can jeopardize them (Graves and Thomas, 2008). The main barriers are found in a lack of resources, capital and managerial skills. Others include the fear of losing control of the business and the founders' reluctance to decentralize decision-making in favor of experts from outside the family (Tabor et al., 2018).

However, the essence of a family business also lies in something else, namely, a business vision based on family values handed down from generation to generation (Chua, Chrisman and Sharma, 1999). This vision guides the management of a family business. According to Aronoff (2004), the longevity of a family business will not be questioned if the founding family values continue to be the basis of the family business culture. Family values act as the lowest common denominator in family businesses pursuing their growth in international markets. This growth is slow and follows an incremental process according to which it is better to expand initially to neighboring countries, therefore presumably more similar to the domestic market, and only after progressively attempt to expand to more distant countries. Throughout this process, export modes prevail over other forms of internationalization (Arregle et al., 2012). One of the main challenges facing family businesses is that of integrating a set of behaviors associated with a family role aimed at preserving the family culture in terms of values, artifacts and rituals, with a set of behaviors associated with a business owner role aimed at achieving goals such as rewards (income, growth, etc.), social legitimacy and devotion to employees. Thus, what is pursued is delineating an area of intersection in which to move, avoiding family-business conflict situations. This area is what Shepherd and Haynie (2009) call "family-business meta identity": inside it, "who we are as a family" and "who we are as a business" coexist, thus defining "who we are as a family business". Ultimately, in making internationalization choices and

weighing up the related risks, it becomes a priority in family businesses to seek a balance between financial performance and socioemotional wealth performance (Kotlar et al., 2018), i.e. with the pool of the firm's non-financial aspects that meet the family's social and affective needs (Gómez-Mejía et al., 2007), that in addition to the conservation of family values include willingness to maintain family control and pass the baton to future generations (Berrone et al., 2012). Familiness is the synthesis of this balance. Defined as "the unique bundle of resources a particular firm has because of the system's interactions between the family, its individual members, and the business" (Habbershon and Williams, 1999, p.11), it is a source of competitive advantages generating firm wealth and value creation. Familiness acts as a competitive factor but does not guarantee that the family business will perform in international markets as well as an international firm (Gallucci and Santulli, 2016).

Growing through access to international markets is a must for many family businesses in today's competitive world (Mensching et al., 2016; Stieg et al., 2017). Understanding how to grow in such markets, taking into account the typical features of family businesses, is a gap that academic research has yet to fill. The majority of studies is limited to see export as the most direct and pursuable way, neglecting challenges and opportunities of other entry modes. But other modes are not necessarily the ones we find encoded in international business books. There may also be new hybrid paths of internationalization resulting from a mix of existing ones. Identifying and then exploring them would help in understanding how family businesses can overcome barriers to internationalization by solving liabilities in terms of lack of resources, higher coordination complexities and information asymmetries as basis of the uncertainties encountered when operating in host markets (Hitt et al. 1997). However, there are many weapons at disposal of the family business for its development in foreign markets (Casillas et al., 2017). We shall try to identify some of them.

One is the social capital that the family business is able to generate (Calabrò and Mussolino, 2011). It is a form of capital that lies in social relations and its effects flow from the information, influence and solidarity it makes available. The family is a source, a builder and user of this capital (Bubolz, 2001). For the family, social capital becomes a way to acquire market knowledge and fill the gap in managerial capabilities as it acts as a bridge to access external resources. Through network ties, family businesses seize business opportunities, reducing the perceived risks of internationalization.

Another weapon is the possibility of growing in business communities by exploiting productive or cultural affinities (Tan and Meyer, 2011). Located in international markets, they are composed of companies with the same origin or belonging to the same industry. Being part of such communities produces undeniable benefits: it serves to build knowledge of the local context and to facilitate learning about how to adapt to local environments by reducing the liability of outsidership.. At the basis of this phenomenon there is the sharing of values dictated by the same culture of origin and skills resulting from the same production of goods or services. Culture has the power to unify: business aggregations are formed around

it. But culture also acts as a bridge between the enterprise and foreign markets, becoming in itself another weapon to be used as an engine of internationalization processes. The family business can in fact be a bearer of traditions, history and a cultural heritage, and therefore, of collective values of the territory to which it belongs. It embeds a stock of knowledge, competences, materials, signs and beliefs linked to the past (Petruzzelli and Albino, 2014). By developing interactions with external markets, it can be seen as an ambassador of a territorial community and territorial values. The latter, if recognized, act as mediators of emotional ties with new clients in geographically diverse markets. Ethnic community-based firms are an emblematic example. Founded by ethnic entrepreneurs, they are culture-bearing units. Moreover, based on shared group values, they incorporate a sense of identity and ways of perceiving, thinking, feeling and behaving (Vazquez, 2018).

Family businesses can then use as weapon their ability to create or innovate in order to develop their presence in new markets. They are bearers of innovations that can also stem from their traditions. Their past does not create paralysis; once reinterpreted, it can be leveraged in innovation (De Massis et al., 2016). Regardless of its source, innovation as a specific competency enables family businesses to accept the risk associated with international growth, motivating them to allocate resources for entering global markets and overcoming their restrictions. In fact, it acts as an intermediary for decreasing negative factors related to family involvement, such as risk aversion, and for compensating weak legal institutions in certain countries.

Finally, it is important to highlight how technology is an emerging weapon that facilitates the entry into new markets increasingly more today. The website alone of a family business may become a way to transcend national boundaries (Premazzi et al., 2010). More specifically, it can enhance export performance by acting positively on the internationalization speed (Hassouneh and Brengman, 2011) and efficiency of market transactions due to their standardization (Petersen et al., 2002). E-commerce activities can be explored as a path towards internationalization which may be integrated with more traditional and consolidated strategies.

This special issue addresses topics such as social capital, the entrepreneurial community and innovation which are explored as strategic assets in the development processes in foreign markets undertaken by family businesses. The aim is to shed light on these processes and how they are implemented.

The first two papers investigate the factors that can stimulate family businesses to enter international markets. In the paper, "The strategic-decision making process for the internationalization of family businesses", Francioni and Musso provide insights on internationalization in family businesses as a strategic decision. Developing an explorative study, they investigate Italian and global family firms belonging to the footwear sector, analyzing related managerial and entrepreneurial factors, family factors, the firm's specific and strategic factors, and context related factors, in order to discover which of these can influence a family firm's internationalization. The results highlight the cultural and personal features that entrepreneurs

and their families have in initiating growth paths in foreign markets. The paper by Dessi, Dettori and Floris entitled "International entrepreneurship in small family firms: a cross-case analysis" focuses on identifying the main drivers that push family entrepreneurs to make internationalization choices despite being localized in social and geographical contexts strongly anchored in past cultures that do not stimulate business development. Their research compares three main drivers (family, firm and context) and provides best practices to inspire international entrepreneurship in resilient family businesses.

Other papers focus more on aggregative phenomena in the international growth processes of family businesses and the role that innovation plays as a driver of these processes. The paper by Bannò, Gianni and Trento entitled "The localization choices of Italian family businesses in China: is there and agglomeration effect?" deals with a topic relevant to Italian family business, i.e. entry strategies on the Chinese market. The original aspect of the paper is the investigation into the existence of an emotional gravitational effect ("agglomeration") that influences localization choices of family businesses on international markets. By discovering that emotional as well as economic factors influence these choices, the research results can be useful for public decision-makers in their policies aimed at locally attracting foreign investments. In their paper, "Innovation mediating and moderating internationalization in family and no-family businesses: embeddedness in Egypt, Madagascar, Morocco and Turkey", Kalhor and Ghalwash introduce a more international prospective to the study of this specific issue. They demonstrate how governance can affect internationalization in developing countries together with innovations introduced by family businesses, and highlight how institutional support can generate a comparative advantage in family businesses that is higher in Morocco than in Egypt, Madagascar and Turkey.

Another group of papers instead analyze how certain innate (social capital) or acquired (cultural intelligence) resources can facilitate family business activities in international markets. The topic of this paper by Rondi, Debellis, De Massis and Garzoni "How can small- and medium-sized family firms control their global value chain?", is intriguing. The authors attempt to explain how family-owned small and medium enterprises (SMEs) use the strategic resource of social capital to control their global value chain in international markets. More specifically, they provide details on how family SMEs can exploit social capital in order to build long-term relationships based on trust with foreign partners. Finally, Paluzzo, in his paper "Learning tools to develop cultural intelligence for SMFE's owner managers: the role of social cognitive process", investigates how decision-makers of small and medium-sized family enterprises (SMFE) can develop cultural intelligence conceived as the capability to manage and benefit from international experiences in different cultural environments. The latter imply interactions with members of a local culture through work and non-work experiences. Acquiring cultural intelligence produces advantages for SMFEs as it helps reduce information asymmetries and perceived risks of internationalization, overcoming

the liabilities of outsidership and foreignness, and making international choices less incremental.

Finally, the paper by Faraoni et al. entitled "Betting on firms' brand name: Online effort, marketing capabilities and foreign sales turnover of Italian wine family firms" investigates how online brand strategies in family businesses impact sales in international markets. By analyzing a consistent sample of family-run wine firms, they focus on the dimensions of specific brand identities that are territorial identification (denomination, locality, region, country) and governance attributes (family, tradition, innovation and storytelling). Their analysis demonstrates that while the region of origin (in territorial identification) and the use of traditions (in governance attributes) negatively impact the foreign sales turnover, the use of the family (in governance attributes) has a positive impact.

From the contributions of this special issue, it emerges how the family business arrives in foreign markets guided by certain principles, values, and managerial attitudes, giving rise to paths that are difficult to codify and standardize. It acts like the craftsman who exploits his talent to create something distinctive. Like him, the entrepreneur of a family business designs his expansion project by adapting it to his business vision, the talent of his company, his resources and connective skills. Therein lies his strength and his ability to change according to markets and times. He belongs to a species which, using Darwinian language, can adapt well to the environment. This makes him more capable than others of reacting, redesigning himself and starting up again even in moments of profound change.

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Academic or professional position and contacts

Ilan Alon
Full Professor of International Business
University of Agder, Norway
e-mail: ilan.alon@uia.no

Silvia Ranfagni
Associate Professor of Management
University of Florence, Italy
e-mail: silvia.ranfagni@unifi.it

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ISSN 0393-5108
DOI 10.7433/s112.2020.01
pp. 11-17

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Original Research Papers

The strategic decision-making process for the internationalization of family businesses

Received
9th September 2019
Revised
16th December 2019
Accepted
9th April 2020

Fabio Musso - Barbara Francioni

Abstract

Purpose of the paper: *The principal aim of this study is to contribute to the literature on family businesses by providing some new insights about international strategic decisions of born global.*

Methodology*: An explorative, qualitative research has been employed. In-depth interviews with four main decision-makers of family businesses, involved in international activities, were conducted to examine the main factors influencing their strategic decisions.*

Results*: The research allowed to verify whether the factors identified by previous studies were correctly defined, by assessing their influence on international development decisions, and whether any other factors of influence emerged.*

Limits*: The main limitation of this paper is the sample's characteristics, which do not allow a complete generalization of the results.*

Implications*: This study mainly permits to analyze the interactions within the family group involved in the management of companies, enriching the field of analysis that in previous studies was mainly focused on the characteristics of the entrepreneur or the managers.*

Originality of the paper: *This paper is one of the few contributions examining, on one hand, born global family firms and, on the other hand, which factors influence the main strategic decisions in the international context.*

Key Words: family businesses; internationalization; strategic decision-making process; born globals

1. Introduction

The increasing level of globalization has made the importance of internationalization ever more an essential condition to ensure survival and growth for several firms, especially for the smaller ones (Stieg *et al.*, 2017). On this respect, an increasing attention on family firms' internationalization emerged (e.g., Pukall and Calabrò, 2014). However, the examination of how small family firms make strategic decisions in an international context seems to deserve more attention.

Based on the above, the principal aim of this study is to examine which are the main factors influencing the family firms' decision to internationalize and the subsequent key strategic decision, according to the born global perspective.

To achieve our objective, we decided to adopt a multiple case study. Data were mainly collected through in-depth, face-to-face interviews with the main decision-makers for international activities of Italian family businesses located in the Marche region.

The paper is structured as follow. The next section provides a review of the literature. The following section presents and discusses the findings. The article concludes with some final comments on the findings and some recommendation for management.

2. Theoretical framework

Family businesses and internationalization

In recent years, a growing interest towards the internationalization of family-owned businesses (FBs) has emerged (Pukall and Calabrò, 2014; Casillas *et al.*, 2010; Kontinen and Ojala, 2010; Arregle *et al.*, 2012;), and several studies have emphasized specific features in the internationalization of smaller FBs in comparison with non-family-owned businesses (NFBs) (Crick *et al.*, 2006; Fernández and Nieto 2005; Graves and Thomas, 2006; Kontinen and Ojala, 2010).

Being a FB defined as "a company owned and governed by the family, where younger members will set control over the business, following the elder ones" (Ramadani and Hoy, 2015, p. 15), its key features have been identified in the role of the family in managing strategic decisions and operations (Daspit *et al.*, 2019). According to Poza (2013), four main characteristics (distinguish) a family firm, such as: the family presence; the intersection of family, ownership and management; the competitive advantage resulting from the interaction of family, ownership and management; and the owner's desire of maintaining the business in the family.

To analyse the internationalization of FBs, several scholars decided to adopt theories related to the SMEs' internationalization, starting from the most adopted Uppsala model (Johanson and Vahlne, 1977; Falahat and Migin, 2017), to the network theory (Johansson and Mattsson, 1987; Rexhepi *et al.*, 2017), and the international entrepreneurship theory (McDougall and Oviatt, 2000; Rexhepi *et al.*, 2017). Within these theories, a wide range of studies defined and examined different factors influencing the internationalization of FBs. The majority of these studies were mainly focused on the examination of specific factors, such as: (i) *family-specific factors,* particularly those related to the family involvement (Baronchelli *et al.*, 2016; Casillas and Acedo, 2005; Calabrò *et al.*, 2013; Sciascia and Mazzola, 2008; Sciascia *et al.*, 2013), family ownership (Chen *et al.*, 2014; D'Angelo *et al.*, 2016; Sciascia *et al.*, 2012; Fernández and Nieto, 2005), generational change (Claver *et al.* 2009; Fernández and Nieto, 2005), and family management dimension (Davis and Harveston, 2000; Claver *et al.* 2009; Calabrò *et al.*, 2016); (ii) *Firm-related factors,* with a particular focus on firm size (Baronchelli *et al.*, 2016; Sciascia *et al.*, 2012; Sciascia *et al.*, 2013), firm age (Arregle *et al.*, 2012; Calabrò *et al.*, 2013; Sciascia

et al., 2012; Sciascia *et al.*, 2013) and industry/sector (D'Angelo *et al.*, 2016, Merino *et al.*, 2015; Duran *et al.*, 2017); (iii) *Context-related factors*, particularly the size of the domestic market and the belonging to industrial districts (Marinova and Marinov, 2017; Francioni *et al.*, 2019); (iv) *Top management and entrepreneur related factors*, with particular reference to the characteristics of both the entrepreneur (Calabrò *et al.*, 2013; Davis and Harveston, 2000; Ramón-Llorens *et al.*, 2017) and the external managers (Arregle *et al.*, 2012).

Gallo and Garçia Pont (1996), adopted a scheme based on three categories of factors: strategic factors, family firms' organization characteristics, and top management features. Each category was divided into elastic and rigid variables, the former accelerating and strengthening the internationalization process, and the latter delaying the process. More recently, Marinova and Marinov (2017) divided the drivers of the internationalization of small family businesses in entrepreneur-specific, firm-specific and context-specific factors.

Later on, Francioni *et al.* (2019) merged Gallo and Garçia Pont (1996) and Marinova and Marinov (2017) schemes, by combining: top management attitudes with entrepreneur-specific factors; strategic factors (external to the family) with context-specific factors, and family issues (internal) with firm-specific factors.

Other recent studies focused on more specific factors affecting the FBs internationalization, such as political ideologies and political orientation of the government (Duran *et al.*, 2017), generational change (Stieg *et al.*, 2017), stewardship and employee orientation (Segaro *et al.*, 2014), family network ties (Kontinen and Ojala, 2011a; 2011b); and the international work experience of family members (Majocchi *et al.*, 2018).

Following the socioemotional wealth (SEW) model (Berrone *et al.*, 2010), Scholes *et al.* (2016) identified four main categories of family effects on internationalization: networks, harmony, trust, and resources/capabilities.

With reference to both the international and the family context, some authors attempted to examine the role of some factors on internationalization decisions, such as the controlling family's receptivity towards internationalization (Holt, 2012), the external involvement in governance (Arregle *et al.*, 2012), the family structure (Arregle *et al.*, 2019) and involvement (Arregle *et al.*, 2016). However, regardless of the different factors affecting internationalization decisions, some researchers (Holt, 2012; Arregle *et al.*, 2012; Arregle *et al.*, 2016) agree that "family firms tend to make particularistic decisions regarding internationalization". However, while some authors (e.g. Holt, 2012) have stated that FBs may have few resources for developing international opportunity identification practices, others (e.g Zaefarian *et al.*, 2016) have stated that a long-term orientation allows the company to be engaged in longer-term projects, since the majority of family firms attempt to make their decision for ensuring a succeeding generation. This is generally connected with the creation and development of internal knowledge structures, that can contribute to the identification of international opportunities.

Born globals

Born global firms (BGs) have received growing attention in the last two decades (Rennie, 1993; Oviatt and McDougall, 1994; Knight and Cavusgil, 1996; Madsen and Sevais 1997; Moen and Servais 2002; Knight and Cavusgil, 2004; Oviatt and McDougall, 2005; Fan and Phan, 2007; Hagen and Zucchella, 2014; Knight, 2015; Danik and Kowalik, 2015; Cavusgil and Knight, 2015; Knight and Liesch, 2016; Choquette *et al.*, 2017).

The emerging of BGs was mainly due to "the advances on technology, new developments in transportation, international financing opportunities, less trade barriers and more cooperative countries with mutual trade agreements" (Falahat and Migin, 2017, p. 112). In such a context, "exporting can be the primary goal of the firm even upon its inception" (Rennie, 1993, p.1). As a result, in many countries, BGs came to account for a significant share of export growth (Knight and Liesch 2016).

The various definitions of BG are mostly based on the time spent from the foundation to the beginning of international operations (Knight and Cavusgil 1996; Rasmussen *et al.*, 2012; Rasmussen and Madsen 2002; Moen and Servais 2002; Mort and Weerawardena 2006), on the geographic scope of international activities (Sharma and Blomstermo 2003; Chetty and Campbell-Hunt; 2003;), and on the relevance of international operations (Moen 2002; Rasmussen and Madsen, 2002; Moen and Servais 2002; Chetty and Campbell-Hunt, 2004; Knight and Cavusgil 2004; Mort and Weerawardena 2006).

It has been highlighted how in most cases one of the most relevant BGs' business strategy is the global technological competence, that is "the firm's technological ability relative to cohort firms in its industry" (Knight and Cavusgil, 2004, p. 130). Neverthless, despite several studies having focused their attention on high technology industries (Cavusgil and Knight, 2015), born global cannot be considered as just a high-tech industry phenomenon (Eurofound, 2012). Indeed, BGs have been analyzed also in other industries, like traditional manufacturing (Taylor and Jack, 2012), services (Falay *et al.*, 2007), retailing and wholesale (Schneor, 2012), and basic manufacturing (Knight and Cavusgil 2004; Cavusgil and Knight, 2015). According to Eurofound (2012), the majority of firms operating within more traditional sectors are generally family firms and mostly located in industrial districts.

With reference to BG family firms, although their existence was recognized, few studies (Falay *et al.*, 2007; Paliwoda *et al.*, 2009; Kontinen and Ojala, 2010; Wach, 2014; Jorge *et al.*, 2017) have examined their internationalization process. Wach (2014) focused on early internationalization, highlighting that BGs are more frequent among non-family firms. Kontinen and Ojala (2010) analyzed firm's internationalization pathways, and they discovered that the process followed by family small and medium enterprises (SMEs), with a more concentrated ownership base, drive to born global or born-again global pathways (Kontinen and Ojala, 2010). Similarly, Jorge *et al.* (2017) pointed out that the internationalization of family SMEs is not entirely explained by a gradual process of commitment to international markets because of

the characteristics of management and organizational mentality.

Mustafa *et al.* (2013) identified the socio-cultural factors affecting the internationalization pathways of family firms', and classified them in: traditional, born global, and born again global.

Taking into account of previous literature, it seems that a more in-depth analysis is necessary, especially with reference to the determinants of fast internationalization. Among these determinants, a clearer picture of the factors linked to the characteristics of the family that influence the early internationalization choices of FBs is necessary.

3. Methodology

This study focuses on the analysis of factors influencing international strategic decisions of a specific type of family businesses: born globals belonging to the footwear sector and located in Italy. The choice of a specific sector is due to the need to reduce heterogeneity among firms depending on structures and processes that are sector-related (Francioni *et al.*, 2017). The selection of the Marche region mainly derived from its peculiarities and for the presence of a footwear industrial district.

The decision to examine born global FBs was due to a shortage of studies focused on this type of companies (Wach, 2014). Given a very scarce empirical evidence about the strategic decisions related to a fast-international market development of born global FBs, a qualitative research methodology was adopted. This methodology, despite being time-consuming, allows "to learn directly from the research subject, reducing measurement errors common in survey studies which often need to make assumptions" (Dana and Dana, 2005, p. 80). Moreover, it helps to better understand entrepreneurship in the context of its environment, by analyzing players or agents as they act, relying in "their narratives, intentions, the terms of their actions and interactions (the how)" (Dana and Dumez, 2015, p.157).

The case study approach has been adopted for its helpfulness in international business (Welch *et al.*, 2011) and family business (Leppäaho *et al.*, 2016) research. On the other hand, a case study methodology is appropriate for developing new empirically theoretical/practical insights (Eisenhardt, 1989) and integrating new empirical insights with prior results (Yin, 1994; Vissak *et al.*, 2017). Moreover, a multiple case study approach permits a better definition of both more general conclusions and more direct comparisons between the differences and similarities of the implementation practices (Silverman, 2000; Eisenhardt and Graebner, 2007; Stake, 2013). Finally, we used information from different sources for a more exhaustive and comprehensive understanding of the topic (Yin, 1994; Stake, 1995).

For selecting cases a purposeful sampling strategy has been used. Companies have been selected according to the following criteria: they had to be both BGs and FBs, and they had to be SMEs, with less than 250 employees, according to the EU definition. Table 1 describes the main characteristics of the cases analyzed.

Tab. 1: Main characteristics of the cases analysed

	Company A	Company B	Company C	Company D
FOUNDED	1955	1985	2015	1981
FIRST COUNTRY OF EXPORT	Netherlands	Germany	France	Germany
FIRST YEAR OF EXPORT ACTIVITY	1958	1987	2015	1982
% OF FOREIGN SALES DURING THE FIRST YEAR	50%	40%	50%	20%
% OF FOREIGN SALES 2016-2017	99% - 100%	80%	50%	50%
NUMBER OF EMPLOYEES	30	26	11	60
COUNTRIES OF EXPORT	France, Germany, Switzerland, Holland, England, Finland, Montenegro, Serbia, Spain, Canada, USA, Japan, China and Honk kong, Australia, Mongolia, Nigeria, Tunisia, United Arab Emirates, Israel, Russia.	Germany, Holland, Belgium, Austria, Switzerland	France, Germany, Greece, Spain, Switzerland, Sweden, Denmark, Belgium, Australia, United States, Russia	Canada, Japan, Russia, Ukraine, Mongolia, France, Belgium, Holland, Japan
OWNERSHIP	Concentrated: 100% owned by the entrepreneur and his wife.	Concentrated in the hands of two brothers: 50% each.	100% concentrated in the hands of the entrepreneur	Concentrated: ownership equally shared between the three daughters of the entrepreneur
FAMILY MEMBERS WITHIN THE COMPANY	Entrepreneur and his wife and son	2 brothers (entrepreneurs) and one of them's daughter	Entrepreneur and his wife	Entrepreneur, his wife and 3 daughters

Source: authors' elaboration

For an in-depth examination of the factors affecting the international strategic decisions of the observed firms, a framework created by combining the schemes of Gallo and Pont (1996), Marinova and Marinov (2017), and Francioni *et al.* (2019), enriched with further variables, was adopted (Table 2). In detail, additional variables were the strength of family network ties (Kontinen and Ojala, 2011a; 2011b), and the family members' international work experience (Majocchi *et al.*, 2018).

Other factors, such as the level of board services (Bauweraerts *et al.*, 2019), quality of strategy execution (Kano and Verbeke (2018), and political orientation of the government (Duran *et al.*, 2017), despite being relevant, have not been included, given their not strict relationship with international market development speed.

Tab. 2: Analysis framework for of the factors influencing family businesses' internationalization according to the born global perspective (with reference to previous studies adopting the variable)

Top management and entrepreneur related factors	- Commitment to internationalisation (A, C) - Speed in decision-making (A, C) - Concern for an intense dedication to the long term (A, C) - Background of the entrepreneur (Education, Knowledge of foreign languages, International experience, Prior work experiences) (B, C) - International orientation/Global Orientation (B, C) - International travel experience (B, C) - Perception of risk (B, C) - Risk aversion (B, C)
Family factors	- Family members interested in internationalisation. (A, C) - Work opportunities for other family members through internationalisation (A, C) - Family members prepared for internationalisation (A, C) - Internationally oriented competences and skills of younger family members (A, C) - Family network ties strength (Kontinen & Ojala, 2011a: 2011b) - International work experience of family member (Majocchi *et al.*, 2018)
Firm's specific and strategic factors	- Size (B, C) - Resources (Human, Economic, Financial, Organizational) (B, C) - Industry (B, C) - Products and services oriented towards national or international customers market positioning of product offer (A, C) - Level of technology for innovation and production processes (A, C) - Level of technology for internal organization and external relationships (A, C) - Level of risk by operating in only one country (C)
Context-related factors	- Size of the domestic market (B, C) - Market trends and growth opportunities in the home and foreign markets (B, C) - Belonging to industrial districts (B, C) - Possibility of alliances with other family businesses (A, C)

A: Gallo and Garcia Pont, 1996
B: Marinova and Marinov, 2017
C: Francioni *et al.*, 2019

Source: authors' elaboration

Data collection and analysis

Semi-structured and open-ended interviews were conducted in each company with the main decision-maker in international strategic decisions. In most cases, the interviewee was the founder of the company, except for case A, where the interview was conducted with the son of the founder, who is the current owner and holds the position of general manager. In order to increase the accuracy of the questions, the interviews were administrated in the respondents' native language (Mullaymer *et al.*, 2015). All the interviews were conducted in the firms' office, between July 2017 and November 2018, and lasted between 50 and 110 minutes. All interviews were digitally recorded, transcribed and translated from Italian into English. After a first analysis, follow up telephone interviews were conducted in order to clarify unclear topics and add missing information.

For ensuring data triangulation, we gathered additional data through different secondary sources, such as the companies' websites and reports, export data, brochures and direct observation (Mathias *et al.*, 2018).

Finally, for the data analysis we followed the procedure recommended by Ghauri (2004) and Zaefarian *et al.* (2016), based on writing, in a first step, a case history for each company, including a chronological order of the events. Then, based on the literature review and the aim of the research, data coding for each firm was conducted, and finally discussed among the researchers. According to Miles *et al.* (1994), for the analysis of the multiple cases, pattern-matching logic was adopted.

Respecting the firms' request to remain anonymous, their names have not been reported.

4. Findings and discussion

Reasons for internationalization

The cases analyzed are companies that opened up to foreign markets within a short time from their foundation: within three years for companies A and B, and after one year for the remaining two - C and D - among which company C internationalized the same year as its foundation. Therefore, all of them can be considered as born global companies (Knight and Cavusgil, 1996). The main characteristic that the companies have in common is the search for additional spaces in a market that is increasingly competitive, and which favors the offer of low-priced products. Italian producers offer quality products at higher prices than other countries, and this means having to broaden the geographical boundaries of their market, reinforcing a niche strategy, which increasingly need to take a global dimension. Indeed, as the owner of company B stated: "in Italy consumers tend to spend less and less for this type of product, made in Italy sneakers with an approximate cost of € 200/250 is becoming a niche product".

The decline in demand that characterized the last decade was also important, both on the domestic and foreign markets. As the manager of company C said: "If in previous years you could sell on average 6 pairs of shoes per person, now the number has dropped to just one". Therefore, the owners decided to enter in new foreign markets.

A further reason for rapidly internationalizing was in the characteristics of the sector, which contributes significantly to the search for market spaces abroad, given that foreign buyers have always appreciated Italian footwear. The international nature of the footwear industry has been emphasized by companies B, C and D. According to the latter, the simple participation in international fairs has opened up market spaces all over the world: "When we started to participate in fairs, both in Italy and abroad, customers came from all over the world. One of the most important fairs was in Dusseldorf, Germany. From that fair one could reach customers from far away, not only Europe, but also from America and Canada".

Thus, overall, we can conclude that, similarly to several previous studies (Vissak *et al.*, 2017), the main reasons for starting internationalization since the beginning of company life are related to the external environment conditions. At the same time, all firms can be considered as mainly passive/reactive (Nunes and Franco, 2015; Francioni and Musso, 2015; Francioni *et al.*, 2017), as they have mainly relied on trade fairs.

Top management attitudes and entrepreneur specific factors

Among the characteristics of the entrepreneur that most seem to have influenced the choices of fast internationalization, the education and cultural level emerged (Marinova and Marinov, 2017; Francioni *et al.*, 2019). This aspect seems to be important not so much for the technical skills acquired, but for the open-minded approach to new experiences and the ability to analyze long-term trends, allowing to acquire a strategic vision. This attitude cannot be obtained just with experience, and it requires a proper education. For instance, both owners of company C, husband and wife, are graduates. They stated that "education may have affected the attitude but not the start of the internationalization process".

At the same time, the importance of experience has been recognized, as reported by the owner of company A, the founder's son: "... my mother and me both studied, while my father has only practical experience, and this balanced things: if we were just graduates we would not have been able to do anything ". Undoubtedly, experience has greatly influenced the international choices, but this, according to the owner of company A, happens only "to the extent that there is a predisposition to come into contact with different cultures, and therefore to have the flexibility that allows managing relationships with subjects that have totally different approaches and personalities. Thus, above all it is necessary to have intelligence and empathy".

Knowledge of foreign languages, although useful, was not considered a key skill because, according to the entrepreneurs, solutions can be easily found, either by using interpreters or by getting help from sales agents and intermediaries. This finding is in contrast to that of Marinova and Marinov (2017), who stressed how foreign language proficiency was important for enabling a targeted exploration for foreign clients.

As a confirmation of the importance of education being an element that stimulates international openness, there is the fact that all decision-makers stressed the importance of an international orientation, which is favored by having traveled, by a balanced perception of risk and by recognizing that psychic distance is an issue, but not a binding one.

With reference to the importance of having traveled and having known different situations, rules and cultures, the entrepreneur of company A underlined how it is useful, when he stated that "by traveling you grow, enhancing your flexibility to face new situations, like when it can happen to spend a night in a custom office because of incomplete documentation, then having to face a series of obstacles to unlock the problem. If one has never left his house, will be not able to solve the situation". This kind of experience provides an attitude to face different situation in a continuously changing environment, making it easier to think about a quicker market development. With respect to risk, about which all interviewees are aware, their perception is that it is not a braking factor. For example, as regards company B, at the beginning the perception of the risk of the two owners was very high, especially with reference to the Russian and German markets after the fall of the Berlin wall. However, the awareness that in any case a level of risk must be faced in all markets, including the national one, has always prevailed, so it has not been a reason for foreclosure.

Indeed, as the manager of company D stated, "internationalizing does not mean taking no risks. Risks are always present, but entering in more than one market, they are fragmented. The possibility of selling in many markets, not only at the European level, means that the company overcomes the crisis of individual markets. This reduces the economic and financial risk". This result contrasts with several previous studies (Marinova and Marinov, 2017; Acedo and Jones, 2007) examining early firm internationalization, according to which owners-managers of international new ventures and born globals have a lower perception of risk in comparison to those of traditional companies.

The decision-making compactness has favored the speed of internationalization choices, as reported by companies B and C. In particular, according to the manager of company C, "the fact that the company is small, and that power is in the hands of an individual, makes sure there is great speed in the decision-making process. This leads to greater flexibility and predisposition to the customer, even abroad". This aspect has not been previously considered by any of the analyzed frameworks (Marinova and Marinov, 2017; Francioni *et al.*, 2019; Gallo and Garcia Pont, 1996), and it can be considered a further relevant factor of influence on internationalization choices.

Firm's specific / strategic factors and family factors

The characteristics of the company, namely size, economic, financial, and human resources, and the positioning of its offer are important characteristics that can influence the internationalization process.

Firm size does not seem to be a problem from the point of view of companies A, B and C, which are all small (with less than 50 employees). According to them, the advantage of small size lies above all in the flexibility and speed of adaptation to the different conditions encountered in foreign markets. As the owner of company A argued, "there are companies even smaller than us that do as much internationalization". Similarly, both company B and C underline the importance of dynamism: "if in the past it was believed that small firms were not able to manage the international market development - said the manager of company C - today small businesses are much more dynamic, rapid in changes and adaptations, and in reacting to any type of problem". However, firm D, which is medium-sized, offered a different picture, arguing that a medium-sized company can access resources and markets more quickly, while for small businesses difficulties are greater, especially with regard to exports. Therefore, it seems that this factor, previously considered by both Marinova and Marinov (2017) and Francioni *et al.* (2019) is considered important only as the size increases.

Another aspect that emerged for its influence to international development choices is that relative to the resources, in particular the financial resources that are necessary to face the costs of promoting and developing new markets. As the owner of company B stated, "If you don't have any resources, you can't participate in world fairs: every year we spend something like € 200,000 to participate in fairs and travel". Similar statements came from the manager of company D, who underlined the

importance of investing in fairs and events, whose costs are particularly high, especially in emerging countries.

The technological level of the companies, which could represent a limit if less advanced than that of their competitors, turned out to be a non-influential aspect, both for the adequate level of technology reported by the firm, as in the case of companies B, C and D, and for the fact that products have a strong artisan character. This characteristic is particularly appreciated by the target customers because it represents an element that distinguishes Made in Italy products. This finding seems partly in contrast to what has been stress in previous studies (Gallo and Garcia Pont, 1996).

The opportunity to diversify the risk across multiple markets emerged clearly. In the case of company C, however, it happened with an inverse logic: the company initially developed in the French market, then, following a crisis due to bad relationships with the intermediaries used, it focused on the Italian market to survive. It was fundamental to diversify in order to move forward, not only in Italy but also in Germany and other countries. Therefore, the company has tested first-hand the risk of operating in only one market and thanks to this experience, it realized the importance of having a widespread presence in several countries.

As regards the role of the entrepreneur family, it emerged as each member and his/her interest in the internationalization process was influential for the rapid expansion abroad. About this, the more effective variable was the presence of young family members, both for their contribution in terms of new skills, such as those related to foreign languages and new marketing tools (Internet and social media), as in the companies A and B, and for the opportunity to ensure a future for the new generations of entrepreneurs, thus enlarging the time perspective for choices. As the owner of company B claimed, having a daughter to whom ensuring a professional future has helped to stimulate the search for new long-term opportunities for the company, which inevitably have been found in new markets, particularly emerging ones. Even the owners of company C, although their children are still young, have been influenced in their choices by the need to ensure continuity to the company, extending their strategic vision in this case too.

According to the interviewees, possible lack in the family members' skills did not affect a fast internationalization. On the other hand, no resistance emerged from family members when the opportunity of expanding abroad was discussed, nor did the lack of international experience represent an obstacle that discouraged or delayed the choice to internationalize the company.

Overall, regarding firm-related factors, the firm's size did not emerge as a limitation, confirming what the theories about born global support (e.g. Hagen and Zucchella, 2014). The major constraint is the lack of financial resources, given that companies have recognized that a rapid development of foreign markets is an action that requires significant investments in market analyses, sales promotion and market development.Relative to family factors, we can stress that one of the main factors that reinforced the commitment to internationalization was the presence of young family members. When they were involved in managing the company, they gave a boost to the development of foreign markets, thanks to their higher

level of education, compared to their parents, especially on issues related to the promotion through the Internet and the use of social networks, and language skills. By combining the experience of the parents with the new competences of their children, the achievement of successful fast development paths in foreign markets has been possible. Furthermore, the presence of young family members has also proved to be influential on a mentality more open to a global view and less intimidated by the idea of facing new experiences in less known contexts. As already highlighted in previous studies, the perceived risk changes its influence depending on whether the choice is addressed individually, by the entrepreneur, or with the support of family members. All the cases analyzed have shown that family support and the international orientation of family members contributed to a faster and even better decision-making. Moreover, where present, external managers have contributed to the international development of the company. However, even in the cases where the entrepreneur started the international development, the process was rapid and the impulse was strong, despite the absence of a specific previous experience. This means that among the variables relating to top management, the influence of a factor specifically linked to the entrepreneur emerged, which is what the Francioni *et al.* (2019) scheme indicated as international orientation and, more clearly, commitment to internationalization.

Context-related factors

Among the external conditions that influenced the international market selection, the sector which the firms belong to was highly influential. In fact, the footwear industry is one of the typical sectors that benefit from the "Made in Italy" effect, making foreign markets more open to Italian products. As the company C manager said, "the sector characters have strongly influenced the internationalization process of our company, as it has a natural international nature". However, in order to succeed in foreign markets, it was necessary in some cases to create a strong brand in Italy.

Even the conditions of the national market influenced the speed of internationalization. Companies A, B and C reported internal market difficulties as a stimulus for expanding internationally. The entrepreneur of company A recalls: "after some insolvencies of clients in Italy we decided to move abroad". In the same way, the manager of company C said: "The reduction of the domestic market in recent years in the footwear sector pushed the company to internationalize for surviving".

Another element of influence was belonging to an industrial district. This was recognized by all the companies interviewed, not only with reference to the close presence of suppliers, but also for the promotion abroad, the organization of fairs and events, and for the acquisition of information regarding the new markets. As claimed by the manager of company D: "probably the company alone would not have achieved the same results. It would not have been able to have access to the same amount of information, just thinking of the high costs to take on individually".

Finally, in contrast with previous studies (Gallo and Garcia Pont, 1996) we didn't find any influence of the factor related to the possibility of creating alliances with other family businesses.

In sum, looking at the context-related factors, the most important points that emerged were the stagnation of the national market, which led companies to undertake or accelerate the process of internationalization, and the belonging to industrial districts. In the latter case, the stimulus came not only from the opportunity to count on a local supply chain that provides greater responsiveness to changes in demand and greater flexibility in the supply of products (Caraganciu *et al.*, 2018), but also from the opportunity to exploit a capital of knowledge, information and relationships that the industrial district can offer when it relates to foreign markets, according to what the literature defines as cluster-related channel economies (Musso and Risso, 2012).

5. Conclusions

This study focused on the factors that have influence on the main international strategic decisions of born global family firms, particularly those related to the fast development of exports. For the analysis, a series of factors have been considered, namely the characteristics of the entrepreneur, the influence of the family in decision-making processes, the firm's specific and strategic factors, and external factors. The aim of the study was to understand how the aforementioned factors could (encourage) or limit the internationalization process of FBs, according to the born global perspective.

The study was carried out by analyzing the cases of four Italian FBs within the footwear industry. The analysis has been conducted by adapting previous frameworks that were used for studying the internationalization process of FBs (Gallo and Garcia Pont, 1996; Marinova and Marinov, 2017; Francioni *et al.*, 2019).

The research allowed to verify whether the factors identified by previous studies were correctly defined, by assessing their influence on international development decisions, particularly those related to the choice of rapidly developing foreign markets since the first years of existence of the company.

Findings showed that the factors stimulating the internationalization process were mainly related to cultural and personal features of the entrepreneur, and these aspects were strongly connected to the characteristics and the role of the entrepreneur's family. Indeed, the concentration of power in the entrepreneur's hands, accompanied by a sharing of his strategic view with the remaining members of the family, emerged as the main variables with an influence on rapid decisions about where and how to expand foreign markets. Furthermore, the possibility of creating job opportunities for young family members was associated with a long-term perspective of the entrepreneur, therefore encouraging internationalization processes, counting on the fact that the business can continue in the future under the guidance of new generations, much more prepared and skilled towards foreign markets. This highlights the importance of understanding the subjective mechanisms of strategic decision-making for internationalization, having to investigate how and

why decisions taken with or without an interaction with family members, rather than ordinary collaborators, can take place differently, and leading to different outcomes.

A relevant point that emerged, as regards the entrepreneur's characteristics, is the perception of the risk linked to internationalization. This perception, even if present in the decision makers' mind, is associated with the acknowledgment of conditions which are not dissimilar from those found in the internal market. The advantage from developing foreign markets, as reported by the interviewees, is in the distribution of risks thanks to the diversification of markets. In the perception of risk, a precise influence of the entrepreneur's family emerged from the research. Indeed, the family seems to provide a sort of reassuring function in the face of choices that could fuel to some extent an aversion to risk, partially confirming what previous studies (Boellis *et al.*, 2016) highlighted.

Surprisingly, and in contrast with previous studies (Marinova and Marinov, 2017), the knowledge of foreign languages has not been reported as an essential skill. In fact, the lack of knowledge of foreign languages did not represent, where it emerged, an effective obstacle to the development of international relations. This aspect, that is counterintuitive against the common opinion in the field, is of particular interest. It could be attributable to the growing ease of communication, also thanks to an ever-increasing diffusion of basic English terms at the international level. However, behind this, a deeper cultural change can be identified, with growing common perception about cultural barriers, which are considered as less daunting than in the past. On these aspects, however, specific analyses are necessary to understand the real conditions of the phenomenon.

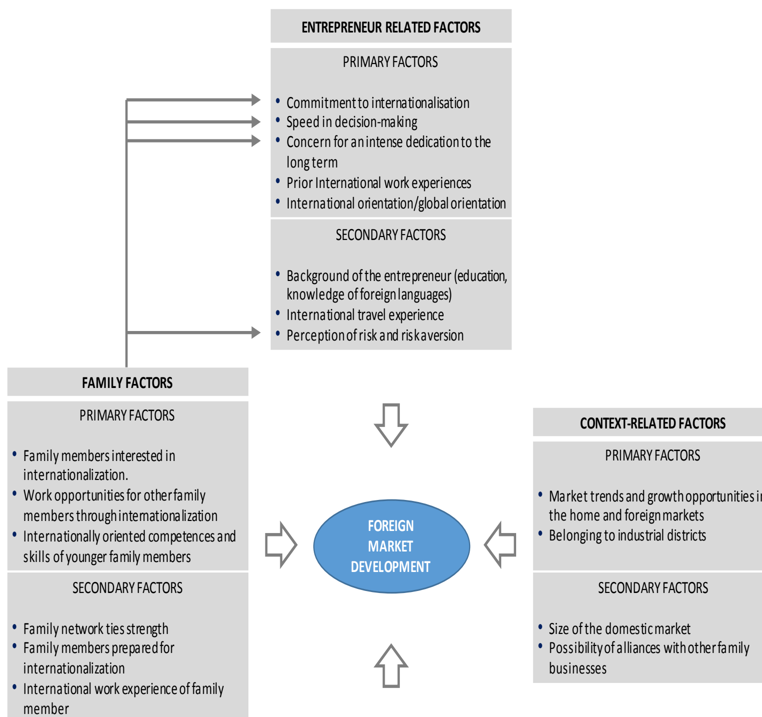
Among the factors related to the structural and organizational features of the company, the availability of financial resources and the level of technology within the company resulted as the most influential. However, regarding technology, it was not indicate as an absolute factor of competitiveness, since the footwear industry leaves space also for handicraft and manufacturing traditions, which are less dependent on technology.

As regards company strategies, what emerges most is the niche approach, consistent with the characteristics of the sector in which the companies analyzed operate. In fact, for these companies, international competitiveness is based on the high-quality level of production and the image of the country of origin, which in the fashion sectors is particularly strong for Italy (Pucci *et al.*, 2017). This allows to pursue global niche strategies that express themselves in a dynamic key (Zucchella *et al.*, 2007), proposing continuous aesthetic / incremental innovations that ensure the maintenance of a competitive advantage.

Among the external and context-related factors, the national market stagnation provided a significant stimulus for internationalizing. Another external factor of influence was the belonging to local economic systems, such as industrial districts, which emerged to be influential to a faster international development of small businesses, confirming the results of previous studies (Pepe *et al.*, 2008; Marinova and Marinov, 2017; Caraganciu *et al.*, 2018).

The results of this study make it possible to draw a conceptual model that puts in light which factors have most influence on the decisions related to foreign markets development by FBs when they follow a born global approach (Figure 1). These factors can be distinguished between primary factors, which resulted as being the most influential in choices, and secondary factors, for which a weak or no influence emerged. Figure 1 also highlights the influence that the factors related to the entrepreneur's family exert on factors concerning the characteristics of the entrepreneur himself, highlighting how those aspects are affected by the family influence.

Fig. 1: Hierarchy of influencing factors on family businesses international market development choices



Source: authors' elaboration

In addition to the study of the influencing factors on internationalization choices, this research allowed to analyze the interactions occurring within the family group involved in the management of companies, enriching the results of previous studies (Arregle *et al.*, 2019; Bauweraerts *et al.*, 2019; Casillas and Acedo, 2005; D'Angelo *et al.*, 2016; Graves and Thomas, 2006; Holt, 2012; Merino *et al.*, 2015; Sciascia and Mazzola, 2008; Segaro *et al.*, 2014; Wach, 2014) on the role of the family in the strategic decisions of made by the SFBs. What emerged is a clear influence on the entrepreneur's decisions to fast internationalize, thanks to a supportive role provided by decisional heuristics and fast thinking (Kahneman, 2011; Guercini *et*

al., 2014) that the presence of the family seems to stimulate. This result is worth to be better analyzed in specific studies that need to be conducted. Indeed, this study opens the way for future research on the influence of the family context in addressing the entrepreneur's decisions. The hypothesis is that for complex decisions related to strategic options (therefore not in the presence of forced choices) the presence of family members can make the entrepreneur feel more confident and resolute in addressing choices. The consequent behavior would be more oriented to the decision speed and to the ability to counter the elements of uncertainty and indecision, which usually delay processes. Therefore, an area of investigation opens on these aspects, with the involvement of psychological perspectives and relating methodology tools.

Practical implications for business management emerge from this study, especially regarding the choices to be made at the organizational level, to better allow the members of the family to express their attitudes - depending on their role within the company - thus facilitating and improving the decision making process of the entrepreneur.

The main limit of this work is that the analysis has been conducted on companies from a single Italian region. Therefore, results should be compared with similar analyses carried out on the whole national territory and abroad. Another limitation of the study is linked with the quantity and heterogeneity of the variables considered. The model proposed is a first step towards the direction of a framework that could make clear the role and weight of each variable, also in their reciprocal influence.

Future research that may derive from this study could draw a model that relates the variables to each other and the way in which they affect the modes and the timing of internationalization. This could form the basis for measuring, through quantitative surveys, their weight and influence. Finally, further studies could be conducted through experiments, deepening the influence of psychological factors on choices, to better analyze the difference between decisions taken by the entrepreneur in a family context, and those taken in solitude or in a decisional context characterized by the presence of collaborators and managers.

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Academic or professional position and contacts

Fabio Musso
Full Professor of Management
Carlo Bo University of Urbino, Italy
e-mail: fabio.musso@uniurb.it

Barbara Francioni
Researcher of Management
Carlo Bo University of Urbino, Italy
e-mail: barbara.francioni@unirub.it

sinergie
italian journal of management

ISSN 0393-5108
DOI 10.7433/s112.2020.02
pp. 21-43

Italian Society of MANAGEMENT

International entrepreneurship in small family firms: a cross-case analysis[1]

Received
10th September 2019
Revised
15th November 2019
Accepted
9th April 2020

Michela Floris - Cinzia Dessì - Angela Dettori

Abstract

Purpose of the paper: *This study aims to identify the main drivers that spur family entrepreneurs to implement internationalization strategies in a social and geographical context that appears to be anchored in the past and does not stimulate business development overseas.*

Methodology*: This study employs a cross-case analysis, which is the most suitable method to highlight similarities and differences across cases. In order to gather and analyze the data, this study adopted an inductive approach.*

Results*: Novel best practices are revealed and help to enhance international entrepreneurship in a difficult setting of reluctance to change and loyalty to a past-anchored culture. Moreover, the findings show which elements encourage and discourage international entrepreneurship. Finally, the study offers an interpretive model derived for the interpretation of similar cases.*

Research limitations*: The main drawback of the study is its explorative analysis of a small sample of family firms.*

Academic and practical implications: *From a theoretical perspective, this study contributes to the literature on the international entrepreneurship of small family firms that are embedded in hostile contexts by identifying the main drivers that promote internationalization. For practitioners, this study offers best practices to inspire successful resilient behaviors and decisions for firms that desire to sell their products all over the world.*

Originality of the paper: *The study elucidates the relevance of the family, firm and context as the main drivers in improving international entrepreneurship by balancing contextual obstacles with entrepreneurs' ambitions of international growth and development.*

Key words: international entrepreneurship; internationalization; small family firm

1. Introduction

For decades, studies on international entrepreneurship state that the entrepreneurial process across national boundaries (Oviatt and McDougall, 2005) is growing (Keupp and Gassmann, 2009). There is a similar trend in the study of family businesses; however, the framework is

[1] This work was supported by the Region of Sardinia, with the funds of L.R. 7/2007, with the funded project "I processi inesplorati dell'innovazione: focus sulle imprese familiari".

particularly fragmented in this domain because of the ambiguous traits of family firms that are either resistant (Graves e Thomas, 2008) or inclined to internationalize (Zahra, 2003). Several studies have focused on the role of family ownership and family involvement in international entrepreneurship (Bell *et al.*, 2004; Fernández e Nieto, 2005; George *et al.*, 2005; Graves and Thomas, 2008), uncovering that family contemporarily stimulates or inhibits expansion in foreign markets. The framework on this is still unclear and particularly complex to define because of family firms' heterogeneity. In addition, in accordance with Kalantaridis (2009), entrepreneurship is affected by the influence of the context in which firms are embedded, and the entrepreneur himself is embedded in a nested structure (Kenney and Goe, 2004). In this sense, international entrepreneurship also needs to be investigated by following the contextualization perspective (Zahra, 2007; Thornton *et al.*, 2011b; Welter *et al.*, 2019). Context, in fact, refers to the elements that stem from the environment surrounding firms and influence their performance, strategies and decision-making processes (Autio *et al.*, 2014).

In this sense, as suggested by Wright and Kellermans (2011), and by Boohene (2018), there is room for further studies focused on investigating the international entrepreneurship of small and medium family firms that are embedded in specific contexts, especially hostile and poor ones, and characterized by the pervasive influence of family members as the main firm decision makers. In problematizing these concepts (Alvesson and Sandberg, 2011), this study is aimed at contributing to the mentioned call by focusing on small and medium family firms that are entirely managed by family owners and operate in hostile contexts. More specifically, this study intends to answer the following question: *which are the main drivers that spur family entrepreneurs to implement internationalization strategies in a social and geographical context that appears to be anchored in the past and does not stimulate business development overseas?*

To answer the question this study, which is based on a cross-case analysis (Miles and Huberman, 1994), and adopted an inductive approach (Gioia and Chittipeddi, 1991), offers novel best practices that enhance international entrepreneurship in a difficult setting based on resistance to change and loyalty to a past-anchored culture. In particular, this study elucidates the relevance of specific elements - family, firms, and context - as the main drivers to improve international entrepreneurship by balancing contextual obstacles with ambitions of international growth and development. An interpretive model is proposed through a set of propositions.

2. Literature Background

2.1 International entrepreneurship

International entrepreneurship research integrates entrepreneurship studies and international business (Coviello and Jones, 2004; Zahra and George, 2002). Many scholars argue that the field of internationalization

studies remains a young field, which, however, has made significant progress in the past three decades (Autio *et al.*, 2011; Dimitratos *et al.*, 2012). Consequently, the field of internationalization is fragmented and lacks consistency (Nummela and Welch, 2006; Jones *et al.*, 2011) because of the lack of unifying paradigms (Keupp and Gassmann, 2009). Internationalization as a field of research that embraces two main streams of investigation (Covin and Miller, 2014). The first stream consists in research on new international ventures, global start-ups, or born global firms (Crick, 2009; Dimitratos *et al.*, 2012) and emphasizes the identification and exploitation of new opportunities for emerging small firms (Dimitratos *et al.*, 2012; Civera *et al.*, 2020). The second stream, in contrast, considers the entrepreneurial activities and behavioral orientation of traditional firms in foreign markets (Neill and York, 2012; Peltola, 2012; Mainela *et al.*, 2014). In other words, international entrepreneurship involves aspects of innovation, the strategic exploitation of opportunities, and renewal strategies in the international competitive business arena (Gabrielsson and Gabrielsson, 2013). Moreover, the international entrepreneurship literature emphasizes the importance of learning in international markets (Schwens and Kabst, 2009; Bruneel *et al.*, 2010; Civera *et al.*, 2020). In fact, studies have shown that firms benefit from various forms of international learning (Schwens and Kabst, 2009; Bruneel *et al.*, 2010; Bunz *et al.*, 2017), including international adaptation (Domurath *et al.*, 2020), and the firm's market orientation (Knight and Cavusgil, 2004) together with entrepreneurial orientation (Kuivalainen *et al.*, 2007). Recently, in accordance with Oviatt and McDougall (2005) and in line with strategic entrepreneurship orientation literature, other scholars have defined international entrepreneurship as "(…) the recognition, formation, evaluation, and exploitation of opportunities across national borders to create new businesses, models, and solutions for value creation, including financial, social, and environmental (...)". (Zahra *et al.*, 2014; p. 138).

Thus, as presented by McDougall *et al.* (1994) and Autio *et al.* (2000), international entrepreneurship represents a strategy for firms to create value and growth in the foreign market. These firms enact a proactive strategy and risk-seeking behavior to venture outside of the borders of their countries, in hopes of spreading their internal routines to new and different environments (Schwens *et al.*, 2018).

The choice to enlarge a business outside of its borders is a challenge that requires the adaptation of consolidated and known routines to new business environments. The decision to expand a business faces a great amount of risk and uncertainty (Mudambi and Zahra, 2007). Firms must manage risk and uncertainty to balance their performance (Sapienza *et al.*, 2006). Because firms want to preserve and increase their performance, they often engage in internationalization strategies. Subsequently, international entrepreneurship can represent a great opportunity for a firm's development, but also a risk of loss and failure (McDougall *et al.*, 1994). As Zahra and George (2002) specified, firms engage in international entrepreneurship depending on their specific characteristics and market circumstances.

2.2 International entrepreneurship in the family business domain

Although some scholars find no differences between family and nonfamily businesses in internationalization practices (Carlos Pinho, 2007; Cerrato and Piva, 2012), recent studies show that the heterogeneity of family firms and that the owners' control and influence affects international entrepreneurship decisions and behaviors (Arregle *et al.*, 2012; Sciascia *et al.*, 2012; Pukall and Calabrò, 2014).

Despite this crucial aspect, family firms often traditionally operate in the domestic market, therefore, studies on family firms' international entrepreneurship has been largely overlooked. Most studies have focused on the difficulties that family firms encounter when deciding to follow internationalization strategies (Donckels and Fröhlich, 1991) rather than looking at how and when they choose to internationalize.

Today, the search for new foreign markets is becoming an imperative, even for family firms, in order to face the increasing competition of the global market (Gallo and Sveen, 1991; Gallo and García Pont, 1996; Kontinen and Ojala, 2010).

Thus, the theme of international entrepreneurship in family businesses is growing, and many studies have highlighted that a firm's internationalization choice is affected by the nature of its ownership (Zahra, 2003; Fernández and Nieto, 2005); it is maximized when family ownership stands at a moderate level (Sciascia *et al.*, 2012). Moreover, researchers have pointed out a difference between some authors, who demonstrate that family involvement in management positively affects internationalization (Zahra, 2003; Carr and Bateman, 2009), while others argue that some aspects of family firm have a negative impact on a firm's internationalization orientation (Fernández and Nieto, 2006; Graves and Thomas, 2008).

The literature, in fact, underlines that the international entrepreneurship of family firms differs and depends on the ownership structure of the business and the effects of family involvement (Bell *et al.*, 2004; Fernández and Nieto, 2005; George *et al.*, 2005; Graves and Thomas, 2008). Thus, investigating family firms as distinct entities in the field of international entrepreneurship may reveal interesting insights.

Offering goods and services outside the home country provides fruitful growth opportunities for family firms (Claver *et al.*, 2009); however in many markets, rather than adopting aggressive strategies, family business owners prefer to maximize revenues in a limited number of foreign markets (Zahra, 2003). This effort shows contrasting results and sometimes business owners underestimate the effects of the market.

The complexity of this ambiguous scenario increases, following the perspective of contextualizing the investigated phenomenon. In accordance with Kalantaridis (2009), what concerns entrepreneurship is heavily influenced by the context in which firms are embedded, and the entrepreneur himself is embedded in a nested structure (Kenney and Goe, 2004) that affects entrepreneurial behavior (Wang and Altinay, 2012). In other words, international entrepreneurship is a contextualized phenomenon (Zahra, 2007; Thornton *et al.*, 2011b; Welter *et al.*, 2019) and

for this reason, its observation cannot ignore the in-depth knowledge of the context. This refers to elements that stem from the environment in which firms operate and influence performance, strategies and decision-making processes (Autio *et al.*, 2014). In this sense, culture (Hayton *et al.*, 2002; Thornton and Flynn, 2003; Thornton *et al.*, 2011a; Kibler *et al.*, 2014), the industry and technological environment (Weismeier-Sammer, 2011; Cruz and Nordqvist, 2012; Autio *et al.*, 2013b; Broekeart *et al.*, 2016), the institutional and policy environment (Levie, Autio *et al.*, 2014), market forces (Classen *et al.*, 2014; Kotlar *et al.*, 2014), demographic aspects and spatial conditions (Drori *et al.*, 2009; Welter, 2011; Dehlen, Zellweger *et al.*, 2014), and other elements look particularly influential in relation to growth and survival opportunity. Specifically, as underlined by Hayton *et al.* (2002), firms reflect their context and have to gain and maintain context legitimacy to survive (Thornton and Flynn, 2003; Thornton *et al.*, 2011a; Kibler *et al.*, 2014); moreover, family firms appear to be particularly connected to their local contexts and roots (Dyer Jr and Panicheva Mortensen, 2005; Casillas *et al.*, 2010; Bird and Wennberg, 2014).

In this sense, as suggested by Wright and Kellermans (2011), Boohene (2018), and Etemad (2019), there is room for further studies focused on investigating the international entrepreneurship of small and medium family firms that are embedded in hostile and poor contexts and characterized by the pervasive influence of family members as the main decision makers (Dyer Jr and Panicheva Mortensen, 2005). This work is addressed to contribute to this call.

3. Methodology

3.1 Research design

To investigate international entrepreneurship in small family firms, this qualitative study, which is particularly appropriate for studies of family businesses (McCollom, 1990) aims to penetrate the veil of the resistance of the family and avoid gathering data that is not useful (Litz, 1997).

Specifically, this work is based on a cross-case analysis, which is a suitable method to facilitate the comparison of commonalities and differences among case studies (Miles and Huberman, 1994) resulting in a synthesized outcome (Khan e VanWynsberghe, 2008). In addition, case studies are able to answer "how" and "why" questions, thus providing an explanation for events, exploring causality, and generating theory (Eisenhardt, 1989; Yin, 2008; Yin, 2011).

The data from the cases are organized in tables and graphs. The chosen methodology is a structured approach where the theoretical contents from the literature are first identified and then, through an iterative process, the topics are refined by means of the collection and analysis of data from the cases. Finally, the data are compared with earlier literature (Miles and Huberman, 1994; Wolcott, 1994). The selected case studies can explore the meanings and processes (Van Maanen and Van Maanen, 1983) related to individual behaviors without being influenced by the researcher's views (Finch, 1988). This is particularly relevant in investigations on the effects

of culture (Howorth and Ali, 2001) and, conversely, of context. In line with other scholars (Miles and Huberman, 1994), the selection of cases was purposeful. Moreover, it also converged with Patton's suggestions (1990; 2002) that highlighted that the logic and power of purposeful sampling lie in selecting information-rich cases for in-depth study. In this view, information-rich cases are those from which one can learn a great deal about issues of central importance for the purpose of the inquiry, hence the term "purposeful sampling". This means that studying information-rich cases yields insights and in-depth understanding rather than empirical generalizations. Specifically, we use a sample of three firms, with the family business owner-manager as the unit of analysis. These small family firms are representative, as described by Howorth *et al.* (2006). Their owners can be described as "heroes," (Welter *et al.*, 2017) because they manage "everyday entrepreneurships," characterized by a blooming heterogeneity, and operate under resource constraints and adversity (Powell and Baker, 2014; Bradley, 2015).

To gather and analyze data, we used a methodological approach that was conceived by Gioia and Chittipeddi (1991) and further elaborated in subsequent studies (Clark *et al.*, 2010; Corley and Gioia, 2011; Gioia *et al.*, 2013).

3.2 Data gathering

In the third quarter of 2018, we conducted six in-depth interviews with the family owners of three small family firms. With a prior understanding of the demographical data of each firm, two interviews were planned with each family-owner; these were conducted in person using an interview protocol. The first interview (average duration: 65 minutes) consisted of unstructured questions to gain an understanding of the firm's history and the owner's feelings. The second interview (average duration: 45 minutes) consisted of semi-structured questions to refine the information about the firm's internationalization strategies. All of the respondents were part of the board of the family firm. Each conversation was recorded for a total of 330 minutes of interviews and transcribed verbatim into 40 pages shortly after the interviews. In the case of missing information, we engaged in follow-up phone calls and gathered further secondary information, which consisted of ten business reports, three journal articles, and several official Internet pages about businesses and international entrepreneurship in the region. Moreover, we conducted five additional interviews with experts, consultants to small and medium-sized family-owned firms, and representatives of trade associations, which lasted from 30 to 50 minutes each. To analyze the qualitative data, we applied a three-step process (Mayring, 2010). In the first step, we analyzed each of the first three unstructured interviews. To do so, we created a chronological structured description of each firm with all the relevant demographic information of the family and the firm. These documents amounted to three to ten pages per firm. Two independent coders read each of the interviews, making notes about first-order concepts, second-order themes, and aggregate dimensions (Gioia *et al.*, 2013). The outputs of this analysis resulted in three data structures (Gioia *et al.*, 2013), one for each family firm. In the

second step, we engaged in a cross-case analysis (Eisenhardt, 1989; Patton, 1990) to identify common patterns across the sample (Eisenhardt and Graebner, 2007) and to elaborate one aggregate data structure to formulate and identify the dynamic relationships among the concepts. In the third step, we analyzed the data that had been gathered in the second semi-structured interview and summarized the answers. During the analysis, we iteratively switched between qualitative evidence and extant theory (Denzin and Lincoln, 2000; Silverman, 2001). This way, we were able to transform the static data into a dynamic grounded theory model (Gioia *et al.*, 2013), which is presented and discussed in the final section.

3.3 The sample

The sample consisted of three small family firms that operate in Sardinia, a region of Italy and one of the two major islands of the Mediterranean Sea.

These firms have commonalities in demographic and structural aspects, as well as differences in terms of their internationalization strategies. All three firms are small, managed by a family intending to transfer ownership and management across generations, embedded and appreciated in their own territory and in the regional context, and face continuous regional challenges. The island of Sardinia regularly experiences a long series of shortcomings notwithstanding its position in a well-known beautiful sea and the genuine food and hospitality of the Sardinian people that stimulate a flourishing summer tourism trade. Firstly, the low density of inhabitants results in a narrow internal market that, on the one hand, discourages new entrepreneurial activities and, on the other hand, limits the growth possibilities for existing firms. Secondly, controlling production and selling costs is difficult due to shipping charges for raw materials and selling products overseas. Thirdly, internal transport lines are problematic due to the streets and roads that are often neglected in terms of maitenance, lighting, and signage, especially in the countryside. Finally, the island's culture is anchored to the past, embedded in traditions, and hostile toward change.

This brief description of Sardinia underlines that surviving in such a context entails challenges for the selected small family firms and suggests that there may be different strategies to face challenges and guarantee long-term survival.

To assure anonymity, the firms are labeled as Firm A, Firm B, and Firm C and are briefly described in the following table.

Tab. 1: Demographical details of the firms

Firm	Generation	Industry	Revenue (Miles of Euros)	Employees	Role of family	External managers
A	II	Food	750-1.000	5-8	Main decision maker	Absent
B	II	Bread and bakery	1.200 - 1.500	20-30	Main decision maker	Absent
C	III	Water	10.000 - 15.000	20-40	Main decision maker	Absent

Source - Authors' elaboration

Firm A, founded in the 1990s, operates in the typical food market and is currently led by the second generation. Three family members are actively engaged in pursuing the founder's dream of "selling their products all over the world". The firm life cycle is characterized by an increasing entrepreneurial orientation due to the firm's interest in internationalizing the product and becoming the leader in the market. This goal is challenging because the products are considered a treasure to be preserved, anchored to past customs and local traditions and consumed only at special events. Local culture has played a relevant role in the slow development of the market. However, thanks to the spirit of the founder, a long series of innovations was introduced to improve production, selling and distribution, and change the common opinion about the product. The founder overcame ancient traditions through innovativeness, risk taking and proactivity. The local market initially disliked innovation in this traditional product, which was known to be handmade at home. The introduction of new machinery, new ways to extend shelf life, and new market strategies allowed the founder and the new generation to experience some success. Nevertheless, the small family firm also faced a crisis because of family concerns, the general economic crunch, the increasing number of competitors, a narrow market, failures in recruiting human resources, and the closed mentality of the local population. The founder's dream staggered. At first he considered closing the firm, which was a family treasure. Fortunately, the second generation united: they were interested and willing to make efforts to restart the firm. Within a few years, Firm A was gradually and laboriously able to overcome cultural barriers, renew production, enter the e-commerce platform, and expand to international markets. This situation raised revenues by about 230%.

Firm B, founded in the 1950s and now led by the second generation, operates in the bread and bakery sector. Nine family members are actively engaged in the firm and hold different positions. The founder started the business by producing and selling fresh bread daily to local customers without considering increasing production, differentiating the product, or seeking to reach new and far markets. The bakery was his life and the founder met his current wife within the walls of his business. They had six son and daughters who have worked at the firm in their spare time and during their school holidays since their childhood. They acquired skills, abilities, and knowledge but, being young, were not happy about spending all of their time in the bakery. However, the founder explained that a family firm can only exist if the family is involved, committed, and interested in transferring the business across generations. In other words, the firm is a family affair and, in this view, must be managed by the family. This instilled, on the one hand, a strong attachment to the firm and, on the other hand, a sort of jealousy due to the attention that the father paid to the firm. The firm has experienced several innovations, which were generally introduced by the wife, the sons and the daughters in the course of its lifespan. One of these sanctioned the real development of the small family firm. Thanks to new machinery, product diversification and differentiation, and new market strategies, the firm started to exponentially grow and challenge international markets. Firm B was the first to produce and sell

a product that was traditionally handmade by families in international markets, thus immediately gaining overseas appreciation. Over the last three years, revenues have increased by 11.61%. 25% of its market is made up of regional customers, and 75% are customers in other regions of Italy and foreign markets (Europe, America, Asia and Australia).

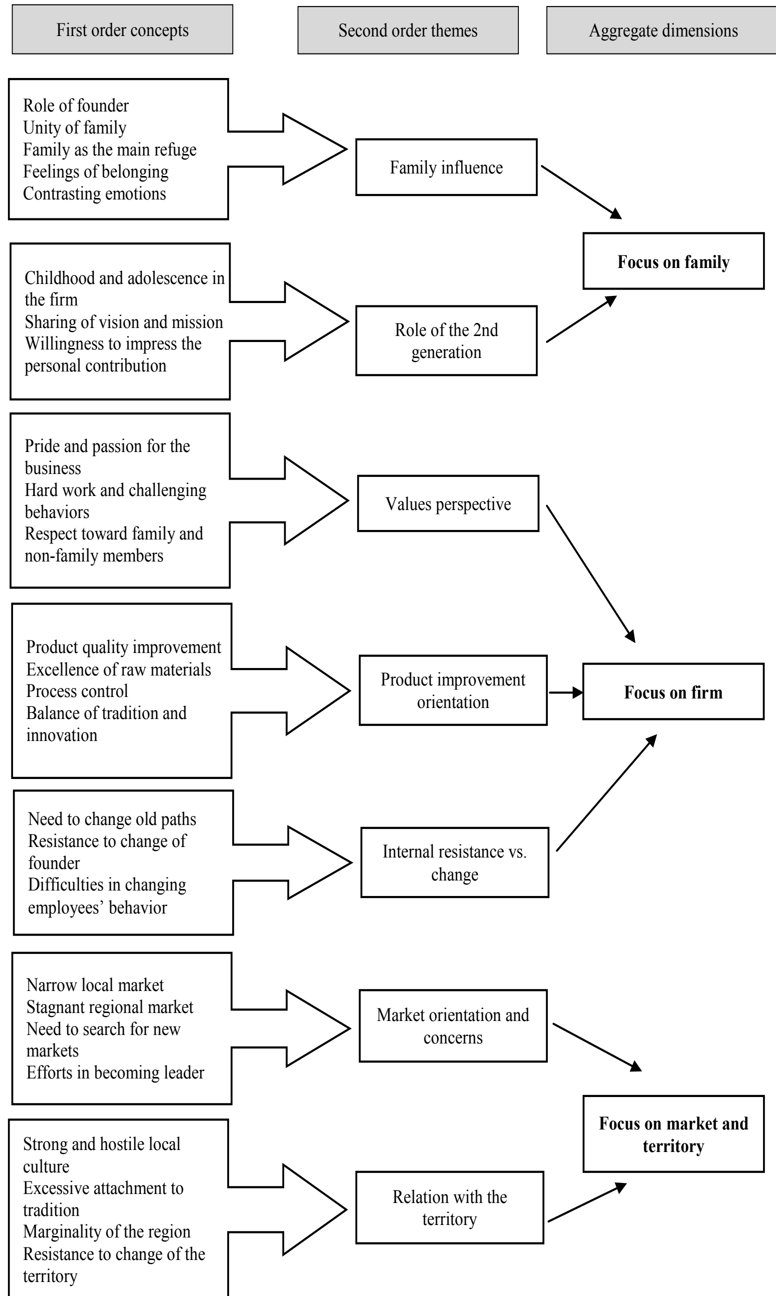
Firm C, a mineral water firm founded in the 1950s, is in its third generation. Five family members are actively committed to the firm in different and well-defined roles. A careful division in roles has allowed the second generation to carry forward the fundamental values of the family, which are based on a passion for work and a deep respect for the purity of the raw material offered by the natural environment, as well as for the consumers and collaborators. These values are reflected in a policy that is focused on the specific attention that is paid to all stakeholders to serve customers and their needs. There is a shared interest in the firm, with a full understanding of the importance of quality in pursuing the company's objectives. The goals of the founder and the successors were to become the first mineral water company to open a local unit outside of Italy, to make their products known in overseas markets, and to solidify the firm's presence abroad over time. Sales are made through traditional large distributors, but the small family firm has recently added an e-commerce channel. Through this, Firm C has started to embody a firm that considers tradition and its strong link with the territory but is, at the same time, capable of introducing innovative strategic solutions to gain international market share. In fact, in 14 years, Firm C has undertaken an internationalization strategy that has led to its progressive success in Europe and beyond the European market. In fact, in 2005, it started selling and distributing water in the United States, gradually expanding its market in other countries. The firm's revenues are currently increasing, albeit at a lower rate than those of its larger international competitors. However, the quality of the product and the firm's ability to effectively promote its international strategies has allowed the small family firm to face competitors and win relevant and prestigious international awards.

3.4 Findings and discussion

A two-step cross-case analysis identified common patterns and differences among the three firms. The first step elaborated an aggregate data structure (see Figure 1) to highlight first-order concepts, second-order themes, and aggregate dimensions (Gioia and Chittipeddi, 1991; Gioia *et al.*, 2013), which are essential to investigating the existing dynamic relationships that emerged among the concepts during the unstructured interviews. The second step summarized the owners' answers about specific questions on international entrepreneurship (see Table 2). In both cases, in order to isolate the main relevant contents, three different scholars read and discussed the interviews to reach a shared interpretation. This led to three data structures and one aggregate data structure to show the main repeated concepts (first order) that emerged from the interviews. The owners centered their narratives around common topics (see Fig. 1) such as the role of the founder; the relevance of family unity; the entry and collaboration of

second generations during childhood and adolescence; the effect of a local culture that is embedded in ancient and sometimes obsolete traditions; and the difficulties in implementing internationalization strategies.

Fig. 1: The aggregate data structure



Source - Authors' elaboration

The following exemplary quotes can better explain the abovementioned concepts:

"We are grateful for Mom's efforts. She has always showed resilience and ability in overcoming difficulties, probably because we are united and our driver is the family. For this reason, we are engaged and committed to guaranteeing the achievement of her dream, that is, selling our product in the world" (Firm A).

"When Mom decided to automatize the most time-consuming phase of the production, the local territory considered her a heretic. She demonstrated the ability to challenge these adversities and, although we initially registered losses and revenues decreased, we started to invest in the foreign market. Now, we are proud that we showed courage and determination. Our product will conquer the world [laugh]" (Firm A)

"The most important family member is our father, who is the founder of our family firm. His passion is our stimulus to continuously pursue ambitious goals. However, since we were children, he has demonstrated a strong resistance to introducing radical change within the firm". (Firm B)

"I remember my school holidays like a nightmare. Bread, bread, and bread. A trip to the sea? It was impossible for us. My father told us that the firm was a family treasure and needed the care and the attention of each of us". (Firm B)

"We have inherited a treasure to protect and preserve with the aim of passing it on across generations as our father wants with all his heart. (…) our family is our glue, a real refuge, where difficulties and crises encounter calm and serenity. (…)" (Firm C)

"Our industry is particular and the market is mainly controlled by big companies. The international award we received represented a renewed stimulus to continue in our international efforts. The quality of our product is our competitive advantage and despite its the small dimension, overseas markets are increasingly appreciating our excellent product" (Firm C)

After identifying the first-order concepts, we grouped them following a logical path that began by identifying seven second-order themes and then three aggregate dimensions. These were characterized by the three different foci that were displayed by the small family firms. The first was related to the family, the second to the firm, and the third to the market and the territory. Specifically, the findings showed that the discussion unfolded along three main routes of influence on the firms' international behavior and the owners' perceptions. For instance, "family" was the main element, from which and to which all business activities flow. In fact, family represented both a springboard for new initiatives and a hindrance to change; family can spur the development of the family business or preserve it unchanged. In addition, the early entry of the new generation fosters a strong attachment to the firm; however, it was sometimes contradictory (love/hate). The family's high level of concern and care toward the firm as a family treasure stems from the concept of family and its trans-generational view. For this reason, the "firm" is an element that affects international entrepreneurship. The proclivity of internationalization is also dependent on attention to product quality and production, the families' pride in

being active in the family firm, and the continuous struggle between the desire to introduce innovations and changes and the resistance of previous generations. Finally, the market and the territory represent the last relevant element. Specifically, the narrow local market and the strong regional culture with an excessive attachment to traditions and past paths have created a hostile context in which to operate. This factor was clearly related to decisions on the possibility to succeed in overseas markets.

To understand whether the elements that emerged during the interviews were actually linked to the internationalization strategies of the firms, three other semi-structured interviews were conducted. By analyzing those responses, we found a correspondence with the first set of interviews. They confirmed the three elements that are the main devices that positively and/or negatively influence the will to internationalize: family, firm, and the market and context in which the firms are rooted. The exemplary quotes shown in Table 2 illustrate these elements.

Tab. 2: Exemplary quotes of the semi-structured interviews

What are the main elements that influence your internationalization strategies?	What are the main difficulties you encountered in choosing to internationalize?	What are the main reasons you decided to internationalize?
"(…) In choosing to internationalize, we first had to reflect on the upheaval that this would entail in the family balance (…), because this also means traveling, participating more frequently in international fairs (…). Second, we analyzed our firm and our internal structure to identify our potentiality (…), then we started to introduce product differentiation and diversification to meet international expectations. (…) Our motto is to take the assets we own outside the regional boundaries". (Firm A) "Certainly one of the main elements is due to the need to ensure a very high product quality, so as not to disappoint the international market. (…) this means working even more, paying more attention to the company and devoting even more time to our business. (…) but we absolutely want to achieve our mother's dream. This means strengthening family ties even more and giving each other strength to get out of our small local context. (…) It's about changing the culture (…)". (Firm B) "The founder's dream was not simply to create a business, but to give work to his children and to do so through the creation of a product that exalted the purity of the water that flowed from the pristine mountains of our region. Our connections with the territory and its natural riches is very strong. (…) Our goal initially was to become the first regional company capable of going outside the confines of its own small territory. Today the goal is to make the foreign market appreciate us and confirm this over time". (Firm C)	"(…) difficulties are encountered daily. Sometimes these are internal problems within the company, sometimes family discontent, sometimes they are due to small but significant failures. But undoubtedly, our territorial context, which is too sacrificed in terms of logistics, traffic and transport, has a great impact. This often causes delays in supplies and deliveries. (…)" (Firm A) "Going out of one's own borders means investing so much material and so many immaterial resources. This goes especially for those who, like us, live in a region with serious logistics and transport problems. Furthermore, being pioneers of a break with past traditions is not always easy. (…) to operate at its best it would be necessary to be more cohesive (…)" (Firm B) Water is a natural and "poor" good. (…) that has to be preserved as much as possible, in accordance with the "less is more" principle: the more the producer is able to guarantee the purity of the produced product, the greater the degree of appreciation by the customer. (…) Moreover, it is a sector with entry barriers and (…) the foreign market, compared to the Italian one, is different and characterized by the domination of corporations. (…) We are therefore a small reality and we must respond to these giants by guaranteeing excellent quality standards (…) (Firm C)	"First of all, ours is a real desire to make our traditional product known and, thus, promote our land and our culture. (…) then, personally, there is also the desire to leave our footprint as a new generation, perhaps also in response to our father's resistance to change. (…) Last, but not least, there is the need to look for new and more profitable markets". (Firm A) "Surely the desire to conquer the world with our product is no longer just our mother's, but it is also ours. (…) This is the main reason why we invest so much energy and resources in international markets. Then, undoubtedly, the desire to demonstrate to our territory that innovating traditional products does not mean distorting them, but rather enhancing them and making them usable in other markets". (Firm B) "A firm that operates abroad has to be able to meet international expectations as a specific cultural orientation that places the customer at the center of the firm strategy. (…) Our family firm creates a product that is qualitatively excellent and appreciated by customers, even international ones. The local market is limited and to grow, so we need to broaden our horizons and thus achieve the dream of our founders to create something for future generations". (Firm C)

Source: Study interview transcription and authors' elaboration

The quotes in Table 2 highlight the influence that family, firm, and market and territory have on international entrepreneurship.

Specifically, the results of the semi-structured interviews, combined with those derived from the unstructured interviews, showed a series of concepts, as follows.

A. The focus on family represents a stimulus of internationalization.

Often, as occurred in the sample firms, the ability to implement successful international strategies can be traced back to the family influence and to the role of the second generation in making decisions. Specifically, international entrepreneurship appears to be related to the will and commitment of the younger generations by virtue of a founder's dream (Firm A), the desire to guarantee the survival of the company from a trans-generational perspective (Firm C) and the response to a marked resistance to change and to a particularly autocratic leadership style of the previous generation (Firm B). In this sense, the family and the dynamic relations that emerged can be seen as drivers of internationalization.

From this circumstance, it is possible to extrapolate the following proposition:

P1. *The greater the influence of the family, the more internationalization strategies will be affected.*

From this, it follows that:

P1a. *The more the previous generations are open to internationalization, the more the firm will develop international strategies.*

P1b. *The more the previous generations are reluctant to change, the more the firm's international development will be conditioned (or influenced) by the new generation's capability to leave their own footprint by making substantial changes to the consolidated strategies.*

B. A focus on the firm represents a stimulus of internationalization.

Attention toward the firm, which is demonstrated in the continuous search to improve product quality and the production process, the willingness to invest in resources, and commitment to the development of the family business have led the three firms to expand their activities in other markets. This means that an awareness of being able to offer an excellent product (Firm C), continuous efforts to adapt organizational and production structures (Firm A) and the continuous improvement of product differentiation and diversification (Firm B) all positively contribute to push small family firms toward foreign markets.

This situation leads to the following proposition:

P2. *The greater the attention to the firm and to the product and production, the more the family firm will tend to seeking foreign markets.*

From this, it follows that:

P2a. *The higher the commitment to the firm, the more the hard work and passion of the new generations will stimulate the search for new markets*

P2b. T*he greater the attachment to the family, the greater the interest in the firm's growth and survival in foreign markets.*

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italian journal of management
Vol. 38, Issue 2, 2020

C. *A focus on the market and territory represents a stimulus of internationalization.*

Very often, small family firms that are embedded in contexts characterized by marginality find it difficult to survive in the nearest market and even more difficult to identify new and more attractive markets, especially because of the limited available resources. Instead, the small family firms that were considered in this study have shown that the hostility of the context in which they are rooted and the narrow size of the local market can represent a stimulus to seek foreign markets and, consequently, to implement internationalization strategies. Furthermore, the desire to reinterpret tradition (Firm B) through the introduction of product and process innovations that are strongly opposed in the local context, can find acceptance and approval in foreign markets. The highly penalizing problems in transport and logistics (Firm A) do not prevent the pursuit of international markets. Finally, the existence of barriers to entry and the pervasive presence of large corporations (Firm C) in the market do not preclude small businesses from obtaining appreciation in foreign markets.

This situation leads to the following proposition:

P3. T*he more the market and the territorial context are penalizing, the more small family firms are stimulated to look for new markets outside their territorial boundaries.*

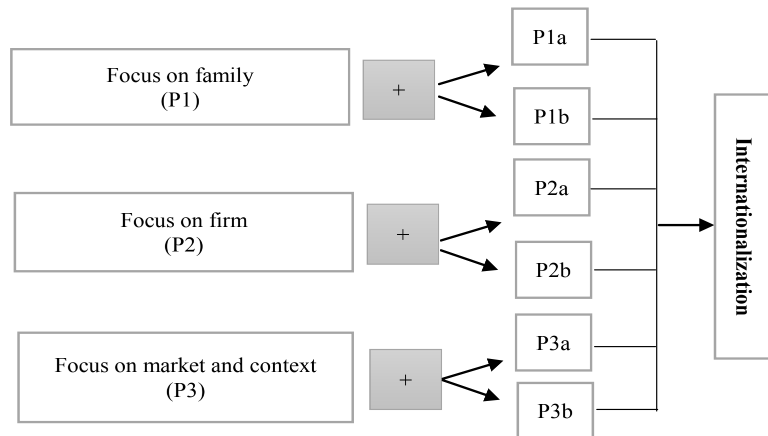
From this, it follows that:

P3a. *The more limited the market in size, the more family firms' who want to grow will have to implement internationalization strategies.*

P3b. *The more hostile and culturally static the context in which companies are rooted is, the more innovative small family firms will be interested in international markets.*

The next figure synthesizes the three propositions as concepts:

Fig. 2: A synthesis of the concepts



Source: Authors' elaboration

3. Conclusion

This study aimed to contribute to the ongoing debate on international entrepreneurship in small family businesses by trying to disentangle the fragmented framework that divides this kind of firm behavior in two opposite ways: on the one side, resistance to internationalization and, on the other side, ability to implement effective internationalization strategies. Moreover, this study focused on small family firms in which family members are the main decision makers that are embedded in hostile and unfriendly contexts that are characterized by practices that are anchored to past paths and culture, narrow markets, constraints on resources and resistance to change. Through a cross-case analysis and an inductive approach, the findings revealed that the ability of such small family firms is grounded on three main drivers of internationalization: family, firm, and context. Proclivity towards these drivers allows small family firms to engage in international entrepreneurship. From a set of propositions, an interpretive model was proposed to explain how such drivers affect internationalization in small family firms.

The findings have both academic and practical implications. First, this study contributes to the literature on international entrepreneurship in family businesses by identifying which elements, more than others, affect the implementation of internationalization strategies. With reference to the focus on "family", the results confirm previous studies (Sciascia *et al.*, 2012), underlining that internationalization can also be achieved in cases of the complete family's involvement in making decisions. This corroborates other studies (Zahra, 2003; Carr and Bateman, 2009), highlighting the positive role of family involvement in international entrepreneurship. In line with this, findings partially disagree with previous studies that argued that some characteristics of the family may generate negative impacts on a firm's internationalization orientation (Fernández and Nieto, 2006; Graves and Thomas, 2008), showing that conflicting family relations between first and second generations can also produce positive effects on international proclivity. As far as the "context" driver is concerned, the findings show that if the "market and territory" are particularly narrow or hostile, small family firms look to overseas markets, with the aim of spotting new market opportunities.

Second, by analyzing differences and commonalities among the three cases, the findings contribute to heterogeneity studies on family business by uncovering how the focus on family, firm and context, plays a relevant role in international entrepreneurship.

As regards the study's practical implications, the findings of the cases elaborate best practices to inspire successful, resilient behavior and decision-making. Other firms that experience daily challenges and dream of selling their products all over the world may follow the examples shown in the cases.

The main drawback that represents a stimulus for further research is the explorative character of the study. Future studies could enlarge the sample to test the propositions and extend the study through longitudinal and cross-cultural analyses, thus investigating the role of the context over

time and in terms of different territorial characteristics. More specifically, future studies could be focused on family firms that are embedded in different contexts (not necessarily in narrow and hostile environments) and on other kinds of firms to understand the role played by the firm's governance, the size, and the ownership. In addition, at the current stage, the relationship between the identified drivers - family, firm, and context - and internationalization strategies could appear deterministic because they were essential for the internationalization process in the sample firms. However, in this study, we have exclusively considered family firms that are engaged in internationalization paths. This limit stimulates future studies to address this drawback in order to assess whether and how the mentioned drivers are also present in small family firms that have not pursued an internationalization path. Finally, future studies can focus on analyzing different levels of focus on family, firm and context in order to reflect on different degrees of international entrepreneurship in small family firms.

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Academic or professional position and contacts

Michela Floris
Associate Professor of Management
University of Cagliari - Italy
e-mail: micfloris@unica.it

Cinzia Dessì
Associate Professor of Management
University of Cagliari - Italy
e-mail: cdessi@unica.it

Angela Dettori
Research Fellow
University of Cagliari - Italy
e-mail: angela.dettori@unica.it

sinergie
italian journal of management

ISSN 0393-5108
DOI 10.7433/s112.2020.03
pp. 45-66

Italian Society of
MANAGEMENT

The localization choices of Italian family businesses in China: is there an agglomeration effect?

Received
10th September 2019
Revised
12th November 2019
Accepted
27th February 2020

Mariasole Bannò - Federico Gianni - Sandro Trento

Abstract

Purpose of the paper: *Based on the socioemotional wealth theory, the objective of this work is to investigate the existence of different motivations influencing the localisation choice of the FBs' investments. We want to explore if FBs agglomerate with other FBs or, more generally, if FBs follow a different pattern rather than NFBs.*

Methodology*: The study was carried out using the mixed method following an exploratory sequential design. The quantitative analysis was conducted starting from a sample of 2,958 FDIs made by Italian FBs and NFBs in China, while the qualitative analysis was carried out by performing an in-depth interview with the Marketing Manager of the Italy-China Foundation and by triangulating the information with written reports.*

Findings*: The results are consistent with the traditional literature that identifies the main drivers of localization choices in the economic-strategic, political and institutional factors. Any different motivations from NFBs due to SEW were not confirmed.*

Research limitations: *A first limitation is that, in the quantitative analysis, we considered only FDIs in China and only by Italian companies. A second limitation is that, again in the quantitative analysis, the measure used to identify and distinguish FBs from NFBs is a dichotomous variable.*

Implications*: From a managerial point of view, what this study implies is that family companies and all the other types locate their FDIs following similar logics and so there is no difference in the strategies of localization that can be traced back to the family or non-family nature.*

Originality of the paper: *to date, very limited knowledge exists about the strategic location choice of FBs and particularly, the agglomeration effect in FBs compared to NFBs.*

Key words: family business; foreign direct investments; localization; agglomeration; China

1. Introduction

Family Businesses (FBs) account for the two thirds of the worldwide economic landscape, generating more than 75% of the GDP in most countries and employing more than 75% of the workforce (FFI, 2017). As regards Europe, FBs can be considered the backbone of the European economy: FBs account for more than 85% of the total firms and for more than 59% of the large enterprises (Corbetta and Quarato, 2016). This data

gives a clear perception of the importance of this form of business and justify the great academic interest considering the fast-growing number of studies on FBs and on the related managerial implications and policy issues.

However, despite the great amount of research on FBs and their role in the world economy, many themes remain unexplored on the intersection between internationalization and FBs (de Massis *et al.*, 2018). The extensive research relying on the socioemotional wealth (SEW) perspective (Gomez-Mejia *et al.*, 2007), acknowledges that FBs exhibit distinct motivations and behaviours in relation to their non-family counterparts. Extant research on FBs' internationalization has largely examined the antecedents of international expansion (Pukall and Calabrò, 2014), outlining how family involvement may boost or hinder the internationalization of FBs in comparison with NFBs (e.g. Graves and Thomas, 2008; Sciascia *et al.*, 2013; Bannò *et al.*, 2016). Yet, to date, very limited knowledge exists about the strategic location choice of FBs and particularly, the agglomeration effect in FBs compared to NFBs. While scholars agree that firms locate their activities in agglomerated clusters, as long as they can exploit agglomeration externalities and reduce their costs, no study exists that analyse the characteristic motivation in FBs' agglomeration.

In order to be competitive, the localisation choice of family firms in a big emerging market could be different from NFBs (Bannò and Pisano, 2017). We contend that the distinction between FBs and NFBs, could help explaining the strategic choice of internationalization in terms of Foreign Direct Investment (FDI) localization. The SEW perspective, suggests that FBs adopt internationalisation strategies, which do not harm their socio-emotional endowment (Gomez-Mejia *et al.*, 2007), are more risk averse than NFBs (Fernández and Nieto, 2005) and this increases their reluctance to take part in networks with foreign companies or to explore foreign markets that are considered riskier than the domestic one (Boeker and Karichalil, 2002; Gómez-Mejía *et al.*, 2010). This fear claims that FBs, in addition to seeking an economic-financial performance, aim to create and maintain a socio-emotional wealth by adopting international and location strategic choices different from the NFBs' (Gómez-Mejía *et al.*, 2007; Berrone et al,. 2012; Sciascia *et al.*, 2013).

In this paper we want to explore if FBs' aversion to risk can be mitigated by social ties and the co-location in a foreign Country, for example, with other FBs. Given the depth and reciprocity of these ties, we want to explore if the family recognizes the non-economic benefits they receive from such exchanges, and will thus favour initiatives, that can generate benefits of such reciprocal social exchanges. Based on this perspective, we want to explore if FBs which decide to internationalize will be led to locate their investment following an emotional pattern due to the SEW that characterise such kind of firms.

The exploration is done by referring to FDIs in China by Italian companies, both family and non-family. This choice is due to two different reasons. First, China has always been of great interest for scholars, since many Italian companies have chosen this Country as the destination for their investments (Mariotti and Mutinelli, 2017). Secondly, China appears

to be a sufficiently large country to study the existence of agglomeration phenomena.

We adopt a mixed method with an exploratory sequential design, that is an approach that combines both the typical perspective of the qualitative and quantitative approach in order to guarantee a greater understanding of the topic analysed. The in-depth understanding of qualitative research techniques and the combination of quantitative statistical trends create a stronger research methodology than a single approach (Bryman, 2008). The qualitative analysis was conducted through the realization of an in-dept interview with the Marketing Manager of the Italy-China Foundation, while the quantitative analysis is conducted starting from a sample of 2,958 IDEs in China by Italian companies, both FBs and NFBs.

The paper is structured as follows. In the next section, a review of the relevant literature on internationalization, family business and agglomeration is presented. Our explorative analysis is developed accordingly. In the following two sections, the methodology employed and results of the analysis are presented. A discussion of empirical findings and concluding remarks follow.

2. Theoretical framework

2.1 Internationalization strategies and location choice of family business

When dealing with internationalisation, and in order to maintain their SEW, the foreign expansion of FBs has its own peculiarities when compared to other types of business (Gallo and Garcia Pont 1996; Calabrò *et al.*, 2016).

Socioemotional Wealth, taking its origin from the theory of behaviour and, in particular, from the theory of the agency, asserts that companies under the control of a family base their strategic choices on the protection of specific assets/heritages, as the complex of values promoted by the family, and use these values as their main decision-making reference scheme. Gòmez-Mejìa *et al.*, (2007) describe SEW as a stock of values attributable to the authority that family members can exercise indefinitely over the business, the possibility of directly influencing the firm and the complete identification of the family with the company (Sharma and Irving, 2005). In this context, two aspects appear to be particularly relevant: the control and influence of the family over the company as source of emotional satisfaction (Schulze *et al.*, 2001), and the long-term business horizon (Miller *et al.*, 2010).

Because of this desire to preserve the SEW, the internationalisation can be perceived by the family as a threat. In fact, the foreign expansion could require the use of external funding and managers, with the risk of diluting family ownership and transferring decision-making power to third parties (Gòmez-Mejìa *et al.*, 2011). Gómez-Mejía *et al.*, (2007, 2010) found that FBs, in order to not jeopardize their corporate assets, prefer to give up strategic opportunities such as those arising from internationalisation (Anderson and Reeb, 2003). It is precisely the preservation of this heritage

that is the basis of the risk-averse attitude that characterizes families in the strategic choices of FDI localization. As explained by Gòmez-Mejìa *et al.*, (2007), when compared to non-family companies, family businesses show a rather cautious attitude towards expansion decisions since family members have much of their wealth inside the company and they cannot easily diversify their portfolio. The result is that they are rather conservative in their strategic choices, including the localisation one, showing an innate aversion to risk (Fernandez and Nieto, 2005) that limits their capacity for change, making them particularly reluctant to invest in high-risk projects (Kellermanns and Eddleston, 2006). SEW could also explain why FBs ignore certain investment opportunities if they feel that these may cause potential losses, variability in performance, or there is a general threat to the stability and security of their assets (Gallo and Sveen 1991; Gòmez-Mejìa *et al.*, 2010; Zellweger *et al.*, 2011).

As such, in order to preserve their SEW, family businesses select the most convenient location for investments and the choice can fall on a Country as close as possible to the one of the family, being perceived as potentially less risky for the business. Although, for many authors, the geographical distance and risk associated are two concepts that are less and less relevant (Autio, 2005; Oviatt and McDougall, 1994), in the case of FBs, they seem to be factors that cannot be underestimated.

Since the affirmation of the studies of the Uppsala School (Johanson and Vahlne, 1977), it has been argued that a company prefers to internationalize by following an incremental process according to which it is better to expand initially to neighbouring countries, therefore presumably more similar to that of origin and, only after and progressively, attempt to expand to dissimilar countries. Even more so, this has also proved to be true for FBs. Banalieva and Eddleston (2011), for example, highlighted how internationalisation plays a leading role among the corporate strategies of the family business allowing it to assert its competitive advantage internationally and the best transmission of knowledge which is at the base of it. For this reason, the FB seeks to use this advantage in the nearest countries, where the reputation and networks created over time are more likely to succeed (Sanchez-Famoso *et al.*, 2015).

2.2 Agglomeration and location of FDIS

Agglomeration has been recognized as one of the main determinants of firm location choices (Chen, 2009). The concept of agglomeration was originally advanced by Alfred Marshall (1920), who states that agglomeration engenders economies that are external to a firm, but internal to a small geographic area. Nowadays there are lots of empirical studies investigating the effect of agglomeration on FDI location choice. As concerns the possibility for the parent firm to benefit from a spillover effect, it's important to remember that investors entering a foreign market face a competitive disadvantage arising from the lack of knowledge of that market (Johanson and Vahlne, 2009). Access to local knowledge, therefore, is a fundamental aspect when designing foreign entry strategies (Tan and Meyer, 2011). The main obstacle to the sharing of local knowledge is its

non-codified and tacit nature (Polanyi, 1962; Lord and Ranft, 2000). As such, the capacity to exchange tacit knowledge depends on the quality of the relationship between the involved organizations (Dhanaraj *et al.*, 2004). In the context of an agglomeration, a high level of trust between organizations favours knowledge transfer (Hansen and Løvas; 2004) and enables regular contacts and efficient communication (Pérez-Nordtvedt *et al.*, 2008).

The geographical proximity to other FDIs can be pursued to reach tacit local knowledge and to take advantage of personal connection (Polanyi, 1962). This proximity encourages frequent social and professional interactions among employees of different companies within business and non-business communities (Pouder and St. John, 1996). This is confirmed by the choice of foreign investors to locate their FDIs near other firms in the same industry (i.e. industry FDI agglomeration) or close to other FDI firms characterised by the same country of origin (i.e. country-of-origin FDI agglomeration) (Chang and Park, 2005; Nachum and Wymbs, 2005). This second type of agglomerations tend to encourage the development of inter-firm relationships and, therefore, benefits.

One of the main barriers related to the development of relationships based on trust among foreign and local firms can be identified with the sense of vulnerability, perceived by foreign companies, due to the lack of understanding of the new local context (Tsui-Auch and Möllering, 2010). Inter-firm relationships within a country-of-origin agglomeration help developing such trust (Tan and Meyer, 2011). Such trust is due to the shared socio-cultural backgrounds of the parent companies which have strengthen networks inside the country of origin (Miller *et al.*, 2008). Moreover, relationships among compatriots are supported by social interactions among expatriates. Market entrants particularly benefit from country agglomerations, thanks to the help they provide in acquiring the relevant knowledge of the local context and reduce their liability of *outsidership* (Johanson and Vahlne, 2009). Specifically, this proximity facilitates the acquisition of knowledge about the way to adapt to local environments and institutions, which can be considered as a sensitive step in the entry strategy into new markets. In fact, foreign investors from the same socio-cultural backgrounds have similar business practices and they often face similar processes of adaptation to local environments (Liker *et al.*, 1999). In addition, co-location by country of origin helps foreign investors to gain legitimacy in the host country (Kostova and Zaheer, 1999:75; Tan and Meyer, 2011).

2.3 Explorative analysis development

In the light of these considerations, the research places its roots within the theoretical framework of SEW that recent theoretical advances clarified in distinct elements: the family identity, the binding social ties, the emotional attachment, the family influence and the dynastic succession (Le Breton-Miller and Miller, 2013). In particular, binding social ties (i.e., the second aspect of SEW) extend beyond the boundaries of the family and involve a large number of actors both internal and external to the family

(e.g., family members, customers, competitors, other firms) sharing a sense of belonging, stability and commitment to the firm (Berrone *et al.*, 2012). Given the depth and reciprocity of these ties, families recognize the non-economic benefits they receive from such exchanges with third parties, and will thus favour initiatives, that can generate benefits of such precious, reciprocal social exchanges (Brickson, 2007).

We identify such kind of social ties, among others, in the relationships that FBs can establish. FBs may have a relational network that can facilitate their entry to locations even far away and could operate trying to reduce the perceived risk, in order to have better knowledge of the peculiarities reducing the impact of the main factors of difference and risk between the two countries. Of course, this could happen also in the case of NFBs, but we want to explore if social ties can be stronger in effects in the case of FBs. For example, a high level of trust due to emotional engagement with other FBs should reduce a firm's concern that other firms will take advantage of its weaknesses and expropriate its knowledge (Steensma and Lyles, 2000; Tsui-Auch and Möllering, 2010).

In the light of this, the questions we want to explore are as follow:

Is there a gravitational effect generated by the presence of family agglomerations capable of attracting family businesses?

Is it reasonable to expect that family businesses that decide to internationalize will locate their investment in proximity of those made by other FBs, thus encouraging the formation of family businesses agglomerations and the improvement of social ties?

What is the attitude of FBs in localization choice when compared to NFBs?

Are there any peculiarities of FBs when analysing specific sectors?

3. Empirical analysis

3.1 Mixed method approach

The research question was investigated using a mixed-method approach defined by Johnson, Onwuegbuzie and Turner (2007, p. 123) as *the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches for the broad purpose of breadth and depth of understanding and corroboration.* In other words, mixed methods combine the typical tools of the qualitative approach with those typical of the quantitative one in order to provide a greater understanding of the theme that is intended to be studied (Reilly and Jones III, 2017).

This methodology is very useful in the study of FBs which are particularly complex to analyse because of their nature (Wilson *et al.*, 2014). The complexity of this theme stems, firstly, from the objective pursued within family companies to generate, in addition to a financial value, also a non-financial value due to SEW (Astrachan and Jaskiewicz, 2008; Zellweger and Astrachan, 2008). The mixed approach, using different rational tools and processes makes it possible to better understand these idiosyncrasies (D'Allura and Bannò, 2019).

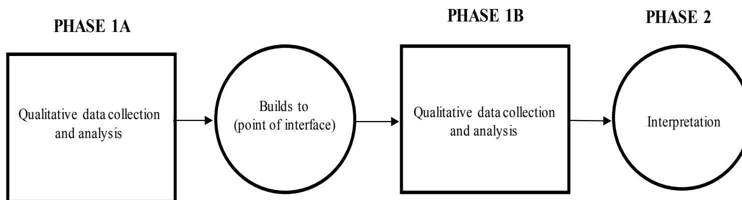
To collect, analyse and interpret both qualitative and quantitative data we can identify four main designs (Creswell, 2014): the converged parallel design, the explanatory sequential drawing, the exploratory sequential drawing, and the embedded drawing.

In this work, the mixed methodological approach of an exploratory sequential design will be used. We adopt this design because we want to confirm the qualitative results with the support of quantitative data. In fact, by first learning from the qualitative data through a deep interview, we collect and analyze the universe of quantitative data of FDIs made by Italian firms. The choice of this design is indicated, because the research problems are qualitative in nature and important variables are not well known and measurable (Picci, 2012).

The exploratory sequential design consists of two consecutive phases and it starts from a qualitative explorative phase so that it is then able to have as many elements as possible (see Figure 1). This design aims to explore the reasons for the lack of knowledge of a certain phenomenon, construct quantitative instruments and assess whether qualitative issues can be generalizable to a population. In the exploratory sequential design, qualitative data are much more important for the analysis and they are used to develop the quantitative phase.

The referred universe is the same in the two phases (i.e. Italian FDIs in China in Phase 1A and Phase 1B, see Figure 1), however data were collected from different sources and from different points of view (i.e. face to face interview in Phase 1A and desk in Phase 1B).

Fig. 1: Exploratory sequential design



Source: our elaboration from Creswell, 2014

In Phase 2 we adopt an interpretation that allows to present qualitative and quantitative results followed by their comments confirming or disconfirming each other's. In the end, to interpret the data, we look for similarities and convergences and try to justify the discrepancies or confirm results from the two phases in order to completely understand the two data sources and to corroborate the results obtained from different methods.

3.2 Phase 1a: qualitative analysis

Phase 1A is based on the qualitative method that goes beyond the measurement of the observable and tries to understand the meaning and beliefs of the underlining actions that are typical for FBs. The research

design is a single-case study and the primary source of data was face to face in-depth semi-structured interviews that facilitated a free expression of the informants' ideas. Then the triangulation was possible by multiple data collection methods (i.e. reports and archives) (Campbell and Fiske, 1959; Lee, 2006).

Phase 1A was mainly developed thanks to an interview to the Marketing Manager of the Italy China Foundation who could follow many Italian firms during their settlement in China. The goal of the Foundation, which was found in 2003, *is to open a dialogue between Italy and China from an economic point of view, cultural and scientific, accounting and making the Italian business sector, to which support is provided in institutional and commercial relations with the Chinese counterparts.* Consistent with its mission, the Foundation assists Italians operators by providing targeted advice to individual companies.

The interview was conducted in an exploratory way and, for this reason, the first questions were generic and aimed at investigating the determinants that favour the location of FDIs in China. The respondent argued that the reasons that drive companies to locate their investments in China are primarily attributable to the internal market that China enjoys, which is experiencing a boom in consumption and a change of economic model. Consumption growth is currently supported by the increase of available income and the growth of the lower-middle-class segments (i.e. those with an annual income between 4,000 and 12,000 dollars). This growth is also accompanied by a gradual change in the composition of consumption: expenditure on consumer goods (e.g. foodstuffs) will fall and the consumption of semi-basic goods (e.g. clothing, healthcare, services) will increase. The same will happen for the so-called voluptuous goods, like education, culture, transport and telecommunications. Regarding the change in the economic model, what the Foundation's Head of Marketing highlighted, is the shift from a model based on the growth of investments financed mainly through debt issuance to a model based on internal consumption. All this is driven by the rapid growth of the service sector, which is increasingly becoming the new backbone of the Chinese economy.

The respondent identified the second reason that drives companies to locate their investments in China in the growth of the technological sector and industrial production. The growth is rooted in China's R&D investments, which have steadily increased year-on-year to reach a 2,18% share of GDP in 2018. Looking specifically at the provinces, the municipality of Beijing has an R&D rate on GDP of 6% when the first country in the world, that is Israel, is at 4.3% (calculating that Beijing has twice the inhabitants of Israel). Another province mentioned is Guangdong having an R&D rate on GDP of 4%. This is because the rapid increase in R&S expenditure in recent years is part of China's economic and social development strategy through scientific and technological progress.

No reference was made as concerns the aspects related to SEW, nor to social ties.

Following, a more specific set of questions aiming at identifying the factors that drive companies to invest in one area of China rather than another was asked. The respondent argued that cost differences are

extremely important. Despite some areas, such as Chongquing and Chengdu that are growing considerably, the coast remains the most competitive area of the Country and many companies prefer to locate where there are cost advantages and/or where they can be close to their customers. This is coherent with traditional international business findings (see e.g. Dunning, 1993) which identify in the market research, resources and efficiency, the main reasons according to which a company intends to undertake investments outside its country of origin. In particular, the following elements are the main factors of attractiveness of FDI: size of the market, geographical distances and proximity, agglomeration effects (attributable to the state of the infrastructure of the host country, the degree of industrialization and the size of the stock of FDI), labour costs, physical infrastructure, intangible production factors (e.g., research and development), public incentives (e.g., financial incentives, protectionist barriers, exchange rates) and political stability. The cost of labour is particularly crucial for those companies that want to undertake labour-intensive activities in the production of their goods.

Again, no reference was made to aspects connected to SEW, nor to social ties.

Finally, the interview went into specifics and the question if there is an emotional, social and/or family factor that can influence the location choices of FBs leading them to create agglomerations capable of attracting, in turn, other family firms was asked. The answer was quite clear and suggests that, since companies thought exclusively from a business and economic perspective, they located their investments exclusively where there could be a better economic advantage: investment decisions in a foreign country depend on the costs that a company will meet by entering the market of the host country. The respondent argued that in some cases firms prefer production districts where they come into contact with other companies or they can be located near their customers or where their reference market is located. However, the following economic factors contribute the most to the creation of agglomeration effects: the state of the host country's infrastructure, the degree of industrialisation and the measure of the FDIs' stock. Furthermore, it emerged that areas with a high degree of industrial clusters and entrepreneurial culture are source of greater attraction. In addition, from the interview and according to Bannò and Pisano (2017), localization choices are further related to a few industry-specific and country-specific factors. The first factors include barriers to entry and/or exit, the presence of competitors and their degree of concentration, and the presence of companies that comprise a well-organised value chain at the local level in which the entrant can enter with his business. In addition to industry-specific factors there are the so-called country-specific factors which include the presence of a reliable legal system and an institutional system that ensures compliance with the rules, the presence of a reliable financial system, the presence of a system of infrastructure that can be used by the entrant and the presence of an educational system that encourages the formation of a skilled workforce.

It is important to note that no references nor confirmation were made to any emotional aspects nor to social ties. The interview suggests the

existence of an agglomeration effect but not due to socio-emotional factors and therefore denied the existence of a family factor capable of influencing the location choices of FBs. The main location drivers remain economic, institutional and political.

Once the results of the qualitative analysis have been identified, the next step is to carry out a triangulation through desk data. As such, we complete the qualitative Phase 1B with the analysis of written Reports from the Italia China Foundation.

Interesting issues emerge from the survey of a sample of Italian companies operating in China conducted by the CeSif (Centro Studi Imprese Italia China Foundation)[1], which highlighted the existence of eleven categories of critical issues related to location choice. Among them, the two most significant are the difficulties that companies face in managing: language and cultural differences and the violation of intellectual property rights. With reference to cultural and linguistic differences, a successful strategy should pay close attention to the choice of management. For this reason, companies that want to build a long-term and prosperous presence in China must invest in management training in order to provide the management with the tools and information necessary to direct the business activity towards a winning and appropriate business model for the host country. A possible alternative to the one described above is the choice of the ownership to hire managers who can already boast a deep knowledge of the local market and sector in which the company intends to operate. All the solutions that emerge for this first issue related to location choice, do not refer to SEW. In other words, the emotional advantage of a network with other FBs cannot overcome this first main problem.

Other influential issues that emerged from the study are the great difficulty in identifying reliable local partners, problems related to bureaucracy, protectionist policies adopted by the Chinese government, the existence of an unclear regulation and the presence of a low-skilled workforce. Again, SEW and/or the social ties with other FBs cannot represent a solution to corruption and human resources management.

3.3 Phase 1b: quantitative analysis

Phase 1B consists in a quantitative analysis based on a sample of 2,958 IDEs which was carried out by 1,565 Italian companies, both family and non-family. These data were collected from Reprint database, which was created in 1986 and is being annually updated. The criteria to identify FDIs were based on principles of economic materiality, rather than being formal and/or legal-administrative in nature. Thus, the FDIs made by financial institutions were not considered (for additional details, see Mariotti and Mutinelli, 2017). In order to analyse the geographical distribution of Italian FDIs in China we have collected, for each investment, the specific geographical localization.

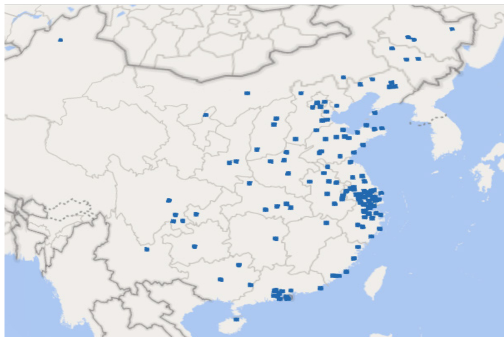
[1] In 2010, the Italy-China Foundation established Centro Studi per Imprese of the Italy-China Foundation (CeSiF), a permanent center for information and statistical-economic updating that aims to carry out and promote studies, statistical analysis, conferences and publications on the Chinese market at the service of the entrepreneurial system.

Family firms represent the other core variable in our investigation. This variable was constructed by data from Aida database (Bureau van Dick) which reports the company name, the family name of each board member and shareholder with the respective ownership share allowing us to identify kinship relations based on family names. We identify family control as the power to appoint to the board of directors. This definition is in line with previous studies, according to which family control can be identified as the fractional equity holding by family founding members or descendants (Bannò and Sgobbi, 2016; Lee, 2006). We define the variable that identify the nature of FBs as a binary variable equal to 1 if a non- listed firm is principally owned by the family or if no less than 20% of a listed firm is owned by the family, and zero otherwise (Littunen and Hyrsky, 2000).

The sample consists of 2,958 FDIs made by 1,565 Italian firms, revealing that some of them have made more than one FDI in China[2]. Among the Italian multinational firms, 994 are FBs (for a total of 1,856 FDIs) and 571 are NFBs (for a total of 1,102 FDIs). The workers employed are around 130,707of which 87,467 are employed in the industrial sector and 43,240 are engaged in commercial and service sectors. The parent companies are both large (40.2%) and small and medium-sized (59.8%)[3] and most of them are in Lombardy (38%) and Emilia Romagna (15.6%). The companies mainly operate in the machinery (29.4%) and industrial plant sector (10.9%).

The majority of FDIs of the sample is located along the east coast of China and in proximity of the main cities (i.e. Hong Kong and Shanghai)[4]. Figure 2 illustrates the geographical distribution of the FDI in the whole sample.

Fig. 2: Map of the FDIs distribution in China in 2018



Source: our elaboration from Reprint and Aida Bureau van Dick

The statistical tool used to analyse and compare the two sub-samples (i.e. FB vs NFB) is the Relative Specialization Index. It is the revealed comparative advantages and it is one of the measures normally used to analyse a country's international specialisation model. The Index is calculated for every single Chinese city that is the destination of FDIs carried out by Italian family and non-family firms. The index aims to check whether, for each City, there is an agglomeration of family or non-family

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businesses. The following formula will be applied to FDIs carried out by FBs in a specific city:

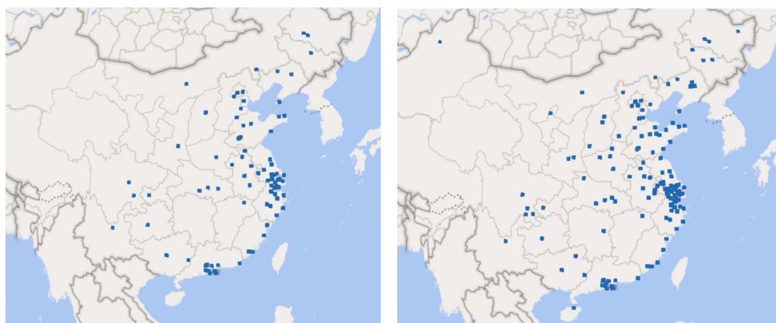
Likewise, the following formula will apply to FDIs carried out by NFBs in a specific city:

If the Index is greater than one, it means that family (or non-family) businesses is are more concentrated in a certain City, resulting in an agglomeration phenomenon based on the family nature of the company. While, if the Index assumes a value less than one means that there is a phenomenon of dispersion of FBs (or NFBs) in a specific city.

$$\frac{[(\text{Total number of FDIs realised by FBs in a generic city}) \div (\text{Total number of FDis realised by FBs in every city included in the sample})]}{[(\text{Total number of FDIs realised by all companies in a generic city}) \div (\text{Total number of FDIs realised in the whole country})]}$$

$$\frac{[(\text{Total number of FDIs realised by NFBs in a generic city}) \div (\text{Total number of FDIs realised by NFBs in every city included in the sample})]}{[(\text{Total number of FDIs realised by all companies in a generic city}) \div (\text{Total number of FDIs realised in the whole country})]}$$

Fig. 3: Maps of Relative Specialization Index for FBs and for NFBs.



Source: our elaboration from Reprint and Aida Bureau van Dick

Once calculated the Index for each Chinese city with reference to both FBs and NFBs, it is possible to represent the results obtained on two maps (Figure 3), one relating to FBs and one to NFBs. Only cities where the Index is greater than 1 are reported. Statistical data for every City is available in Annex 1.

As the SEW effect could be highly influenced by the level of involvement of the family in the business, considered not only in terms of ownership but also in terms of the presence of family members in management positions (Chua, Chrisman & Sharma 1999), the analysis was repeated by changing the classification criterion of family and non-family businesses. We have reclassified the companies of the statistical universe by adopting a dummy variable that assumes a value of 1 if the Board of Directors is composed mainly of members who are part of the Owning Family or if the successor is part of the Board of Directors, 0 otherwise. The new sample consists of 2,779 FDIs made by 1,444 Italian firms and, among them, 547 are FBs (for a total of 1,082 FDIs) and 897 are NFBs (for a total of 1,697 FDIs). Even in this case, the statistical tool used to analyse and compare the two sub-samples (i.e. FB vs NFB) is the Relative Specialization Index which has been calculated for every single Chinese city.

The results obtained were consistent with what had been already found using the selection criterion adopted in the previous analysis (i.e. 1 if a non- listed firm is principally owned by the family or if no less than 20% of a listed firm is owned by the family, and 0 otherwise)[5]. Even in this case the results show the lack of motivation generated by SEW because the majority of FDIs made by companies is located along the east coast of China and in proximity of the main cities.

In order to check the robustness of the results, we further deepen the quantitative analysis considering as sub-sample the companies belonging to the Commerce Sector which is the one prevalent within the starting statistical universe. The new sample consists of 614 FDIs made by 415 Italian firms and, among them, 273 are FBs (for a total of 409 FDIs) and 142 are NFBs (for a total of 205 FDIs). Even in this case the process involved the recalculation of the Relative Specialization Index for every single Chinese city that is the destination of FDIs carried out by Italian family and non-family firms. The results obtained were consistent with what was already found[6].

3.4 Phase 2: interpretation

In Phase 1A the data were arranged into a conceptual order searching for emerging themes. The Marketing Manager of the Italy China Foundation, who has denied the existence of a family effect capable of influencing the localization choices of FBs since companies think exclusively from a business point of view, and written data, confirm this interpretation.

Phase 1B analyses the firms' location choice thanks to Reprint data. Thus, we can track the location, revealing the non-existence of an agglomeration of FBs when compared to NFBs. By analysing the Index of comparative advantage, the results show no differences in gravitational effects generated by SEW. From Figure 2, the majority of FDIs made by companies is located along the east coast of China and in proximity of the main cities. This was also supported by the Marketing Director of the Italy-China Foundation who confirmed the tendency of Italian companies to locate their investments in the south-east regions of China. The reason of this choice is due to the fact that the eastern part of the Country continues to be the most developed despite the recent growth of some regions such as Chengdu and Chongquing.

Summarising, the combination of both qualitative and quantitative data is synergistic because if on the one side qualitative data (i.e. interviews) were necessary for understanding the rationale, on the other side quantitative data revealed and confirmed what had emerged in the qualitative phase (Eisenhardt, 1989). The results achieved through the application of the mixed method suggest that SEW may induce FBs probably in the choice of the foreign Country, but it is not a factor able to influence the micro-localization of the FDI (Dunning, 1993; Bannò and Pisano, 2017).

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5 Statistical data and Maps for every City calculated with the new criterion of FBs is available upon request.

6 Statistical data and Maps for every City calculated for the Commercial Sector is available upon request.

4. Conclusion

The area of international management is very much in need of new evidence for FBs. Our results seem to assume importance in the FBs literature panorama and of that focused on the internationalization process. The contribution made to literature by this work is double. First of all, the study investigates a field that has remained unexplored within a macro-topic as the internationalization of FBs and, secondly, the study was carried out using the mixed method which is useful in the study of FBs that are particularly complex due to the peculiarity of their nature (Denison, Lief, and Ward, 2004). The existence of a gravitational effect was investigated adopting an explorative design. Indeed, it has been demonstrated that there aren't motivations due to SEW that would induce FBs to locate their FDIs in a specific area rather than another, for example in the same area with other FBs, resulting in an agglomeration phenomenon.

Our results appear contextually consistent and conflicting with the existing literature.

On the one side the results are consistent with the traditional literature concerning the determinants of localization choices. In fact, we identify in economic factors the main driver of strategic localization choices. On the other side, this is one of the few cases where economic considerations prevail over the emotional aspect. SEW, in location choice and in agglomeration effects, is not verified as a strategic attitude of FBs.

The result of the analysis has implications both in terms of management and public policy and although the results are verified only for China, they aim to be significant regardless of the destination country of the FDIs. From a managerial point of view, what this study implies is that family companies and all the other types locate their FDIs following similar logics and so there is no difference in the strategies of localization that can be traced back to the family or non-family nature.

The research is not immune to limitations and this can provide insights for future research. A first limitation is that, in the quantitative analysis, we considered only FDIs in China and only by Italian companies. Therefore, a possible future development could be to replicate the study considering also other destination Countries and other Countries of origin. A second limitation is that, again in the quantitative analysis, the measure used to identify and distinguish FBs from NFBs is a dichotomous variable. A possible future development could be to consider other measures in order to take care of the FBs' the heterogeneity. Finally, it would have been interesting to propose a questionnaire and/or face to face interviews to some of the companies that had chosen to be located in cities where other Italian companies, family or non-family businesses already operated.

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Annex 1: Relative Specialization Index calculated for each city

Cities where firms locate their own investments	Number of FDIs carried out by FBs in the city	Number of FDIs carried out by NFBs in the city	Relative Specialization Index calculated on all cities for the FDIs carried out by FBs	Relative Specialization Index calculated on all cities for the FDIs carried out by NFBs
Bengbu	1	0	1,5937	0
Anquing	2	0	1,5937	0
Hefei	2	1	1,0625	0,8947
Maanshan	3	0	1,5937	0
Wuhu	3	0	1,5937	0
Tongling	0	1	0	2,6842
Anhui	11	2	-	-
Beijing	152	134	0,8470	1,2576
Beijing	152	134	-	-
Chongqing	18	3	1,3660	0,3834
Chongqing	18	3	-	-
Fuan	0	1	0	2,6842
Fujian	1	1	0,7968	1,3421
Fuzhou	1	1	0,7968	1,3421
Quanzhou	2	0	1,5937	0
Xiamen	5	1	1,3281	0,4473
Zhangzhou	1	1	0,7968	1,3421
Fujian	10	5	-	-
Dongguan	19	12	0,9768	1,0390
Foshan	28	12	1,1156	0,8052
Guangdong	1	3	0,3984	2,0131
Guangzhou	57	31	1,0323	0,9455
He Yuan	1	0	1,5937	0
Heshan	0	1	0	2,6842
Huizhou	6	3	1,0625	0,8947
Jiangmen	3	3	0,7968	1,3421
Nansha	1	0	1,5937	0
Shantou	1	1	0,7968	1,3421
Shenzhen	50	26	1,0485	0,9182
Shunde	2	0	1,5937	0
Sijiu	1	0	1,5937	0
Taishan City	1	0	1,5937	0
Zahoqing	1	0	1,5937	0
Zengcheng	0	1	0	2,6842
Zhongshan	18	5	1,2472	0,5835
Zhuhai	5	3	0,9960	1,0065
Guangdong	195	296	-	-
Guilin	4	0	1,5937	0
Guangxi	4	0	-	-
Guiyang	0	1	0	2,6842
Guizhou	0	1	-	-
Haikou	1	0	1,5937	0

Hainan	1	0	-	-
Boading	3	0	1,5937	0
Cangzhou	0	2	0	2,6842
Handan	1	0	1,5937	0
Huanghua	1	0	1,5937	0
Langfang	5	0	1,5937	0
Long Hua	0	1	0	2,6842
Luquan	0	1	0	2,6842
Qianan	1	0	1,5937	0
Sanhe	0	1	0	2,6842
Tangshan	1	0	1,5937	0
Zhangjiakou	1	0	1,5937	0
Zhou	1	0	1,5937	0
Zhuozhou	0	1	0	2,6842
Hebei	14	6	-	-
Xing	0	1	0	2,6842
Zhaodong	0	1	0	2,6842
Changlin	1	0	1,5937	0
Harbin	0	4	0	2,6842
Jixian	1	0	1,5937	0
Heilongjiang	2	6	-	-
Luoyang	1	0	1,5937	0
Huixian	1	0	1,5937	
Luohe	0	2	0	2,6842
Zhengzhou	3	0	1,5937	0
Henan	5	2	-	-
Cheung Sha Wan	3	0	1,5937	0
Kowloon	3	0	1,5937	0
Kwun Tong	0	1	0	2,6842
Mongkok	0	1	0	2,6842
Sheung Wan	1	0	1,5937	0
Tsim Sha Tsui	0	1	0	2,6842
Hong Kong	433	278	0,9705	1,0495
Hong Kong	440	281	-	-
Hubei	1	0	1,5937	0
Jingzhou	1	2	0,5312	1,7894
Shiyan	1	0	1,5937	0
Wuhan	9	10	0,7549	1,4127
Xiaogan	1	0	1,5937	0
Hubei	13	12		-
Changsa	4	5	0,7083	1,4912
Hunan	1	1	0,7968	1,3421
Tianmen	0	1	0	2,6842
Zhuzhou	1	0	1,5937	0
Hunan	6	7	-	-
Baoying	1	0	1,5937	0

Changshu	3	0	1,5937	0
Changzhou	7	5	0,9296	1,1184
Dongtai	0	1	0	2,6842
Haimem	1	0	1,5937	0
Jiangsu	4	5	0,7083	1,4912
Jiangyan	2	0	1,5937	0
Jiangyin	6	2	1,1953	0,6710
Jiangyin, Wuxi	1	0	1,5937	0
Jingjiang	1	0	1,5937	0
Jintan	1	0	1,5937	0
Kunshan	13	3	1,2949	0,5032
Lianyungang	2	0	1,5937	0
Nanjing	36	7	1,3343	0,4369
Nantong	2	4	0,5312	1,7894
Nanya	2	0	1,5937	0
Niangsu	0	1	0	2,6842
Qidong	0	1	0	2,6842
Suzhou	62	32	1,0511	0,9137
Taicang	4	2	1,0625	0,8947
Taixiang	1	0	1,5937	0
Tongzhou	1	0	1,5937	0
Wujiang	3	2	0,9562	1,0736
Wujin	1	0	1,5937	0
Wuxi	20	16	0,8854	1,1929
Xuzhou	0	1	0	2,6842
Yancheng	3	1	1,1953	0,6710
Yangzhou	4	1	1,275	0,5368
Yixing	0	2	0	2,6842
Yizheng	2	0	1,5937	0
Zhangjiagang	3	2	0,9562	1,0736
Zhenjiang	2	0	1,5937	0
Jiangsu	188	88	-	-
Jilin	1	3	0,3984	2,0131
Changchun	3	0	1,5937	0
Jilin	4	3	-	-
Benxi	2	0	1,5937	0
Chaoyang	1	0	1,5937	0
Dalian	21	6	1,2395	0,5964
Fuxin	0	1	0	2,6842
Liaoning	1	1	0,7968	1,3421
Liaoyang	1	0	1,5937	0
Shenyang	9	6	0,9562	1,0736
Liaoning	35	14	-	-
Macao	1	0	1,5937	0
Macao	1	0		
Chifeng	0	1	0	2,6842
Baotou	1	1	0,7968	1,3421
Nei Mongol	1	2		

Jiangbei	1	0	1,5937	0
Ningbo	1	0		
Yinchuan	3	0	1,5937	0
Ningxia	1	0	1,5937	0
Ningxia	4	0	-	-
Xi'An	2	0	1,5937	0
Weinan	0	1	0	2,6842
Shaanxi	2	1	-	-
Changyu	1	0	1,5937	0
Dezhou	0	2	0	2,6842
Dongying	1	0	1,5937	0
Jinan	8	1	1,4166	0,2982
Jining	0	1	0	2,6842
Laizhou	1	0	1,5937	0
Linyi	3	0	1,5937	0
Penglai	2	0	1,5937	0
Qingdao	36	14	1,1475	0,7515
Rizhao	1	0	1,5937	0
Shandong	2	1	1,0625	0,8947
Shouguang	1	0	1,5937	0
Weifang	4	0	1,5937	0
Weihai	3	2	0,9562	1,0736
Yantai	22	2	1,4609	0,2236
Yanzhou	0	4	0	2,6842
Zibo	5	2	1,1383	0,7669
Shandong	90	29	-	-
Shanghai	498	293	1,0033	0,9942
Pudongxin	2	0	1,5937	0
Qingpu	2	0	1,5937	0
Shangyu	0	1	0	2,6842
Shanghai	502	294	-	-
Shanxi	3	0	1,5937	0
Taiyuan	0	1	0	2,6842
Xinzhou	1	0	1,5937	0
Shanxi	4	1	-	-
Chengdu	9	9	0,7968	1,3421
Luzhou	1	0	1,5937	0
Sichuan	1	0	1,5937	0
Yibin	1	0	1,5937	0
Zigong	0	2	0	2,6842
Sichuan	12	11	-	-
Tianjin	33	41	0,7107	1,4871
Tianjin	33	41	-	-
Xinjiang	2	0	1,5937	0
Shihezi	2	0	1,5937	0

Xinjiang	4	0	-	-
Yunnan	0	1	0	2,6842
Kumming	0	2	0	2,6842
Yunnan	0	3	-	-
Changxing	1	0	1,5937	
Fuyang	0	1		2,6842
Haining	1	0	1,5937	0
Hangzhou	30	19	0,9757	1,0408
Huzhou	2	1	1,0625	0,8947
Jiashan	0	1	0	2,6842
Jiaxing	11	3	1,2522	0,5751
Jinhua	1	1	0,7968	1,3421
Ningbo	37	16	1,1126	0,8103
Pinghu	0	1	0	2,6842
Shaoxing	3	2	0,9562	1,0736
Shengzhou	1	1	0,7968	1,3421
Taizhou	3	2	0,9562	1,0736
Tongxiang	1	1	0,7968	1,3421
Wenzhou	3	1	1,1953	0,6710
Xiaoshan	1	0	1,5937	0
Yongkang	1	2	0,5312	1,7894
Yuyao City	1	0	1,5937	0
Zhejiang	5	2	1,1383	0,7669
Zhuji	2	0	1,5937	0
Zhejiang	104	54	-	-
Jingdezhen	0	1	0	2,6842
Jiangxi	0	1	-	-

Academic or professional position and contacts

Mariasole Bannò
Associate Professor of Applied Economics
University of Brescia - Italy
e-mail: mariasole.banno@unitn.it

Federico Gianni
Research Fellow
University of Trento - Italy
e-mail: federico.gianni@alumni.unitn.it

Sandro Trento
Full Professor of Management
University of Trento - Italy
e-mail: sandro.trento@unitn.it

sinergie
italian journal of management

ISSN 0393-5108
DOI 10.7433/s112.2020.04
pp. 67-89

FONDAZIONE CUEIM

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Innovation mediating and moderating internationalization in family and non-family businesses: embeddedness in Egypt, Madagascar, Morocco and Turkey

Received
10th September 2019
Revised
22th December 2019
Accepted
5th March 2020

Elham Kalhor - Seham Ghalwash

Abstract

Purpose of the paper: *According to most previous research, family businesses tend to internationalize less than non-family businesses. However, previous research has been conducted mainly in developed countries, where strong institutions support non-family businesses more than family businesses. Conversely, in developing countries with weak institutions, family businesses may conceivably have a comparative advantage for internationalization, especially if they are innovative. This paper focuses on how innovation may mediate and moderate the effect of governance upon internationalization in the form of exporting, as this dynamic is embedded in developing societies with weak institutions.*

Methodology: *The research method is quantitative data analysis. Our account is based on a representative sample of 4,004 family and non-family businesses in Egypt, Madagascar, Morocco, and Turkey, surveyed for the Global Entrepreneurship Monitor.*

Findings*: Analyses show that governance hardly affects innovativeness, but affects internationalization, in that exporting is especially high for family businesses in Morocco. Moreover, innovativeness boosts exporting in family business more than in non-family business. Furthermore, the comparative advantage of family businesses is larger in Morocco than in Egypt, Madagascar, and Turkey.*

Research limits: *Although an essential feature of our research design is based on a comparative approach, rather than the typical single-country studies, we compared four similar societies in developing countries with weak institutions. Therefore, a significant limitation is that our findings concerning the internationalization of family businesses should not be generalized to all kinds of societies. Moreover, due to the small number of countries (four developing countries), it is statistically impossible to test the effects of the macro-institutional factors affecting family firms exporting. Therefore, we can only measure country contexts' overall impact without elaborating effects of specific institutional factors enhancing or hampering the internationalization process.*

Practical implications: *The practical implication is relevant for family firms' policies to know that innovation in family firms is not a waste of investment, but innovation especially can boost exporting in family business more than in non-family firms, thereby enhancing the economic performance of family firms.*

Originality of the paper: *These results contribute to understanding internationalization in family businesses as shaped by innovation and as embedded in society's context.*

Key words: family business; internationalization; exporting; innovation; developing countries

1. Introduction

According to numerous studies, internationalization, and also other business endeavors such as innovation, tend to be less intensive in family businesses than in non-family businesses (e.g., Andersson *et al.*, 2017; Boellis *et al.*, 2016; Erdogan *et al.*, 2019; Diaz-Moriana *et al.*, 2018, De Massis *et al.*, 2019). However, most of the empirical results arise from advanced economies, where strong institutions support non-family businesses more than family firms (Webb *et al.*, 2019; Ge *et al.*, 2018). Contextual influences lead to different outcomes in family and non-family businesses (Arregle *et al.*, 2017; Ray *et al.*, 2018). In contrast to the prevailing paradigm, in less advanced economies with weak formal institutions, family businesses may compensate for the institutional void by higher commitment and trust and thereby perform well, not only in internationalization but also in other endeavors such as innovation. Mazzelli *et al.* (2018) examined the different propensity for innovation between family and non-family businesses. They concluded that family businesses have the potential to achieve higher innovation outputs despite lower R&D investment.

Empirical and conceptualization research on family business internationalization indicates that family management and ownership influence the firms' internationalization tendency (Minetti *et al.*, 2015; Arregle *et al.*, 2017; Ray *et al.*,2018). However, opposite effects of family involvement in different societies caused some studies to suggest that the impact of family governance on internationalization may be moderated or mediated by some specific factors (Ray *et al.*, 2018). Among these factors, innovation and country contexts seem essential components altering the effects of family ownership and management upon internationalization tendency. According to prior research, innovation can increase export performance (Cassiman *et al.*, 2011; Girma *et al.*, 2008). Hence innovative activities may affect family firms' internationalization, and internationalization allows family owners to take advantage of their local opportunity for innovation (De Massis *et al.*, 2018).

Several studies have researched innovation (e.g., Erdogan *et al.*, 2019; Mazzelli *et al.*, 2018) and internationalization behaviors (e.g., Arregle *et al.*, 2017, De Massis *et al.*, 2018) in family firms. However, the role of innovative activities has not been investigated in family firms' internationalization. Furthermore, previous research has studied the internationalization of family firms mostly in the contexts of developed countries and China (Ray *et al.*, 2018), and the impact of family involvement on business endeavors in developing economies has not been adequately studied. Developing countries have been pointed to for further investigation (Gaur *et al.*, 2014; Ratten, 2014), mainly for contemporary models of international business (Ramamurti, 2004). It poses another gap of research in the field of family firms' studies.

This study aims to analyze the effects of innovation on family firms' internationalization in developing contexts where family businesses substitute for ineffective regulations by financial markets (Visser and Chiloane-Tsoka, 2014) and offer a compelling performance by relying on family ties and informal institutions. Therefore, our research question is,

how does governance (in terms of family and non-family involvement in ownership and management) influence innovation and internationalization in less advanced economies? And does innovation, directly and indirectly, enhance the internationalization of family businesses more than non-family businesses?

This study contributes to the literature in two ways. First, we compare the effects of family and non-family involvement in ownership and management (family governance vs. non-family governance) on innovation and internationalization tendency in developing countries, here Egypt, Morocco, Madagascar, and Turkey. Second, we examine the effects of innovative activities and developing economies on family businesses' internationalization propensity.

2. Governance, internationalization and innovation

Governance structure, i.e., family governance versus non-family governed businesses, seems to affect internationalization (Minetti *et al.*, 2015; Arregle *et al.*, 2017; Ray *et al.*,2018). Some studies in developed countries (e.g., Calabrò *et al.*, 2013; Arregle *et al.*, 2012) have examined the direct and moderating effects of family governance (i.e., family involvement in ownership and management) on internationalization tendency in family-owned companies. There are some researches in this area in China (e.g., Liang *et al.*, 2014.). However, the findings are inconsistent, heterogeneous, and, therefore, inconclusive. A range of results illustrates the positive impact of family governance on internationalization (e.g., Arregle *et al.*, 2007; Claver *et al.*, 2009) while other findings indicate the adverse influence (Berrone *et al.*, 2012; Gomez-Mejia *et al.*, 2010). The opposing views may be reconciled if some factors influence the family owners' ability and willingness to internationalize. These factors may increase or hamper the family firms' internationalization tendency and provide different outcomes for family firms. According to Chrisman *et al.*, 2012, increasing understanding that family business is heterogeneous means that research should focus on factors mediating and moderating family businesses' behavior and performance.

Prior studies highlight the decisive role of innovation to support international expansion and growth (Girma *et al.*, 2008; Singh, 2009; Yi *et al.*, 2013; Corsi and Prencipe, 2018;). Knowledge and technology enhance international operations (Simba, 2015; Corsi and Prencipe, 2018; Brock and Yaffe, 2008).

Resource-based theorizing (Barney, 1991) explains the link between innovation and internationalization in firms. Innovation as a strategic resource can construct a sustainable competitive advantage for businesses, specifically in the international markets (Alvarez, 2004; Corsi and Prencipe, 2018).

Family businesses are a distinctive type of business and are characterized by dual systems of family and business. They pursue non-economic goals based on family values and norms, which is not always in line with business objectives, and this feature distinguishes them from non-family

counterparts. Family owners rely on social capital, enduring relationships, stewardship behavior, and trust to overcome their business barriers. They focus on reputation, long-term horizon, survival, and preservation of family resources. Family businesses benefit from the informal institutions in less-developed contexts; they overcome the formal institutional void in developing countries by relying on family ties and other informal institutions.

Based on family firms' distinctive characteristics, both innovation and country context may influence family business internationalization differently than in non-family firms.

3. Hypothesis development

Based on the above review of issues around the internationalization of family businesses, we specify the hypotheses about the effects of governance on internationalization and innovation.

3.1 Family governance and innovation

Family involvement in ownership and management generates particular advantages for businesses such as prompt decision making, flexibility, and a long-term horizon. These organizational characteristics identify family businesses as sources of innovative activities and increase the owners' willingness to invest in business expansion, pursue promising opportunities, and support innovative actions to improve growth (Corsi and Prencipe, 2018). In a similar vein, some scholars explained that family governance positively impacts innovation (Lodh *et al.*, 2014; Chen *et al.*, 2013; Sciascia *et al.*, 2015).

Nevertheless, a meta-analysis study (Duran *et al.*, 2016) confirmed that family businesses invest less in innovation than non-family firms, but they have an increased conversion rate of innovation input.

In family-owned companies, the strong tradition is constructing a leading structure for family business organizations. Tradition is defined as "consciously transmitted beliefs and practices expressing identification with a shared past" (Dacin *et al.*, 2019). Tradition is transferred from the predecessor to the next generation in family firms. It implies the reliable identification of antecedents that imprinted the organizational tradition at the first stage (Erdogan *et al.*, 2019). Tradition and innovation can be considered as antithetical concepts. While tradition emphasizes commitment and stability, innovation is concerned with changing and novelty. The tension between innovation and tradition leads to a paradox in family firms. Family owners need to renew products and processes to maintain their competitiveness in the markets; they also need to preserve and sustain organizational tradition. This paradoxical situation distinguishes family firms from non-family counterparts concerning innovative activities (Erdogan *et al.*, 2019).

Drawing on ability and willingness (De Massis *et al.*, 2014), we formulate our first hypothesis. Ability highlights two different aspects of family

involvement in the business. First, ability (as a resource) is related to family owners-managers' capabilities to lead firms in the preferred direction. Second, ability as discretion refers to the family owners' discretion to allocate or dispose of firms' resources. Willingness explains family owners-managers' favorable disposition to engage in a particular behavior (De Massis *et al.*, 2018). In terms of innovative activities, family firms are more able to innovate due to higher discretion to allocate firm resources; however, they are less willing to engage in innovative actions (Chrisman *et al.*, 2015). The lack of willingness may arise from preserving traditional manners or a lack of capability of managing the paradox between tradition and innovation (Erdogan *et al.*, 2019)

In addition to the effects of governance on innovative activities, national context can influence the ability and willingness of family owner-managers concerning innovation. Family firms benefit from family involvement in less developed contexts; they rely on family ties and other informal institutions such as social capital, trust, and stewardship behavior to cope with weak formal institutions in developing contexts (Soleimanof, 2018). Hence, family firms are more sensitive about informal institutions, specifically in less-developed context. As a result, family firm owners may prefer to preserve their traditional manners as an essential part of informal institutions. Moreover, managing the paradox between innovation and tradition requires high managerial capabilities (Erdogan *et al.*, 2019). Family firms are known as less management-capable organizations than non-family firms (Graves and Thomas, 2006). Family owners are reluctant to hire external professional managers, especially in less developed societies. Involving non-family members in family firms deteriorates the family firms' advantages in less developed countries contexts by increasing agency costs resulting from the conflicts between family owners and outside agents(principal-agent) and family owners and minority shareholders (principal-principal) (Soleimanof, 2018).

Considering the effects of developing context on family firms' ability and willingness for managing the paradox between innovation and tradition and preserving traditional manners as an essential informal institution we posit:

Hypothesis 1: Family versus non-family governance affects innovation, in that innovativeness tends to be lower in family businesses than in non-family businesses in developing countries.

3.2 Governance influences exporting tendency

According to the ability and willingness perspective (De Massis *et al.*, 2014), family businesses' particularistic behaviors stem from the family owners' ability and willingness to act idiosyncratically. Family owners should have the ability in terms of discretion to perform distinctively and willingness in terms of their commitments to pursue family-oriented objectives (Ray *et al.*, 2018). Lower managerial capability, risk aversion and, fear of losing socio-emotional wealth lead to family owners' inability and unwillingness to internationalize. In contrast, stewardship behavior,

substantial social capital, a higher level of trust, and long-term orientation in family businesses facilitate international operation in family firms (Arregle *et al.*, 2017).

Furthermore, the national context affects internationalization propensity and performance, particularly on family-owned companies (Arregle *et al.*, 2017). Family firms' export shares are more sensitive to contextual factors than non-family firms (Bassetti *et al.*, 2015). Less developed contexts are characterized by a weak institutional environment (Gaur *et al.*, 2014). Family firms benefit from informal institutions to overcome undeveloped formal regulations in less developed countries. However, a high-risk strategy may require legal support specifically for family firms restricted by a higher level of risk aversion and less managerial capabilities concerning internationalization. (Sciascia *et al.*, 2012 It misses in references; Verbeke and Kano, 2012; Graves and Thomas, 2006).

Weak formal institutions in developing contexts may increase family owners' narrowness and lead family firms to local expansion instead of international growth. This leads us to assume that, in general, family businesses export less than non-family firms in less-developed countries due to unsupportive formal institutions and conservative behavior of family owner-managers. Consequently, their greater needs for government supports, especially in internationalization strategy. Hence the second hypothesis is:

Hypothesis 2: Family versus non-family governance affects exporting, in that exporting tends to be less in family businesses than in non-family businesses.

3.3 Innovation and exporting

Innovative activities are an increasingly essential factor of competitiveness and internationalization (Gorodnichenko *et al.*, 2010). Export performance depends on technology and producing new products in the global markets (Yi *et al.*, 2013). In addition to the role of context, particular resources may alter the governance effects on the ability and willingness of family owners and lead to their particularistic behavior. Innovation as a specific competency enables family business owners to overcome their restrictions, accept the risk associated with international growth, and allocate resources for international expansion. Previous research shows that there is a relationship between the internationalization and innovative activities in family-owned businesses as well as non-family businesses. Family and non-family businesses that display higher interest for innovation objectives are more likely to internationalize (e.g., Braga *et al.*, 2017). Therefore, innovation may counteract the negative effect of developing contexts in terms of weak informal institutions on the internationalization process.

According to the resource-based view (Barney, 1991), firms' specific heterogeneous resources and capabilities determinate firms' strategic choices. As a particular resource, innovative activities can provide sustainable competitive advantages for firms and positively influence firms'

internationalization (Yi *et al.*, 2013). Although family firms' narrowness may negatively impact family firms' internationalization, innovation as a definite competitive advantage can encourage family owners to internationalize.

Hence, we propose:

Hypothesis 3: Innovation affects exporting positively (so innovation may mediate the effect of governance upon exporting).

This hypothesis is neither new nor about a difference between family and non-family business. Rather, the hypothesis is merely restated here as part of the causal scheme of effects between governance and exporting.

3.4 Innovation moderating effect of governance upon exporting

A multi-theoretical perspective seems to be efficient in explaining the family firms' complicated strategic behavior of internationalization and innovation. Drawing on the resource-based view (Barney, 1991) and the ability and willingness perspective (De Massis *et al.*, 2014), we develop our fourth hypothesis. Resource-based-view theory (RBV) explains that the firms' specific heterogeneous resources and capabilities determine their strategic choices. Drawing on RBV, innovation as a strategic resource positively influences firms' internationalization (Yi *et al.*, 2013).

Furthermore, innovation may also modify the effects of governance upon exporting. It creates a sustainable competitive advantage for firms (Corsi and Prencipe, 2018) and may present an additional guarantee for successful internationalization. Hence negative impacts of family involvement, such as risk aversion and narrowness concerning the internationalization, may be reduced by innovative activities. Lack of managerial capability is an essential weakness for family owners concerning internationalization, and managing innovation in family businesses reveals effective managerial skills. Given that innovation requires high managerial ability, particularly in family firms, to manage the paradox between tradition and innovation, innovative family companies have the capability needed for managing the internationalization process as well.

Family owners have a greater ability due to higher discretion (than non-family owners) for allocating resources. Innovation can increase family owners' willingness to engage in international operations as it can lead to a successful expansion in foreign markets. These considerations lead us to posit that:

Hypothesis 4: Innovation moderates the effect of governance upon exporting, in that innovation boosts exporting in family business more than in non-family business.

3.5 Embeddedness in society

Prior researches explain that the effect of family involvement in businesses on internationalization is context-dependent (Wright *et al.*,

2014) and related to the embeddedness in macro-level institutional environments. Therefore, the effect differs among countries (Arregle *et al.*, 2017). Application of the institutional-based view theory (IBV) (Peng, 2009) and the ability and willingness perspective (De Massis, 2014) can assist us in developing the last hypothesis.

IBV explains the role of institutions in creating competitive advantages for organizations. IBV is a combination of both institutional economics (North 1990; Williamson, 1985) and institutional sociological perspective (DiMaggio and Powell, 1983; Scott, 1995) in the context of business strategy. According to IBV, firms' strategic choice arises from the interaction between organizations and formal and informal institutions (Peng, 2002). An essential application of IBV is the globalization process to understand the origin of competitive advantages in international markets (Garrido *et al.*, 2014).

Family firms in developing countries rely on informal institutions to cope with formal institutional voids. Although there are similarities in macro-level institutional environments in developing countries, the variation of two components of the institution, formal and informal institutions, may lead to different organizational behavior and performance in different societies.

The variety of formal and informal institutions also leads to particularistic behavior in family firms in different contexts. Institutions affect family business owners' ability in terms of capability and discretion to allocate their resources for internationalization and their willingness to engage in an international operation. Family businesses are the dominant type of businesses in less developed contexts due to advantages that family involvement creates for businesses (Liu *et al.*, 2012).

Although less developed economies are beneficial for family firms (Carney, 2005; Liu *et al.*, 2012), international expansion may require governmental supports, particularly for family-owned companies, as family firms face more challenges concerning internationalization. Family businesses suffer from a lack of managerial capability for internationalization (Graves and Thomas, 2006; Menéndez-Requejo, 2005) as family owners are not willing to hire external professional managers. They have limited financial resources since they are reluctant to secure external financial resources due to the fear of losing control over the firm (Sciascia *et al.*, 2012). Family firms tend to risk-avoidance because family owners have a larger share of capital bound in the firm leading to less risky investment (De Massis *et al.*, 2018; Casson, 1999). These characteristics of family firms restrict their choice of international operation.

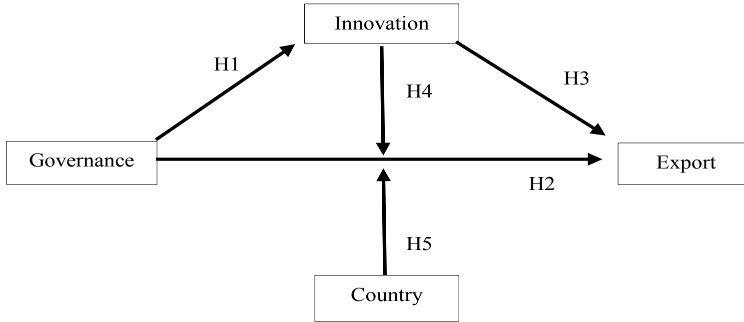
Nevertheless, the institutional environment may alter the negative impacts of family involvement regarding internationalization. In some less developed countries, governments promote internationalization through specific policies and supports. The legal supports and beneficial informal institutions for family firms in developing countries may increase family firms' internationalization more than non-family firms in some developing countries.

Based on this, we hypothesize,

Hypothesis 5: The effects of different developing countries' contexts differ for family and non-family governance concerning internationalization (i.e., moderation effects of the country on family and non-family exporting).

The hypotheses are summarized in Figure 1.

Fig. 1: Hypothesized effects



4. Research design

We apply a unique sample from the Global Entrepreneurship Monitor survey (2018) to analyze the effects of innovative activities on family and non-family businesses internationalization. We also intend to measure the impacts of different developing countries on family and non-family internationalization behavior and tendency. The sample includes 4,004 family businesses and non-family businesses that report their exporting and innovations in Egypt, Madagascar, Morocco, and Turkey.

Today, more than 50 countries are participating in GEM, which makes the GEM initiative a global research reference for the entrepreneurship phenomenon and a valuable tool for policymakers in each participating country.

The Global Entrepreneurship Monitor surveys the adult population and identifies entrepreneurs worldwide every year (Bosma, 2013; Global Entrepreneurship Research Association; 2017). GEM is unique because it uses data sets that measure early-stage entrepreneurs' entrepreneurial behavior (TEA) and established businesses that are more mature for all sizes firms, including small startups (Lepoutre *et al.*, 2013). TEA rates are calculated as the sum of entrepreneurial activities that are nascent at the setting up phase and the new businesses that are less than 3.5 years old, of adults age between 18 and 65. TEA and its components are the main concepts of many GEM related reports and research topics (Bosma, 2013). The overall and detailed description of GEM data, the Adult Population Survey questionnaire, methods, and design have been explained by Reynolds *et al.* (2005).

Sample

A representative national sample of at least two thousand (2000) adults, including all 18 to 64, was collected in each of the four countries. All

geographic regions of the country, including urban and rural areas, must be included in the sample universe. The specific location of the interview should be indicated with a variable identifying geographic detail. Covered in the 2018 GEM cycle are results from GEM's 2018 survey of 164,269 adults in 49 economies.

The sample available for this study was conducted on a multiple sampling phase. First, a random selection of municipalities was collected according to the population quotas. Second, telephone numbers corresponding to the different municipalities were randomly obtained, and finally, persons between the ages of 18 and 64 years inclusively were selected. The analysis of a sample of 4,004 family businesses and non-family businesses reporting their exporting and innovations in Egypt, Madagascar, Morocco, and Turkey is employed in this research.

4.1 Measurements

4.1.1 Exporting

In line with the objective of the study, our dependent variable is export. Exporting is a low-risk strategy for operating in international markets compared with other internationalization strategies such as foreign direct investment (FID), which requires a more significant commitment of resources (Guar *et al.*, 2014). The export intensity of businesses has been measured as the percentage of sales to foreign countries. This measure has been used in several international business studies (Ray *et al.*, 2018; Elango and Pattniak, 2007; Caper and Kotabe, 2003). Exporting is highly skewed, with most businesses not exporting and few exporting much, so the percentage is transformed logarithmically to reduce the skew. The GEM question for exporting is as follows:

What percentage of your annual sales revenues will usually come from customers living outside your country?

4.1.2 Innovation

Three components operationalize innovation in this study:

1. Innovation process as the newness of the technology used in producing goods or services
2. Product innovation as the newness of the product to customers
3. Competitiveness in innovative products or services on the market

Accordingly, the GEM questions for innovation measurement are the following three:

Have the technologies or procedures required for this product or service been available for less than a year, or between 1 to 5 years, or longer than five years?

Do all, some, or none of your potential customers consider this product or service new and unfamiliar?

Right now, are there many, few, or no other businesses offering the same products or services to your potential customers?

Each response is here coded on a 3-point scale from -1 through 0 to 1 according to increasing innovativeness. The three measures correlate positively and are combined, averaged, into an innovation index, going from -1 to 1.

4.1.3 Governance

The GEM survey defines family business as a business with more than one person working in it, which is mostly owned by the family and managed mainly by the family. The 2018 GEM surveys define the family business by asking these the following questions:

Is this business, for the most part, owned by you and your family and relatives?

Is this business mostly managed by you and your family and relatives?

Responding affirmatively to both questions identifies a family business as a business that, for the most part, is owned by the responding owner-manager and family and relatives, and that is mostly managed by them also. The negative answer for both questions identifies non-family businesses that, in the most part, neither owned nor managed by respondents' family. Sole- person businesses are excluded. Therefore governance is a dichotomous variable that we code 1 for family businesses and 0 for non-family firms.

4.1.4 Country

The country is a categorical variable. To analyze how the four countries differ, we select Egypt as the reference to which each other country will be compared. We use three dummy variables; one dummy coded 1 for business in Madagascar and 0 for others; another dummy coded 1 for businesses in Morocco and 0 for others, and yet another dummy coded 1 for businesses in Turkey and 0 for others.

4.1.5 Control variables

We have controlled several variables to deal with potential endogeneity of our independent variables; type of businesses and innovation, and other firm-level unobserved heterogeneity.

Based on previous studies, firm size is associated with firms' exporting (Caldera 2010, Guar *et al.*, 2014). We include firms size as a natural logarithm of a total number of persons (owner-managers plus employees) working for the business. Firm age influences exporting activities because it can facilitate the accumulation of knowledge and experience (Guar *et al.*, 2014). Firm age is the number of years since the firm was founded, logged. We also controlled for the industrial sector, with four sectors, by creating three dummy variables for each, referencing the consumer-oriented sector. The three other sectors include extractive, transforming, business services.

Moreover, some attributes of owners and entrepreneurs can affect firms' exporting. We control for the age of entrepreneurs, coded as the number of years of age. We also control for education, coded as the number of years

of education. We control for gender, coded 1 for male and 0 for female. We control for the business's motive, a dichotomy coded 1 for opportunity motive, and coded 0 for necessity.

5. Results

First, we look at the differences between family businesses and non-family businesses in their exporting and innovation, and then we test our hypotheses in multivariate models.

5.1 The difference between family businesses and non-family businesses in their exporting

The first introductory question is whether family businesses differ from non-family businesses in their exporting. This question is addressed by the average levels of exporting, Table 1.

In Morocco, family businesses export significantly more than non-family businesses (p=.005 in a t-test of difference between the mean log of export in family businesses and the mean log of export in non-family businesses). In other countries, we cannot discern a significant difference.

Tab. 1: Exporting by family businesses and non-family businesses in each country

	Egypt	Madagascar	Morocco	Turkey
Mean exporting in family businesses	17.5%	1.0%	21.0%	9.2%
Mean exporting in non-family businesses	16.4%	.5%	13.8%	8.7%
Mean log of exporting in family businesses	1.37	.18	1.87	1.21
Mean log of exporting in non-family businesses	1.40	.19	1.40	1.20
Number of family businesses	1,208	486	333	252
Number of non-family businesses	1,221	29	151	209

Source: Global Entrepreneurship Monitor (GEM), Adult Population Survey (APS) 2018

To better account for exporting, we will control for effects of characteristics of the businesses and their entrepreneurs (section 5.3 below).

5.2 The difference between family businesses and non-family businesses in their innovation

Another introductory question is whether innovation differs between family businesses and non-family businesses. This question is addressed by the average levels of innovation, Table 2.

The difference between family businesses and non-family businesses is not significant in any country (the p-value in each t-test exceeds .05; also, in Madagascar, where the number of non-family businesses is quite small).

Tab. 2: Innovation by businesses in each country

	Egypt	Madagascar	Morocco	Turkey
Mean innovation in family businesses	-.22	-.62	-.18	-.35
Mean innovation in non-family businesses	-.22	-.48	-.17	-.36
Number of family businesses	1,208	502	391	252
Number of non-family businesses	1,221	28	177	209

Source: Global Entrepreneurship Monitor (GEM), Adult Population Survey (APS) 2018

To better account for innovation we will now analyze the distinct effect of governance upon innovation, controlling for the characteristics of the businesses and their entrepreneurs.

5.3 Effect of governance upon innovation

Hypothesis 1 states that governance affects innovation in that family businesses tend to innovate less than non-family businesses. We test the effect within each country by linear regression, holding other conditions constant - Table 3.

Governance has no discernible effect on innovation in any of the countries, controlling for other conditions. It is mainly consistent with the result without controlling other conditions, which we obtained in Table 2.

Tab. 3: Innovation dependent on governance; within each country

	Egypt	Madagascar	Morocco	Turkey
Governance: Family vs non-family	.020	.027	.020	.031
Business age	-.048 **	-.074	-.038 †	-.034
Business size	-.008	.014	.091 ***	-.049 †
Sector: extracting	-.065	-.120 **	-.276 ***	-.100
Sector: transforming	.010	.091 *	-.018	.076
Sector: business services	-.056	.263 *	-.060	.070
Motive: opportunity	.043 *	.056	.123 **	.044
Gender: male	-.026	-.009	-.114 **	.015
Age	-.003 **	.002	-.002	-.003
Education	-.006 **	.006	.000	-.013 *
Intercept	.017	-.670 ***	-.130	-.031
N businesses	2,073	505	487	300
R-square	.026 ***	.109 ***	.109 ***	.064 ***

† p<.10 * p<.05 ** p<.01 *** p<.00

Source: Global Entrepreneurship Monitor (GEM), Adult Population Survey (APS) 2018

5.4 Effects upon internationalization from governance and innovation

Hypothesis 2 posits that governance affects internationalization, in that family businesses export less than non-family companies. We test the effect within each country by linear regression, controlling for characteristics of the businesses and their entrepreneurs - Table 4.

Governance affects internationalization in Morocco in that exporting is higher in the family business than in non-family business, holding firm characteristics constant. Governance does not discernibly affect exporting in the other countries, controlling for other conditions. It is consistent with the earlier Table 1.

The conclusion that internationalization in Morocco is higher in family businesses than in non-family businesses is thus, in part, the opposite of Hypothesis 2.

Tab. 4: Export dependent on governance and innovation; within each country

	Egypt		Madagascar		Morocco		Turkey	
Governance: family	.009	.000	.022	.031	.556 **	.561 ***	-.161	-.175
Innovation		.340 ***		.142 *		1.256 ***		.517 **
Business age	-.047 *	-.032 *	.032	.042	.000	.044	-.060	-.040
Business size	.308 ***	.311 ***	.075	.076	.363 ***	.238*	.161	.186
Sector: extracting	-.218	-.196	.014	.031	-.801 *	-.453	-.318	-.265
Sector: transforming	-.139	-.142 †	.085	.078	-.108	-.081	.205	.249
Sector: business serv	.092	.104	.369 †	.333 †	.537	.723	.171	.144
Motive: opportunity	.246 **	.230 **	.012	.006	.688 ***	.520 ***	.380 *	.360 *
Gender: male	.212 *	.219 *	.061	.064	-.491 **	-.350 *	-.247	-.258
Age	-.018 ***	-.017 ***	.002	.002	.003	.002	.002	.004
Education	-.014 *	-.011 †	.023 ***	.022 **	.087 ***	.087 ***	.029	.036 †
Intercept	1.476***	1.469***	-.330	-.255	-.141	.027	.446	.464
N businesses	1,935	1,934	492	491	429	429	293	293
R-square	.047 ***	.056 ***	.062 ***	.070 ***	.195 ***	.280 ***	.078 **	.100 **

† p<.10 * p<.05 ** p<.01 *** p<.00

Source: Global Entrepreneurship Monitor (GEM), Adult Population Survey (APS) 2018

Hypothesis 3 states that innovation promotes exporting. This hypothesis is also tested in Table 4, controlling for other conditions. In every country, the effect of innovation upon exporting is positive, thus supporting Hypothesis 3.

The question of whether innovation is mediating an effect of governance upon internationalization can now be answered. Governance is not discernibly affecting innovation - Table 3. Therefore, innovation cannot be channeling an impact of governance upon exporting.

Rather, we see that businesses' innovation has its own distinct or separate effect upon exporting in the businesses.

5.5 Innovation and country moderating effect of governance on internationalization

The last question is whether the effect of governance upon internationalization is moderated by innovation and embedded in society's context.

Hypothesis 4 posits that innovation moderates the effect of governance on internationalization, in that innovation boost exporting in family businesses more than in non-family businesses. This hypothesis is tested by forming governance and innovation interaction and including this

interaction in the regression. We here model the effect for all the surveyed businesses - Table 5. The interaction is significantly positive, so innovation boosts exporting in family businesses more than in non-family businesses. This supports Hypothesis 4.

Tab. 5: Exporting affected by governance and innovation

Governance: Family vs non-family	.045	.055
Innovation	.458 ***	.270 **
Governance * Innovation		.332 **
Country: Madagascar	-.789 ***	-1.026 **
Country: Morocco	.446 ***	.079
Country: Turkey	-.211 *	-.148
Governance * Madagascar		.344
Governance * Morocco		.539 **
Governance * Turkey		-.095
Business age	.008	.001
Business size	.306 ***	.307 ***
Sector: extracting	-.169	-.166 †
Sector: transforming	-.071	-.063
Sector: business services	.187	.186
Motive: opportunity	.275 ***	.268 ***
Gender: male	.017	.020
Age	-.010 ***	-.010 ***
Education	.002	.002
Intercept	1.145 ***	1.131 ***
N businesses	3.147	3,147
R-square	.134 ***	.140 ***

† p<.10 * p<.05 ** p<.01 *** p<.001

Source: Global Entrepreneurship Monitor (GEM), Adult Population Survey (APS) 2018

Hypothesis 5 states that the effect of governance on internationalization is embedded in society in that countries differ in the impact of governance on export. The moderation is tested by including interactions, the dummy product for governance with the dummy for each country - Table 5.

The interaction effect is positive for Morocco. in other words, the effect on exporting from governance by family rather than by non-family is boosted in Morocco compared to Egypt. This lends some support for Hypothesis 5.

For Madagascar and Turkey, the interaction is insignificant. That is, the effect upon exporting from governance is somewhat similar in Madagascar, Turkey, and Egypt.

6. Conclusions

The above analyses address the research question. How does governance (i.e., family versus non-family governance) influence innovation and internationalization in less advanced economies? And does innovation,

directly and indirectly, enhance the internationalization of family businesses more than non-family businesses?

The following discusses our findings concerning previous research, pinpoints the contribution, admits limitations, and suggests further research.

6.1 Discussion of findings

Most previous research has found that family businesses tend to internationalize less than non-family companies. However, most previous studies have been conducted in developed countries, where strong institutions support non-family businesses more than family businesses. We raise the issue of whether this is due to the context. Conversely, in developing countries with weak institutions, family businesses may conceivably have a comparative advantage for internationalization, especially if they are innovative.

This problematic issue motivates our focus on how innovation may mediate and moderate the effect of governance upon internationalization in the form of exporting, as this dynamic is embedded in developing societies with weak institutions.

Our analyses show that family businesses do not internationalize less than non-family businesses in any of the four developing countries examined here. Indeed, family businesses even export more than non-family businesses in one of the countries, Morocco.

Moreover, we find that innovation not only promotes exporting in businesses in general but that innovation boosts exporting, especially in family businesses.

6.2 Contributions

The findings contribute to understanding internationalization in the family business as shaped by innovation and as embedded in society's context.

Specifically, finding shows that innovation boosts internationalization more in family businesses than in non-family businesses contributes to theorizing about internationalization processes in family firms.

It is relevant for family firms' policies to know that innovation in family firms is not a waste of investment, but that innovation in family firms, more than in non-family firms, can benefit exporting, thereby enhancing economic performance.

Our results confirm that countries differ in the effect of governance i.e., family vs. non-family upon internationalization; it is a warning against an assumption of the universality of firms' behavior. It may be safer to think that the behavior of businesses may well differ across societies.

6.3 Limitations

Although an essential feature of our research design is that it is comparative, rather than the typical single-country studies, we compared

four similar societies in that they are developing countries with weak institutions. Therefore, a significant limitation is that our findings concerning the internationalization of family businesses should not be generalized to all kinds of societies. Also, due to the small number of countries (four developing countries), it is statistically impossible to test the effects of the macro-institutional factors affecting family firms exporting. Hence, we can only measure country contexts' overall impact without elaborating effects of specific institutional factors enhancing or hampering the internationalization process.

6.4 Further research

For a more general understanding of family businesses' internationalization, the present study may be extended to cover more than these few developing countries.

Extending the analysis to developed countries will be expected to add much to the finding that the internationalization of family businesses is not universal but differs worldwide.

Extending the analysis to cover many countries, preferably a representative sample of countries, would enable researchers to not only assess differences across countries but to test hypotheses concerning how specific institutions are shaping the internationalization of family businesses contrasted to non-family firms.

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Academic or professional position and contacts

Elham Kalhor
PhD Research Fellow
University of Southern Denmark,
e-mail: elham@sam.sdu.dk

Seham Ghalwash
Research Project Manager
The American University in Cairo
e-mail: sghalwash@aucegypt.edu

sinergie
italian journal of management

ISSN 0393-5108
DOI 10.7433/s112.2020.05
pp. 91-111

Italian Society of
MANAGEMENT

Bonding and bridging social capital in family firm internationalization

Received
30th September 2019
Revised
15th November 2019
Accepted
27th February 2020

Emanuela Rondi - Francesco Debellis - Alfredo De Massis
Antonello Garzoni

Abstract

Purpose of the paper: *This paper aims to study how family firms manage their Global Value Chain (GVC). In particular, we investigate how family firms are able to keep control over operations outsourced to foreign partners. Prior research focused on understanding how firms control their GVC has mainly concentrated on large multinational enterprises. However, while large multinational enterprises can overcome transaction cost complexities by exploiting their superior legitimacy and power control over weaker firms, family SMEs often do not have that amount of power due to financial and managerial constrains. In this study, we thus conceptually examine a unique characteristic that can help family SMEs to overcome resource limits and gain control over the GVC: their distinctive social capital.*

Methodology*: Conceptual*

Findings*: Family SMEs can exploit their superior social capital in order to build long-term relationships based on trust with foreign partners, thereby being able to control their GVC without legally owning it.*

Research limits*: The study is conceptual, future research should test the model and empirically examine the theorized mechanisms. Social capital is only grasped according to its positive side and in relation to cohesion, future research should examine the negative side of social capital and the role of conflict in our model. Finally, family firm heterogeneity is currently neglected.*

Practical implications*: Our study offers insightful managerial suggestions to family firm executives and their foreign partners in terms of design and governance of their GVC.*

Originality of the paper*: Our study offers theoretical and managerial contributions to the current understanding of family firm internationalization beyond exports.*

Key words: family firms; internationalization; global value chain; social capital; SMEs

1. Introduction

In the current fierce globalized market, the ability to manage the value chain at global level is a critical success factor for any organization. Suggestions for the governance of the Global Value Chain (GVC), i.e. "the process by which technology is combined with material and labor inputs, and then processed inputs are assembled, marketed, and distributed"

(Kogut, 1985, p. 15) are provided in the Global Factory model developed by Buckley and Ghauri (2004). According to this model, firms need to find the optimal combination of internalization and external contracts in a variety of geographically dispersed markets, so as to minimize the sum of production and contracting costs (Kano *et al.*, 2020; Verbeke and Kano, 2016). Specifically, the model suggests that firms should finely slice their GVC activities, by increasing internalization[1] of knowledge and outsourcing of operations (Buckley and Strange, 2015). The GVC involves various types of knowledge and expertise embodied in the human capital as well as the social capital embedded in the relationships with foreign partners (Buckley and Strange, 2011). Therefore, the international governance structure cannot depend only upon financial comparative transaction costs, but it becomes important to investigate how certain aspects, such as social capital, influence the process through which a firm controls its GVC.

Social capital, i.e. "the goodwill available to individuals or groups", lies in the structure and content of the actor's social relations (Adler and Kwon, 2002, p. 23). Unlike other forms of capital, social capital is not located in the actors, hence it cannot be possessed. Instead, it lies in the relationships between actors. Considering the importance of relational governance mechanisms in determining the success of GVC control (Enderwick and Buckley, 2017), it is surprising that prior studies on GVC have almost exclusively focused on large multinational enterprises neglecting small- and medium-sized firms, particularly those led by a family where social capital is a deeply embedded resource and extremely difficult to imitate (De Massis *et al.*, 2013; Dess and Shaw, 2001). In fact, small and medium family firms (family SMEs) emerge as particularly crucial to investigate the GVC, since they are the majority of firms worldwide (De Massis *et al.*, 2018) and cannot benefit from superior legitimacy and power control over weaker firms as large multinational enterprises do (Carney, 2005). Therefore, their financial and managerial constrains induce family SMEs to adopt different strategies to compete in the global market (Cesinger *et al.*, 2016; Hennart *et al.*, 2017) and this is likely to happen also in the design and control of their GVC.

In this study, we address the following research question: *How can social capital help small- and medium-sized family firms control their GVCs?* We investigate the governance of the GVC by building on the current understanding of family firm social capital. Therefore, we develop a conceptual framework to explore how family SMEs and their members control the GVC by leveraging social capital, thereby overcoming resource constraints (Fernández and Nieto, 2005). Specifically, we examine the key leverages of bonding (internal) and bridging (external) social capital of both the family and the organization through which family SMEs are able to keep control over their GVC without legally owning it. Building long-term relationships both internally with their employees and externally with members of foreign partners, family SMEs are able to build a global

[1] As explained by Li *et al.*, 2015, p. 841) internalization refers to the "use of hierarchical authority mechanism to internalize transaction within an organization", whereas externalization (i.e. outsourcing) refers to "exert indirect control over external resources through contracts".

network of relationships that allows them to control their value chain through social capital in the long run (Puthusserry *et al.*, 2020).

Our study offers two main contributions to the literature on family firms' internationalization. First, while prior research has mainly examined exports (De Massis *et al.*, 2018), we dig into the higher complexity that family firms have to face when they internationalize "beyond exports" (Stoian *et al.*, 2018). Second, we bring the Global Factory model (Buckley and Ghauri, 2004) into the context of family SMEs, thereby exploring the role of social capital as a critical driver of the GVC governance. Therefore, despite the many potentially restraining features usually associated with family SMEs that might jeopardize their international growth (Pukall and Calabrò, 2014), we conceptually highlight how family firms can successfully compete in the global context through their distinctive social capital.

2. Internationalization of family firms

Family firms, i.e. firms where a family has the ability to influence the vision of the business and the intention to transfer it across generations (Chua *et al.*, 1999; De Massis *et al.*, 2014) are the most ubiquitous form of organization worldwide (De Massis *et al.*, 2018) and are characterized by distinctive traits that make their internationalization path unique (Arregle *et al.*, 2017). While organizations not involving a family usually make decisions about internationalization based on potential financial gains and losses, family firms face a "mixed gamble" (Alessandri *et al.*, 2018; Gomez-Mejia *et al.*, 2018) by weighting potential gains and losses from their strategic options in two non-fungible currencies, financial wealth and socioemotional wealth. Specifically, socioemotional wealth is defined as the pool of non-financial aspects of the firm that meet the social and affective needs of the family (Gómez-Mejía *et al.*, 2007), such as the willingness to maintain family control (Chua *et al.*, 1999; Schulze *et al.*, 2003) and passing the baton to future generations (Berrone *et al.*, 2012). Given the coexistence of financial and non-financial considerations in their decision-making (Campopiano and Rondi, 2019; Kotlar *et al.*, 2018), family firms represent a unique type of organizations that weigh risks related to internationalization differently from their non-family counterparts (e.g., Liang *et al.*, 2014).

Prior research on family firms' internationalization has mainly focused on exploring whether they internationalize more or less than their non-family counterparts, producing mixed results (e.g., Kontinen and Ojala, 2010; Pukall and Calabrò, 2014). On one hand, some scholars highlighted that family firms internationalize to a greater extent due to their long-term vision (Claver *et al.*, 2009), "patient capital" (Carr and Bateman, 2009), social capital (Arregle *et al.*, 2007), and considering it as an opportunity to involve more family members in the firm (Zahra, 2003). On the other hand, the paucity of financial and managerial resources (Carney, 2005), unwillingness to accept non-family expertise and the fear of losing firm control (Graves and Thomas, 2008; Kontinen and

Ojala, 2010) conventionally associated to family firms, are considered as barriers to their internationalization. According to recent studies (Arregle *et al.*, 2017; De Massis *et al.*, 2018), the inclusiveness of results on whether family firms internationalize more or less than non-family firms is due to an ill-posed question, because every firm has its own optimal level of internationalization. Thus, research on distinction between family and non-family firms needs to focus more on "how" things are done, rather than just on "what" decisions are made (Reuber, 2016).

Although research on family firm internationalization is certainly gaining momentum, several limits remain. First, internationalization has been investigated mainly in relation to exports, neglecting challenges related to different entry modes (De Massis *et al.*, 2018). Internationalization beyond exports can provide several benefits (Lu and Beamish, 2001), by allowing firms to gain above-normal returns in international markets, exploiting firm-specific advantages (Buckley and Casson, 1976), and enabling arbitrage choices in input and output markets (Hennart, 1982). However, entry modes beyond exports involve higher coordination complexities (Stoian *et al.*, 2018), information asymmetries and all the liabilities of operating in new host markets, significantly raising governance costs (Hitt *et al.*, 1997; Tallman and Li, 1996). By focusing only on exports, prior literature has thus missed to give an explanation on how family firms face all these complexities, as well as how these firms approach and manage the relationships with foreign partners in order to access critical resources not available in their domestic market.

Second, the most adopted model to describe internationalization process in family firms is the Uppsala model (Johanson and Vahlne, 1977, 2009), suggesting that firms usually should first be established in their domestic market, then start with exports in psychic closer countries by adopting a sequential entry-mode process of joint experiential learning and gradual expansion, and later switch to other further countries with stronger commitment equity modes. However, in a market where technological innovation and digital communication reduce geographical distance for many sectors and compress the time frame necessary to stay ahead of competitors, thinking about internationalization as a growth option to develop only after having thoroughly established in the domestic market, risks to be detrimental for family firms. Therefore, in order to advance research on the field, we argue that it is necessary to adopt other theoretical frameworks developed in international business research, in this case the Global Factory model (Buckley and Ghauri, 2004), by taking into account the specific characteristics of the family SMEs.

3. The Global Factory model

The combined effect of flexibility needs and downward pressure on prices spurs organizations to pursue international outsourcing (Buckley, 2009a). In order to be successful in the current rapidly evolving scenario, firms need to be capable of fine-slicing their activities and altering internalization and externalization decisions for activities that were

previously locally bounded and that could only be internally controlled. In fine slicing their activities, firms can compare every element with market alternatives and outsource them when transaction costs are lower than the costs of internalization (Buckley, 2009b).

The Global Factory model developed by Buckley and Ghauri (2004) draws on internalization theory (Buckley and Casson, 1976), which is a theory based upon a comparison of the relative efficiency of different cross-border governance mechanisms, that highlights the relative costs and benefits of coordinating geographically dispersed activities through vertical integration or by recurring to the external market (Buckley and Casson, 1976; Hennart, 1982; Rugman, 1981). According to the Global Factory model, firms should thus focus their main efforts on knowledge-intensive activities, i.e. pre-production (e.g. conceptualization, R&D) and post-production (e.g. marketing, after-sales service) activities (Strange and Humphrey, 2019), while externalizing all other operations in a variety of geographically dispersed markets (Verbeke and Kano, 2016). By externalizing activities, firms can concentrate on their core competencies (Prahalad and Hamel, 1990), taking advantage of complementary resources and capabilities owned by external suppliers (Gottfredson *et al.*, 2005). So, knowledge-intensive activities are internalized, whereas production-related activities are more frequently outsourced[2]. Therefore, the Global Factory combines internal management and external contracting of activities across a diversity of locations, with the aim of minimizing the sum of production and control costs. According to Enderwick and Buckley (2017, p. 547), the Global Factory can thus be defined as a network "at the heart of which are complex flows of knowledge, intermediate products, and management skills". However, the control of all the externalized activities is critical for determining the success or failure of the firm. Despite the importance of keeping control over the value chain and the potential absence of legal ownership on externalized activities, literature is silent on the mechanisms by which firms might control the externalized operations over their GVC (Strange and Humphrey, 2019).

When a firm recurs to foreign externalization, must deal with the challenge of managing relations across cultural, institutional and geographic boundaries, with consequent difficulties to monitor foreign partners' actions. In order to overcome these difficulties, the need for structuring detailed long-term contracts emerges. However, contracts executed under conditions of uncertainty are incomplete by nature, due to bounded rationality, and require a certain level of adaptation over time (Williamson, 1979). Therefore, in a relationship between firms across countries based on a long-term perspective, it is more likely that the main reference point is the entire relation and its development over time, rather than the contract (Williamson, 1991). The classic internalization

[2] As explained by Mudambi (2008), firms combine the comparative advantages of geographic locations with their own resources and competencies to maximize their competitive advantage. This strategic evaluation results in a "smiling curve" of value creation where the activities at the end of the GVC are largely internalized and located in advanced market economies, while those in the middle of the value chain are outsourced and moved to emerging market economies.

theory (Coase, 1937) is based on the assumption that in the assessment of location factors, multinational enterprises emerge when the benefits of internalization exceed their costs (Hennart, 1982; Rugman, 1980; Williamson, 1975). However, studies built on internalization theory have devoted little attention to the governance mechanisms based on the interactions among actors so far, such as networking among individuals or competition/cooperation among firms (Enderwick and Buckley, 2017). In particular, following (Buckley and Strange, 2011), we identify three main complexities related to the control of externalized activities: information costs, i.e. the costs of acquiring and transmitting information with the strategic partner; coordination costs, which refer to the costs of communication about combined actions of partners; and motivation costs, the costs of supervision and interest alignment between partners. Considering that these complexities cannot be managed only through formal contracts, the presence of social capital that eases the formation of trust and mutual forbearance between partners is crucial for the successful governance of the GVC. Therefore, considering the role of relationships and social capital is crucial to understand the establishment of relational governance mechanisms for successfully controlling the GVC (Enderwick and Buckley, 2017). In addressing this issue, we consider the investigation of the GVC in the context of family SMEs - where social capital is a key resource (Dess and Shaw, 2001) - as an insightful starting point.

4. Social capital of family firms

Social capital "lies in the structure and content of the actor's social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor" (Adler and Kwon, 2002, p. 23). Social capital emerges from relationships among actors and can be used to pursue financial and non-financial goals (Arregle *et al.*, 2007). Its relational nature makes the study of social capital particularly intriguing in the interaction among individuals, groups and organizations, particularly in the context of internationalization. The goodwill that organizational actors have toward each other as well as toward members of other organizations is a valuable resource for the organization to which they belong, rare and costly to imitate, therefore provides the basis for competitive advantage (Barney, 1991).

Scholars have explored the sources and effects of social capital according to two main views: bonding and bridging. A focus on internal relationships within a collectivity foregrounds *bonding* social capital, focusing on the cohesive links of actors in a community (Coleman, 1988). Usually associated with strong ties, embeddedness, closure and high network density; bonding social capital is represented by relationships that emerge in closed circles as families. Through these relationships, actors are able to build trust, spurring collectivism and commitment. Conversely, *bridging* social capital relates to the direct or indirect relationships that actors develop across different communities (Burt, 2000).

Social capital contributes to shaping the distinctive traits of family

firms according to the systemic interactions between the members of the family and the business (Sirmon and Hitt, 2003). In fact, 'the family is a source, builder and user of social capital' (Bulboz, 2001, p. 130), and family firms are characterized by the presence of intense social relations. Family businesses are influenced by family involvement that, like family relationships, has the intent to endure (Sorenson, 2013). The family provides the ground of moral behavior that guides cooperation and coordination in family firms and sets principles of reciprocity (Bulboz, 2001). Since families are enduring social entities across generations, they can rely on lasting shared meanings including values, norms and beliefs (Erdogan *et al.*, 2020) to develop and shape their social capital (Sorenson, 2013). Families are therefore able to create dense forms of social capital through the development of strong internal relationships and kinship (Pearson *et al.*, 2008). As highlighted, social capital in family firms is a deeply embedded resource, tacit and extremely difficult to imitate (Dess and Shaw, 2001). For these reasons, it is considered a source of competitive advantage for family businesses and a potential lever for strategic organizational processes as internationalization.

Family businesses share stakeholders between the business and the family (Sorenson, 2013). Arregle *et al.* (2007) introduce two forms of social capital in family business: *family* social capital and *organizational* social capital. Family social capital develops among family members and is considered the most enduring and powerful form. The family provides support, and the care granted by parents to children is reciprocated with gratification, love and promise of future care (Bulboz, 2001). The family works as a team wherein members benefit from resources as solidarity, influence and information (Arregle *et al.*, 2007). The family social capital involves actors that are members of the family, although they may not be involved in the firm. The organizational social capital is 'a resource reflecting the character of social relations within the firm' (Leana and Van Buren, 1999, p. 538), it enables access to external resources and cohesion within the organization. The construct of the organizational social capital sheds light on the need of firms to rely on their internal actors to access resources beyond their organizational boundaries, particularly those resources that could not be purchased. In fact, the organizational social capital increases the availability of knowledge, information, trust and connections with institutions that may have direct effect on organizational performance.

Scholars have also investigated how the family social capital influences the development of organizational social capital in family firms (Arregle *et al.*, 2007). In this attempt, Sharma (2008) intersects these constructs with bonding and bridging social capital. The framework that she develops depicts the bonding and bridging relationships that can occur within and across the family and business systems, leading to a configuration of four distinctive types of social relations (family bonds, business bonds, family bridges, business bridges) that benefit the family firm through flows of social capital accruing from the diverse links.

Although these studies are particularly relevant for the understanding of social capital in family firms, conceptual examinations have been

limited to a single-family firm so far. However, family firms do not exist in isolation and their strategic activities are often carried out in collaboration with other firms (e.g., Feranita *et al.*, 2017). This is particularly true for the internationalization process, where family firms need to rely mostly on relationships rather than formal governance mechanisms to control externalized activities of their GVC. Therefore, we argue that it is necessary to extend the exploration of family firm social capital beyond the boundaries of a single organization to unveil the potential of social capital in cross-organizational collaborations, particularly in the process of building a GVC.

The organizational social capital of family firms was found to be a determinant in the development of interorganizational collaboration and investments in new ventures (Zahra, 2010). However, the role of family firms' social capital in interorganizational collaborations has received limited attention by prior research. Recently, Zahra (2018) has shown that family businesses with high organizational social capital and technological capabilities internationalize more than non-family-controlled firms. Therefore, research has started highlighting the importance of exploring social capital in family business, and we aim to enrich this debate by introducing a conceptual framework of family SMEs' governance of the GVC.

5. Extending the global factory model to family firms: the crucial role of social capital

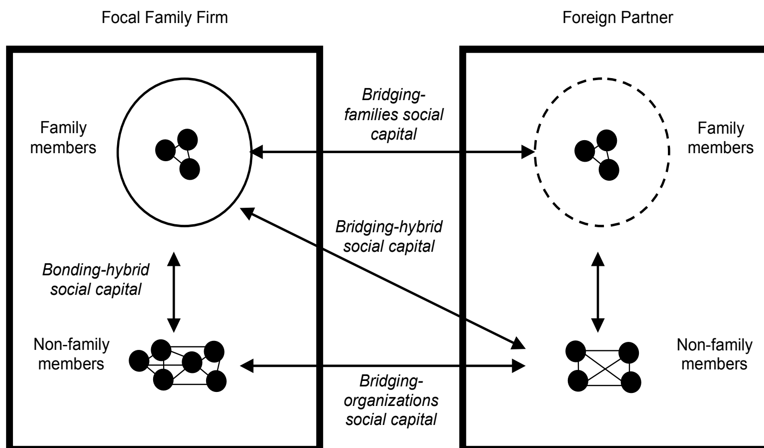
Family SMEs are more able to internally rely on relational contracting than their counterparts by leveraging both the family and the organizational social capital. Such characteristic allows them to reduce monitoring costs and opportunistic hazards, by providing safeguards based on mutual trust (Eddleston *et al.*, 2010; Debellis *et al.*, 2020). Scholars have found family firms to be perceived as having more trustworthy policies, practices, and frontline employees than non-family businesses (Orth and Green, 2009). The long-term orientation of family firms, due to the strong identification of family members with the firm, discourages opportunistic behavior and fosters mutual forbearance, necessary for maintaining strong relations with strategic partners (Casson, 1989) as well as preserving their reputation (Eddleston *et al.*, 2010). Social capital enhances cooperation and goal alignment, facilitating information exchange and the commitment of organizational partners, so that the need for control-based approaches decreases (Sundaramurthy, 2008).

We argue that in building their GVC, particularly when collaborating with other family firms, family SMEs are able to internationally mirror internal governance mechanisms, as those enabled by the family and organizational social capital. This is due to two main reasons. First, despite the cultural distance that might separate organizations collaborating internationally, families in collaborating businesses are more likely to share their attitude toward long-term and trust-based relationships that are the foundation for the emergence of bonding and bridging social capital (Adler

and Kwon, 2002). Second, since family firms take into account financial and non-financial goals when making decisions, also their approach toward fine-slicing decisions of internalizing versus externalizing their activities, maybe internationally, is affected by non-financial assessments. Therefore, in these situations, family SMEs do not only consider cost optimization, need for monitoring and control or potential issues arising from bribery of international partners. Indeed, the social capital that family SMEs are able to generate in the relationships with their international partners is likely to exert a positive influence on their willingness to outsource. The structural and efficiency benefits of international partnerships are mainly based on substitute contractual safeguards (Poppo and Zenger, 2002), such as trust, flexibility, interest alignment and mutual forbearance. Family SMEs have advantages in terms of the ability to exercise mutual forbearance, being committed to cooperate and willing to preserve and enhance their reputation, which lead to further cooperation benefits. So, although family firms may not be legally structured as multinational enterprises, they can exert control on international flows of intermediate goods and foreign operations by relying on a configuration of long-term social capital types with their foreign partners.

Following this reasoning and building on the current understanding of GVC and social capital in family firms, we conceive four different types of social capital in the international collaboration of a family SME with a family foreign firm partner - as illustrated in Figure 1.

Fig. 1: Social Capital Configuration of Family Firm's Collaboration in the GVC



Source: Our elaboration

The foreign collaboration between two family firms can rely on the already theorized internal social capital within each family firm (bonding) arising from the relationship between the family and the organization members (hybrid) - we define this type *Bonding-hybrid social capital.* Scholars have already investigated resources accruing from the interplay of the family and the business members (e.g., Arregle *et al.*, 2007;

Sharma, 2008). However, in our framework - focused on international collaborations - this form of social capital acts as the baseline for ensuring a link between the leading family and organizational members, that are likely to interact with members of the international partner. Building a bonding hybrid social capital is thus crucial not only for the internal governance of the family firm, but also to lubricate external collaborations (Zahra, 2010). In fact, the bonding hybrid social capital plays a key role in international collaborations, where the interaction across organizations as building blocks of the value chain relies mostly on the activities carried out by business members (either or not family members). Ensuring trust, commitment and long-term relationships between the family and its business members allows to develop policies and practices aligned to the family lead.

The bonding hybrid social capital type within each organizational boundary spurs three other types of social capital at the crossroad of the two collaborating family firms: the bridging-families social capital, the *bridging-organizations social capital,* and the bridging-hybrid social capital. The bridging-families social capital arises when both firms are family led and the two families are able to develop fruitful relationships. The shared grounding principles that guide the conduct of each family system - such as long-term orientation, transgenerational leadership, mutual trust and reciprocity - boost the development of positive relationships between the two families that endure over time and are likely to differ from potential international collaborations with non-family counterparts (Cesinger *et al.*, 2016). The grounding principles of the family systems, although non-identical, are similar across cultures and can act as bridges for culturally distant collaborations.

The *Bridging-hybrid social capital* is generated through the relationship between the family members and the non-family members of the partner firm. Indeed, the stability, trust, cohesiveness and tradition that exist in certain family firms (Khanin *et al.*, 2012; Rondi *et al.*, 2019) make non-family members feel part of the family. Kin ties among family members are thus likely to engender strong social bonds with non-family employees of the partnering organization (Berrone *et al.*, 2012). The involvement of non-family members in the decision-making process, who benefit from the family's trust, possess the market knowledge and relevant network which are essential to build the foreign partnership.

Finally, the link between the business and the family may also increase non-family members' commitment and identification with the family firm by motivating their responsible stewardship behaviour and psychological ownership. Indeed, despite the different organizational objectives, their core organizational values are compatible and mesh to each other, particularly through long-term collaboration. So, the longer the strategic relationship between firms endures and non-family members are employed into the family firm, the stronger the *Bridging-organizations social capital* will be.

In sum, the internalization theory suggests that the risks of partners' opportunistic behaviour, and the consequent high costs of coordination costs push firms to opt for a vertical integration rather than outsourcing. However, family firms, due to the four unique types of social capital,

can overcome these complexities and opt for further externalization of activities, thereby reducing the amount of fixed costs, which are high in case of vertical integration (Casson, 1989). Therefore, due to family idiosyncratic characteristics such as trust, reputation and long-term commitment, the risk of opportunistic behaviour is reduced and it becomes possible to build up over time a successful strategic partnership based on relational governance aimed to gain full control of the GVC, even in absence of legal ownership.

6. Discussion

By grafting the conceptual lenses of social capital in the exploration of family firm internationalization, we have argued that family SMEs are able to compensate their lack of resources necessary to scale up their value chain globally, by building bonding and bridging types of social capital with their foreign partner. By doing so, we conceptualize the existence of an internal and external social capital for each of the partnering family firms, leading to a configuration of four types of social capital emerging from the relationships among family and non-family members. Stemming from our conceptual framework, we argue that the development of such types of social capital acts as lubricant of the foreign collaboration and allows family SMEs to compensate their lack of legal ownership and resources to enforce legal contracts.

Our study offers two main contributions to deepen the understanding of internationalization of family firms. First, we address the call for further investigation of a wider range of entry modes through which family firms internationalize beyond exports (De Massis *et al.*, 2018; Stoian *et al.*, 2018). We do so by digging into the development of the GVC by family firms that fine-slice their activities through externalization, thereby embracing the Global Factory model (Buckley and Ghauri, 2004). More specifically, we contribute to the literature on family firm internationalization by extending the Global Factory model to the idiosyncratic context of family firms, taking into account its distinctive traits. While large multinational firms have more financial resources at their disposal and can recur more to vertical integration (i.e. internalization) as well as exploit their superior legitimacy and power in controlling GVC activities, we bring theoretical evidence on the important differences of GVC in family SMEs.

Second, we leverage the idiosyncratic ability of family SMEs to build strong social capital within their organization (Arregle *et al.*, 2007 Sharma, 2008) and extend it to the process of internationalization in building both bonding and bridging social capitals among family and non-family members of the different organizations across borders. Family firms' social capital is crucial in the process of internationalization; indeed, evidence shows that family firms with strong social capital in the host country internationalize more than non-family firms (Zahra, 2018). We argue that despite the cultural distance between firms operating in different contexts, the presence of families in SMEs creates a common ground for collaboration, being likely to share common principles of building strong

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community within their organization, having long term orientation, and commitment to low turnover. All these aspects spur the development of strong social capital within and between organizations, thereby ensuring the ability of family SMEs to exert control over the value chain, without requiring the legal ownership of foreign subsidiaries. Specifically, the configuration of the four types of social capital identified is coherent with the concept of *group social capital,* wherein bridging and bonding relationships developed by individuals are able to nurture the functioning of the whole group (Oh *et al.*, 2004). In this case, we adopt a broader perspective on the collaboration between two organizations and explore the mutual benefit of building strong social capital. Such approach can be broadened even further, by analysing the network of collaborations that a focal family firm is able to develop in designing, configuring and controlling its GVC.

Although our investigation is grounded in the assumption that the two collaborating firms are led by families, our framework offers insights also on the international collaboration of non-family firms. In case either business does not involve a family, the hybrid bonding, hybrid bridging and families bridging social capital are less likely to hold. This extension of our conceptual framework offers insight for the reasons why non-family firms need to further formalize their foreign collaborations. The absence of family principles and long-term orientation leaves employees of businesses operating globally to individually develop relationships with foreign partners. However, such relationships are exposed to higher turnover, stronger financial goals and short-term orientation, all stressors that are likely to compromise the development of enduring social capital across organizations.

7. Limitations and future research directions

Although our study deepens the understanding of family firm internationalization, it is not free of limitations. First, we conceptually theorize about foreign collaborations among family firms, but we do not rely on empirical evidence to test it. Further research is required to explore the impact that social capital has on family business internationalization, for example addressing how previous collaborations with international partners shapes future family business international operations.

Second, we assume the abundance of social capital as a distinctive trait within the family and the organizational boundaries. However, family business research has shown that families might have conflicts that spur the development of negative relationships, and nepotism and parental altruism may lead non-family members to perceive a sense of injustice that engenders mistrust toward the family (Lubatkin *et al.*, 2005; Schulze *et al.*, 2003). Future research could then examine the impact that social capital within each group (e.g. the family) has on the social capital of other groups (e.g. the organization, the partnership).

Third, our conceptualization of social capital is merely positive, as a resource whose accrual is beneficial to the family firm. However, studies

have started developing concern on the dark side of social capital, claiming that having 'too much of a good thing' could be harmful for organizations (Gargiulo and Benassi, 1999). In particular, scholars explored the redundancy in relationships, assessing that while it is very beneficial for individuals in a group to develop ties with otherwise disconnected actors to access novel resources - e.g. through network brokerage (Kwon *et al.*, 2020), having an excessively closed network of ties, where every individual is connected to each other, can be inefficient. Scholars could analyze whether there is an optimum level of relationship development across businesses as well as of social capital development in the internationalization process of family firms.

Fourth, we consider family business as a homogenous category of firms that can rely on strong internal relationships among its members, however not all family businesses are the same. Heterogeneity among family firms is increasingly receiving attention and research is showing the relevance of taking into account not only their diversity from non-family counterparts but also nuances within the same category. We build our argument by considering family SMEs, wherein the overlap between the family and the organization is likely to be high. In this case, the relationships within the family and among the family and non-family members are likely to be intense, allowing each member of the organization to interact with the members of the owning family and contribute to the development of bonding-hybrid social capital. Conversely, in large family firms the overlap of the family, the ownership and the management of the business can be scarce, with potential consequences on the development of relationships among the members of the different groups and the related social capital. What happens to the bonding-hybrid social capital in a large family firm? What are the consequences of having lower levels of bonding-hybrid social capital on the bridging forms of social capital in an international collaboration? Does a large family firm behave more similarly to a non-family firm in managing international collaborations in absence of strong bonding-hybrid social capital? These are questions that future research could address by delving into the underlying mechanisms behind this phenomenon.

Furthermore, within the category of family SMEs, heterogeneity might arise from the presence of different levels of family social capital and/or weak ties among family members, with consequences for the development of bonding-hybrid social capital. Contributions may arise from the investigation of the heterogeneity of family firms and its implication for their internationalization processes, such as how heterogeneity of ties' strength within a family affects the development of different forms of family SMEs' social capital and what are the implications for international collaborations. Similarly, heterogeneity among family firms can be relevant for the business side. Although in our conceptual development we only consider families with a single business, research on family firms is increasingly devoting attention toward those families that own a portfolio of businesses (Le Breton-Miller and Miller, 2018). What happens to the internationalization process when a business family owns multiple businesses? Does the social capital of the family erode or increase its

beneficial effects when leveraged by multiple businesses in the process of internationalization? Addressing these questions has the potential to further advance current understanding of the phenomenon of family firms' internationalization.

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Academic or professional position and contacts

Emanuela Rondi
Assistant Professor of Management
Free University of Bozen-Bolzano - Italy
e-mail: Emanuela.Rondi@unibz.it

Francesco Debellis
Post-Doctoral Researcher
Free University of Bozen-Bolzano - Italy
email: francesco.debellis@unibz.it

Alfredo De Massis
Full Professor of Management
Free University of Bozen-Bolzano - Italy
e-mail: alfredo.demassis@unibz.it

Antonello Garzoni
Full Professor of Business Administration
LUM Jean Monnet University - Italy
e-mail: garzoni@lum.it

sinergie
italian journal of management

ISSN 0393-5108
DOI 10.7433/s112.2020.06
pp. 113-131

Italian Society of
MANAGEMENT

Learning tools to develop cultural intelligence for SMFEs: the role of social cognitive processes

Received
2nd September 2019
Revised
7th January 2020
Accepted
9th April 2020

Rubens Pauluzzo

Abstract

Purpose of the paper: *The aim of this paper is to investigate how SMFEs can develop cultural intelligence (CQ) from international experience (IE) using Bandura's Social Cognitive Theory as a theoretical framework.*

Methodology: *The study involved the submission of a questionnaire to 150 owner-managers of Italian SMFEs. Participants were selected on the basis of a proportional quota sampling. Moderated multiple regression analysis was used to test the hypotheses.*

Findings*: The study shows that a learning method based on the observation of the link between behaviors of external economic agents and consequences of such behaviors can support SMFEs in developing CQ to inform decision-making activities and drive improvement in the internationalization process.*

Research limits: *The weight of each dimension is highly dependent on the context and time of the analysis and this may create some problems in the generalization of the findings. Potential bias may occur due to self-report surveys.*

Practical implications: *The findings reveal that, through observational learning, SMFEs are more likely to acquire and accumulate cultural and market-specific knowledge able to compensate their knowledge constraints in terms of internationalization.*

Originality of the paper: *The present study is the first attempt to explicitly examine the moderating effect of Social Cognitive Theory on the relationship between IE and CQ in family businesses. Yet to date, no research has empirically tested these links.*

Key words: SMFEs; international experience; cultural intelligence; social cognitive theory

1. Introduction

Family businesses play a central role in most economies worldwide. They account for 65-80 percent of all world's firms, generate around 70-90 percent of the annual global GDP, and represent the source of 50-80 percent of new jobs in most countries (De Massis *et al.*, 2018). Given their share in the global market, the topic of internationalization of family firms has gained increased attention (e.g., Arregle *et al.*, 2017; Fernández and Nieto, 2005; Graves and Thomas, 2008; Pukall and Calabrò, 2014; Ratten *et al.*, 2017; Sciascia *et al.*, 2012).

In this context, several scholars have suggested that the propensity to internationalize of family firms is constrained by limited financial resources, reluctance to establish relations with new partners, limited access to market-specific knowledge and managerial capabilities, resistance to change of entrepreneurial leadership, conservative attitude, and fear of losing socio-emotional wealth (Fernández and Nieto, 2005; Gomez-Mejia *et al.*, 2010; Sciascia *et al.*, 2012; Xi *et al.*, 2015). Many of these difficulties to internationalize can be exacerbated in case of small and medium-sized family enterprises (SMFEs) (Fernández and Nieto, 2005; Gallo and García-Pont, 1996). Even though small size can provide several advantages, SMFEs' sources of strength within indigenous markets represent their sources of weakness when dealing with foreign environments, since the international process requires efficient management at corporate, business, and functional levels and calls for a high degree of experience and expertise (Lloyd-Reason and Mughan, 2002).

More specifically, SMFEs usually lack market-specific knowledge and managerial capabilities that are key elements to face the uncertainties of internationalization (Chang and Shim, 2015; Dunning, 1988; Hitt *et al.*, 1997; Kraus *et al.*, 2016). The lack of such resources is one of the reasons reducing the international scope of SMFEs (Fernández and Nieto, 2005; Graves and Thomas, 2008). Among these capabilities, cultural intelligence (CQ) has become one of the important skills global leaders must develop (Michailova and Ott, 2018), since the effective management of culturally diverse settings can lead to improved business results (Cox, 1993). Nonetheless, research on what actually leads to CQ has been sparse and unsystematic (Ott and Michailova, 2018).

Within this framework, the Uppsala School (Johanson and Vahlne, 1977) suggested that experiential learning supports the firm in acquiring a deeper knowledge of foreign markets. However, the acquisition of experiential, tacit, and market-specific knowledge is more difficult for resource-constrained SMFEs than for larger firms. Some studies have then argued that family businesses can compensate most part of these weaknesses by accessing external resources, which can provide them with higher stocks of market knowledge and managerial capabilities (e.g., Kraus *et al.*, 2016; Pukall and Calabrò, 2014; Vandekerkhof *et al.*, 2014). However, our knowledge of how SMFEs can acquire such external resources to improve their internationalization process is still limited (Kontinen and Ojala, 2012).

The present paper addresses this issue by using Bandura's (1977; 1986) Social Cognitive Theory (SCT) to investigate how SMFEs' members can develop CQ, responding to the call put forward by Michailova and Ott (2018) for empirically testing the key arguments underlying this relationship. According to SCT, individuals shape their behaviors by observing other people's actions and their consequences. Such vicarious learning can act as a central stimulus for SMFEs' decision-makers to access and internalize relevant information about international markets. By following the example of other firms involved in cross-border business operations, the owner-manager acquires experiential and market-specific knowledge, thus speeding up the international development of the firm.

The study involved the submission of a questionnaire to a sample of 150 owner-managers of Italian SMFEs involved in international business activities. It focused on Italian SMFEs because, SMFEs play a more significant role in Italy than in most other EU countries. Family businesses account for 85 percent of total firms in Italy. Even though the EU average shows similar results, in terms of family control, 66 percent of the Italian family firms are fully managed by family members, compared to 26 percent in France and 10 percent in the UK. As for SMFEs, there are around 4,000 family businesses in Italy with an incidence of around 58 percent of total turnover (Aidaf, 2019). Moderated multiple regression analysis was used to test the hypotheses.

The study is presented in five sections. First, in section 2, a discussion of the different theories that underlay the model is presented. In section 3, the methods and measures of the empirical assessments are reported. The analysis is then discussed in section 4. Results, discussion, and conclusions are presented in sections 5 and 6.

2. Background

2.1 Family businesses and internationalization: the search for external resources

Family businesses are traditionally less inclined to grow in the international arena (Fernández and Nieto, 2005) due to their limited financial resources, reluctance to establish relations with new partners, limited access to market-specific knowledge and managerial capabilities, lack of the needed expertise and skills, conservative attitude, and fear of losing socio-emotional wealth (Gomez-Mejia *et al.*, 2010; Sciascia *et al.*, 2012; Xi *et al.*, 2015). Most of these difficulties can be worsened in case of SMFEs since they find it more difficult to exploit their local competitive advantages in foreign environments (Gallo and García-Pont, 1996). Indeed, the lack of resources and the complexities and uncertainties of international activities reduce the possibility for SMFEs to capitalize on the opportunities of international markets (Fernández and Nieto, 2005; Graves and Thomas, 2008).

Among these resources, intangible ones, such as market-specific knowledge, culture, technology, or managerial capabilities, represent key elements to compete with host country firms in their own markets (Chang and Shim, 2015; Dunning, 1988; Hitt *et al.*, 1997; Kraus *et al.*, 2016). In particular, market-specific knowledge and managerial capabilities represent crucial resources for family businesses to overcome the uncertainties of international processes (Chang and Shim, 2015; Erikson *et al.*, 1997; Gallo and García-Pont, 1996; Pukall and Calabrò, 2014). Family businesses tend to internationalize at a slower pace than non-family firms, since they usually need more knowledge to start internationalization and accumulate knowledge more slowly (Gallo and Sveen, 1991). In this context, the Uppsala School (Johanson and Vahlne, 1977) suggested that international activities involve experiential learning processes that support

the firm in acquiring relevant knowledge of foreign markets. However, this knowledge is mostly tacit and context-specific and it is very hard to share or transmit. Hence, resource-constrained SMFEs are usually at a disadvantage when accessing such knowledge and capabilities.

Some studies have argued that family businesses can compensate part of these disadvantages through family-specific resources, such as trust, social capital, and altruism (e.g., Calabrò and Mussolino, 2011; Segaro, 2010; Zahra, 2003). These qualitative factors can have a positive impact on family relationships, thus improving conflict management and resolution, decision-making activities, and a shared vision of the firm's international path (Kraus *et al.*, 2016). Other scholars have stressed that family firms can acquire higher stocks of market knowledge and managerial capabilities by accessing external resources through stable relationships (e.g., Calabrò *et al.*, 2013; Pukall and Calabrò, 2014; Vandekerkhof *et al.*, 2014). These relationships with other companies as shareholders, with alliances and cooperative agreements with customers, distributors, and other stakeholders, or through network ties with other entrepreneurs can provide family businesses with relevant information about business opportunities, foreign market characteristics, obstacles or problems involved in the internationalization process (Fernández and Nieto, 2005; Kontinen and Ojala, 2012; Pukall and Calabrò, 2014). Through external resources, family firms can thus reduce the perceived risk of internationalization and better overcome the liabilities of outsidership and foreignness than their non-family counterparts (Johanson and Vahlne, 2009; Pukall and Calabrò, 2014).

Family businesses may therefore need to identify and use external resources to overcome the shortcomings related to family-specific characteristics. However, knowledge about how they can acquire such tacit knowledge and capabilities to improve their internationalization process is still limited (Kontinen and Ojala, 2012).

2.2 The relationship between international experience and cultural intelligence

CQ is the "individual's capability to function and manage effectively in cultural diverse environments" (Ang *et al.*, 2007: 337). Earley and Ang (2003) developed this multidimensional construct on the basis of Sternberg and Detterman's (1986) multi-loci theory of intelligence, according to which intelligence is made up of multiple interacting capabilities. CQ is a culture-free construct based on individual capabilities which applies across cultures rather than being culture-specific (Ang *et al.*, 2007). Originally conceptualized as a threefold dimension based on cognitive, motivational, and behavioral factors, the concept of CQ was then refined by Ang *et al.* (2006), who provided a distinction between cognitive and metacognitive CQ, and by Van Dyne *et al.* (2012), who introduced sub-dimensions for each of its four factors. Recently, Thomas *et al.* (2008) interpreted CQ as a threefold system of interacting abilities, whereby cultural knowledge and skills are linked to cultural intelligent behavior through cultural metacognition.

Cognitive CQ is the knowledge and understanding of the values, norms, practices, and conventions of different cultural backgrounds acquired through education and personal experiences (Earley and Gardner, 2005). Metacognitive CQ represents the level of cultural awareness and executive processing during cross-cultural encounters (Van Dyne *et al.*, 2012) that allows individuals to manage and control cognition when dealing with new situations (Earley and Gardner, 2005). Motivational CQ refers to the degree of interest, attention, and effort showed by people interested in learning from cultural differences and adapting to new cultural settings (Earley and Ang, 2003), while behavioral CQ is the ability and flexibility of using adequate verbal and non-verbal actions when interacting with people from different cultures (Van Dyne *et al.*, 2012).

The concept of CQ has been widely examined as predictor of individuals' adaptation/adjustment (Ang *et al.*, 2007), performance in intercultural contexts (Chen *et al.*, 2011), global leadership (Rockstuhl *et al.*, 2011), intercultural negotiation effectiveness (Imai and Gelfand, 2010), and multicultural teams functioning (Groves *et al.*, 2015). However, it is still rather unclear how individuals develop CQ (Ott and Michailova, 2018). Indeed, even though previous studies have analyzed the role of international experience (IE) and cultural exposure (Crowne, 2013), knowledge of socio-cultural contexts (Earley and Ang, 2003), education (MacNab and Worthley, 2012), individual personality (Ang *et al.*, 2006), results have shown substantial variations and inconsistencies.

In this context, particular attention has been paid to the relationship between IE and CQ. IE is a multidimensional concept that represents the exposure to a foreign environment, which comprises meaningful interactions with members of the local culture through work and non-work experiences (Takeuchi *et al.*, 2005). Work experiences include international assignments and short business trips, while non-work experiences involve traveling and studying abroad. The exposure to these experiences supports individuals in gaining knowledge about local behaviors and cultures through direct experience and observation (Bandura, 2002). This exposure helps individuals become more familiar with and develop a better understanding of the values, beliefs, and norms of other cultures (Engle and Crowne, 2014). In this regard, IE is considered as a key element to develop global leadership capabilities (Li *et al.*, 2013), since it provides cultural exposure (Crowne, 2013) to develop CQ.

Most part of previous studies confirmed the existence of a positive relationship between IE and CQ, both in terms of overall CQ (e.g., Earley and Ang, 2003; Li *et al.*, 2013; Thomas *et al.*, 2008) and its all four facets (e.g., Chao *et al.*, 2017; Engle and Crowne, 2014). However, in an extensive review of the CQ literature, Ott and Michailova (2018) found that this has not always been the case. For instance, some studies argued that no significant relationship exists between IE and CQ (Gupta *et al.*, 2013; MacNab and Worthley, 2012), while others suggested that IE just affects metacognitive CQ (Varela and Gatlin-Watts, 2014) or cognitive and motivational CQ (Li *et al.*, 2013). Similar discrepancies can be found when examining the role of specific experiences on CQ: Moon *et al.* (2012) stated that only non-work experiences affect CQ, Li *et al.* (2013) recognized that

work experiences have an impact on overall CQ, while Crowne (2013) argued that work IE predicts metacognitive, cognitive, and behavioral CQ, and non-work IE affects the cognitive and behavioral facets of the construct.

Even though the wide range of these results provides little clarity about how IE influences overall CQ and its four sub-dimensions, based on previous studies it seems reasonable to conclude that IE does influence CQ to some extent. Following this rationale, the present paper hypothesizes that:

H1. *International experience is positively related to cultural intelligence.*

2.3 How to develop cultural intelligence through social cognitive learning

IE is a unique and crucial learning environment (Li *et al.*, 2013), in which encounters with members of local cultures, short-term visits, or more immersive experiences provide several learning opportunities for individuals and owner-managers. Such experiences help individuals acquire tacit knowledge, which is subjective, experience-based, and context-specific knowledge that cannot be codified and it is very hard to share or transmit. This experiential knowledge, gained through direct experience and observation, generates business opportunities and represents a driving force in the firms' internationalization processes (Johanson and Vahlne, 1977). However, the acquisition of experiential and market-specific knowledge can be more difficult for SMFEs than for larger non-family firms. As argued by Eriksson *et al.* (1997: 7), market-specific knowledge requires "presence abroad, exposure to the situation abroad, and interaction with specific customers, intermediaries and other firms". Market-specific knowledge can thus be difficult and costly to obtain, in particular for resource-constrained small family firms. Even abstract conceptualizations used to grasp knowledge from abstract symbols do not represent useful alternatives for developing experiential learning skills for cross-cultural adaptation (Yamazaki and Kayes, 2004).

In this context, Bandura's (1977, 1986) SCT can represent a viable tool to assess how SMFEs' members can develop CQ. While experiential learning is based on the assumption that learning is the result of direct experience, Bandura (1977) suggested that individuals learn by observing other people's behavior, attitudes, and outcomes/consequences of these behaviors. Through observation, individuals can form an idea of how new behaviors are performed and use this coded information as a guide for subsequent actions. SCT has been recognized to be more effective in explaining skill development than other approaches such as experiential learning (McEvoy, 1998) and well suited to explain human personal development, adaptation, and change in diverse cultural settings (Bandura, 2002; Black and Mendenhall, 1990; Michailova and Ott, 2018; Tarique and Takeuchi, 2008).

Observing modeled behaviors and their outcomes/consequences can thus support SMFEs' decision-makers in acquiring relevant market-specific knowledge, developing new models for behavior in the foreign context, and speeding up the international evolution of the firm. In this context,

"organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful" (DiMaggio and Powell, 1983: 152). This generalized perception, although based on individual subjective legitimacy beliefs, is objectified at the collective level within socially constructed systems of norms, values, beliefs, and definitions (Bitektine and Haack, 2015). This form of isomorphism generates resource dependencies that help explain why organizations facing different and unknown conditions are influenced by the perceived strategic value of knowledge originating from the organizational and business contexts (Tregaskis, 2003). By imitating firms with higher degree of legitimacy, SMFEs can thus reduce their perceived uncertainty about foreign markets without having to wait until their own market-specific knowledge has reached an adequate level (Forsgren, 2002). This would allow them to face the liabilities of outsidership and foreignness, thus favoring less incremental and less cautious internationalization processes.

Observational learning is based on four social cognitive processes (SCPs): attention, retention, reproduction, and motivation. Attention refers to the extent to which individuals are exposed to, or notice, a behavior (Bandura, 1977). In uncertain situations, the more ambiguous the stimuli, the greater the likelihood for individuals to rely on models for making decisions. SMFEs' decision-makers can acquire higher stocks of market knowledge by making inferences from the observation of other firms and stakeholders in the foreign context. In this sense, the family firm has to behave as an 'open system' to find, exploit, and organize external resources not available within the organization in order to assimilate appropriate behaviors and increase its opportunities in the host environment.

Retention represents the process through which individuals code the observed behaviors into memory to generate easily remembered schemas for subsequent uses (Bandura, 1977). In the family business context, in which success depends on the knowledge gathered and handed down through the generations and acquired from outside (Chirico, 2008), trust, social interactions, and learning-by-doing favor the accumulation of knowledge and the transformation of the observed behaviors and actions into tacit knowledge to be shared over time.

Reproduction transforms symbolic representations into appropriate actions (Bandura, 1977). Practicing behavior and receiving feedbacks in the learning context help the owner-manager make adjustments and reinforce positive conducts. Through learning experiences and 'working together' activities, the other members of the family firm can then re-experience what the owner-manager previously learned and acquire, share, and transfer knowledge - especially tacit knowledge - often unconsciously across generations (Chirico, 2008).

Motivation supports individuals in reenacting a behavior on the basis of the observed consequences and the received responses, thus increasing the level of identification with the modeled behavior and the propensity of continuous imitation (Bandura, 1986). In this context, the commitment of the members of the family business can positively influence the knowledge accumulation process within the organization (Nonaka and Takeuchi, 1995). Personal beliefs and support of organizational vision and goals

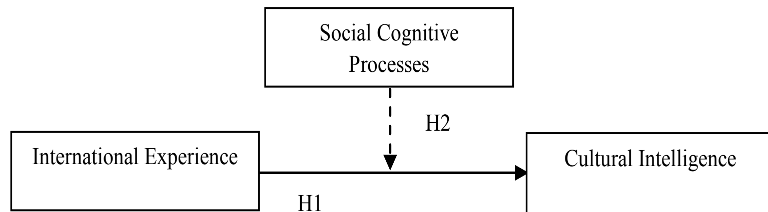
can strongly affect the will to perform the appropriate behavior, thus reinforcing previous actions.

Social cognitive processes can thus affect how SMFEs assimilate cultural and market-specific knowledge. Hence, the current study hypothesizes that:

H2. *Social cognitive processes have a positively moderated effect on cultural intelligence development of SMFEs' members.*

The conceptual model is then presented in Figure 1.

Fig. 1: The conceptual model



Source: Own elaboration.

3. Research design

The present investigation is part of a wider study of SMEs' international behavior, which involved the submission of a questionnaire to the owner-managers of Italian SMEs involved in international business activities. Participants were selected on the basis of a proportional quota sampling. Quotas were set with reference to size, product sector, and foreign market. The survey was edited in Italian with a pilot sample of 10 respondents and modified according to the feedbacks received. Data were collected during the period September to December 2017 by uploading the questionnaire onto the online platform SurveyMonkey. After performing data entry and screening, a total of 150 family businesses were considered for further analysis. 45.33% (n. 68) of the respondents belonged to micro firms. Among them, around two thirds operated in the mechanical and textile sectors (69.12%, n. 47) and 83.82% were mostly exporting to the EU (n. 57). 26.67% of the surveyed family businesses were small firms (n. 40), 62.5% of which operated in the mechanical and chemical industries (n. 25) and 75% focused on the EU markets. 28% (n. 42) of the respondents belonged to medium firms, three fourths of which (71.43%, n. 30) operated in the mechanical and chemical sectors. Notably, 26.19% of them exported to other EU countries (see Table 1 for a profile of the sample).

Tab. 1: Characteristics of the sample % (n=150)

Size		Product sector		Foreign markets		Age		Gender		Education	
Micro	45.33	Mechanical	36.00	EU-28	75.33	≤34	10.00	Male	68.67	≤ Lower secondary	36.67
Small	26.67	Textile	24.67	Other EU countries	20.67	35-49	39.33	Female	31.33	Upper secondary	43.33
Medium	28.00	Chemical	22.00	Americas	2.67	≥50	50.67			Higher	20.00
		Agri-food	10.67	Asia	1.33						
		Services	6.67								

Source: Own elaboration

3.1 Measurement of constructs

IE is a 4-item measure adapted from the scale by Takeuchi *et al.* (2005). Owner-managers were asked to assess the number and length of international experiences, classified as relating to either work and non-work domains, by using 5-point Likert scales, from '0' (scored as zero) to '>3' (scored as four), and from '0 months' (scored as zero) to '>24 months' (scored as four), respectively.

There are no validated tools or scales widely accepted and used to directly measure SCPs (attention, retention, reproduction, motivation). Even though these concepts have been extensively studied from a theoretical point of view in several fields of research, just one attempt has been made to explicitly measure them. Yi and Davis (2003) developed and tested a 16-item scale to directly measure SCPs in computer software training and skill acquisition. In the present study, following standard scale development procedures (Mackenzie *et al.*, 2011), SCPs were assessed through a set of iterative steps which comprise conceptualization, development of measures, model specification, scale evaluation and refinement, validation, and norm development. Bandura's (1977, 1986) SCT was used to provide a conceptual definition of SCPs' constructs. These definitions helped generate a set of 10 items to represent each process dimension. Following this, the items were tested using three experts (university professors in the field of international business and management) to ensure that they accurately portrayed the focal constructs. The feedbacks received were used to revise the items to better fit the theoretical domain and improve their readability. Two pilot tests were then undertaken to further purify and refine the scale using a sample of fifteen students in management and ten international managers of Italian companies, respectively. Results were used to examine the psychometric properties of the scale, and to enhance its convergent, discriminant, and nomological validity. Final items were then selected on the basis of their capability to discriminate among the four dimensions, their tendency to load together consistently, and their ability to cover the target content domain. The final scale comprises 16 items (4 items for each SCPs' construct). Each of them was scored on a 7-point Likert scale, from 'strongly disagree' (scored as one) to 'strongly agree' (scored as seven).

CQ was measured from the 20-item scale by Ang *et al.* (2007). Metacognitive CQ involves four items (e.g., 'I am conscious of the cultural

knowledge I use when interacting with people with different cultural backgrounds'), cognitive CQ includes six items (e.g., 'I know the rules for expressing nonverbal behaviors in other cultures'), motivational CQ comprises five items (e.g., 'I am confident that I can socialize with locals in a culture that is unfamiliar to me'), and behavioral CQ involves five items (e.g., 'I use pause and silence differently to suit different cross-cultural situations').

Age, gender, and education were also included as control variables. Older decision-makers may have been exposed to different contexts and cultures, thus developing higher CQ. Females are believed to develop higher CQ, since they usually empathize to a greater degree than males and are more likely to perceive and understand non-verbal behaviors or facial expressions. Higher levels of educational attainment may also support individuals in developing a deeper awareness of diversity across cultures.

4. Analytical procedure

Psychometric properties were evaluated through confirmatory factor analysis, incorporating the varimax option (KMO=0.849; Sig.=0.000). Common method variance (CMV), convergent and discriminant validity were also tested. Non-family financial support (the share of the family firm's capital owned by an external partner) was used as marker variable. The results presented in Table 2 show that convergent and discriminant validity were well established and the maximum shared variance was less than 0.01, confirming the consistent absence of biasing levels of CMV.

After mean-centering the predictors, a moderated multiple regression analysis for overall CQ and SCPs was performed. The variance inflation factor (VIF) was examined to identify multicollinearity among the variables in the regression model. Step 1 comprised the control variables age, gender, and education (model 1). Step 2 included the independent variables IE and SCPs (model 2), while step 3 added the moderating variables (IE × SCPs in model 3). Significance was investigated through t and F tests. Following the example of Li *et al.* (2013), a second moderated multiple regression analysis of SCPs on the four facets of CQ was also run to test their role in the development of all four sub-dimensions of CQ in a post hoc analysis.

Tab. 2: Common method variance, convergent and discriminant validity indexes

Variables	α	AVE	CR	√AVE	1	2	3	4
1 IE	0.836	0.679	0.852	0.824	*0.824*			
2 SCPs	0.789	0.537	0.909	0.733	0.709	*0.733*		
3 CQ	0.847	0.566	0.937	0.753	0.726	0.672	*0.753*	
4 Non-family financial support	-	-	-	-	0.069	-0.046	0.084	-

Note: Diagonal elements (bold) are the square roots of average variance extracted (AVE) by latent constructs from their indicators. Off-diagonal elements are correlations between latent constructs. For convergent and discriminant validity, AVE should be higher than 0.5, composite reliability (CR) should be higher than 0.7, and diagonal elements should be larger than off-diagonal elements in the same row and column.

Source: Own elaboration.

Tab. 3: Moderated multiple regression analysis of SCPs on CQ (n=150)

Variables	CQ		
	Model 1	Model 2	Model 3
Age	0.277**	0.297***	0.299***
Gender	0.055	0.075	0.081
Education	0.103	0.091	0.098
IE		0.240**	0.251**
SCPs		0.048	0.034
IE × SCPs			0.175*
F	4.581**	4.934***	5.113***
ΔF		5.080**	5.275*
R^2	0.086	0.146	0.177
ΔR^2		0.060	0.030

Note: Two-tailed tests. *: p-value<0.05; **: p-value<0.01; ***: p-value<0.001.

Source: Own elaboration.

Tab. 4: Moderated multiple regression analysis of SCPs on the four sub-dimensions of CQ (n=150)

Var.	Metacognitive CQ			Cognitive CQ			Motivational CQ			Behavioral CQ		
	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15
Age	0.309***	0.321***	0.323***	0.352***	0.370***	0.372***	0.229**	0.244**	0.246**	-0.067	-0.053	-0.050
Gender	0.093	0.106	0.109	0.070	0.088	0.093	0.088	0.103	0.106	-0.080	-0.067	-0.060
Education	0.082	0.084	0.087	0.161*	0.155*	0.160*	0.073	0.064	0.068	-0.015	-0.036	-0.029
IE		0.092	0.097		0.184*	0.193*		0.180*	0.187*		0.250**	0.263**
SCPs		0.069	0.063		0.066	0.055		0.034	0.026		0.027	0.042
IE × SCPs			0.185*			0.237*			0.202*			0.191*
F	5.497**	3.751**	3.320**	8.488***	6.648***	6.186***	3.029*	2.933*	2.726*	3.447*	3.198*	2.854*
ΔF		3.118*	3.148*		3.459*	3.355*		2.683*	2.627*		4.791*	5.765*
R^2	0.101	0.115	0.122	0.149	0.188	0.206	0.059	0.092	0.103	0.09	0.071	0.107
ΔR^2		0.014	0.007		0.039	0.019		0.034	0.010		0.062	0.036

Note: Two-tailed tests. *: p-value<0.05; **: p-value<0.01; ***: p-value<0.001.

Source: Own elaboration.

5. Results

Table 3 summarizes the results of the moderated multiple regression analyses of SCPs on the relationship between IE and overall CQ. The VIF of the variables for all regression models was between 1.01 and 1.05, showing that multicollinearity was not a concern. The analysis first tested whether IE was positively related to overall CQ or not (H1). Results of model 2 confirmed the existence of a significant relationship among the variables ($\beta2=0.240$, $p<0.01$), thus providing support for H1. The analysis then tested whether the SCPs moderated the level of CQ developed by SMFE's members from their IE or not (H2). Model 3 showed that the interaction among IE and SCPs (IE × SCPs) was positive and significant for CQ ($\beta3=0.175$, $p<0.05$), thus supporting H2.

In the post hoc analysis, in order to understand the influence of SCPs on all the four sub-dimensions of CQ, four moderated multiple analyses were run. As shown in Table 4, the interaction of IE and SCPs (IE × SCPs) was positive and significant for all four CQ facets ($\beta 6=0.185$, $\beta 9=0.237$, $\beta 12=0.202$, $\beta 15=0.191$, $p<0.05$). These results are consistent with those reported in Table 3, thus providing further evidence that SCPs strengthen the positive relationship between IE and CQ in the SMFEs' setting. Consistently, the relationship between IE and each of the four sub-dimensions of CQ is stronger when the owner-managers of SMFEs adopt a learning method based on the observation of the behaviors of others and of the consequences of such behaviors, rather than on direct experience. In addition, robustness tests of moderated multiple regression analyses with three subgroups, namely micro, small, and medium firms, were also implemented. The results showed no significant differences among the subgroups, thus supporting the main findings.

6. Discussion and conclusion

By adopting Bandura's SCT, the current study shows that learning methods based on the observation of the link between behaviors of external economic agents and consequences of such behaviors can support small family firms in developing CQ from IE to inform decision-making activities and drive improvement in their internationalization process. Even though the relevance of external resources as a way to compensate at least part of the international weaknesses of family businesses has been highlighted by the literature on SMFEs' internationalization (e.g., Kraus *et al.*, 2016; Pukall and Calabrò, 2014; Vandekerkhof *et al.*, 2014), an important but as yet unresolved question continues to be how SMFEs can acquire such external resources to improve their internationalization process (Kontinen and Ojala, 2012). The present study addresses this need by using SCPs as moderating dimensions in the IE-CQ relationship to reveal that the development of observational learning mechanisms can play a crucial role in the context of SMFEs, since it helps them acquire and accumulate cultural and market-specific knowledge able to compensate their knowledge constraints in terms of internationalization. Giving positive models helps accelerate greatly the learning of appropriate behaviors, particularly when there are opportunities to try the new behaviors in supporting settings. Modelling can be useful in training organization's members and new employees, thus spreading proper behaviors throughout the organization. SMFEs can thus model themselves after similar firms perceived to be more legitimate in a specific context. These perceptions can be internalized within the organization and translated into effective knowledge and appropriate behaviors through a socially constructed system of norms and values based on trust, social interactions, and learning-by-doing. Hence, knowledge and behaviors from external sources can be absorbed by the family firm and shared across generations. This would allow decision-makers to take and inform decisions about different and unknown contexts.

Three relevant contributions emerge from the current research. First, the study sheds some light on the process of CQ acquisition. While previous studies (Michailova and Ott, 2018; Tarique and Takeuchi, 2008) have argued that Bandura's SCT is a more fine-grained approach to analyze CQ development than experiential learning, no attempts have been made to test the effect of SCPs on CQ acquisition. The present paper addresses this need by assessing the key theoretical arguments put forward by the two studies and reveals that the combination of SCPs (attention, retention, reproduction, and motivation) provides an appropriate tool to measure CQ development, even in small family firms. Second, the current study enhances our understanding of the role played by IE in the development of CQ. While previous research has mostly analyzed such a relationship (e.g., Earley and Ang, 2003; Li *et al.*, 2013; Thomas *et al.*, 2008), results have been riddled with inconsistencies (e.g., Engle and Crowne; 2014; MacNab and Worthley, 2012; Moon *et al.*, 2012). The present study untangles this knot by highlighting that previous experiences of SMEFs' decision-makers are positively linked to CQ even when age, gender, and education are controlled for. Third, findings demonstrate that a learning method based on the observation of external economic agents' behaviors can support small family firms in acquiring skills useful for interaction at a multicultural level and inform their decisions when dealing with diverse cultural contexts. Previous related research (e.g., Gallo and Sveen, 1991; Pukall and Calabrò, 2014) has argued that the slow pace of internationalization of family firms can be explained by the reluctance of family decision-makers to build up relationships in foreign networks, the higher amount of knowledge needed before committing to international markets, and the slower knowledge accumulation. To overcome these shortcomings, family businesses can acquire higher stocks of market knowledge through stable relationships (e.g., Calabrò *et al.*, 2013; Pukall and Calabrò, 2014; Vandekerkhof *et al.*, 2014). However, a further unresolved question is which learning mechanism may be adopted to sustain the acquisition, accumulation, and dissemination of market-specific knowledge throughout the organization. The present paper contributes to this body of literature by showing that observational learning is effective in ascertaining appropriate behaviors and making informed decisions in the host cultural environment, thus providing the resources to drive improvement in the internationalization process of small family firms. Observing other stakeholders, who are successfully operating in a host culture, represents an important incentive to imitate such behaviors and actions, and a way to overcome the liabilities of outsidership and foreignness in acquiring relevant market-specific knowledge.

6.1 Contributions to Practice

This study has important practical implications and can represent a relevant reference guide to SMFEs' members. To sum up, the analysis reveals that, through the combination of attention (family firms need to behave as an 'open system' to notice and assimilate appropriate behaviors), retention (trust, social interactions, and learning-by-doing support the accumulation of knowledge over time), reproduction (learning and

working together allow the members of the family firm to re-experience behaviors and actions), and motivation (support of organizational vision and goals can reinforce previous actions), small family businesses are more likely to acquire and accumulate cultural and market-specific knowledge to compete on a global scale. This implies that family businesses can compensate, at least in part, their weaknesses in terms of internationalization by relying on modeled behaviors which can provide them with higher stocks of market-specific knowledge to inform their decisions in diverse cultural contexts. The behavior of external agents can thus become a model for SMFEs to develop individual capabilities (Li *et al.*, 2013), reduce information asymmetries and perceived risks of internationalization (Pukall and Calabrò, 2014), overcome the liabilities of outsidership and foreignness (Johanson and Vahlne, 2009), and support less incremental internationalization choices (Forsgren, 2002).

6.2 Limitations and Suggestions for Further Research

The present study suffers from a few limitations. The weight of each dimension is highly dependent on the context and time of the analysis and this may create some problems in the generalization of the findings. Other learning theories and interdependences among them may provide interesting points of view about CQ development and interpretation. Similarly, while the present paper is based on Earley and Ang's (2003) conceptualization of CQ, which sees CQ as an aggregated multidimensional construct, Thomas *et al.*'s (2008) conceptualization, which considers CQ as an integrated construct, has yet to be used in empirical analyses. Furthermore, the current analysis adopted self-report surveys, in which potential bias may occur due to halo effects, social desirability, acquiescence, leniency effects, or yea- and nay-saying.

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sinergie
italian journal of management

ISSN 0393-5108
DOI 10.7433/s112.2020.07
pp. 133-150

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Academic or professional position and contacts

Rubens Pauluzzo
Adjunct professor of Management
University of Udine - Italy
e-mail: rubens.pauluzzo@uniud.it

Branding your identity online! The importance of the family dimension for Italian family wine businesses' foreign turnover

Received
9th September 2019
Revised
15th November 2019
Accepted
9th April 2020

Monica Faraoni - Matteo Devigili - Elena Casprini -
Tommaso Pucci - Lorenzo Zanni

Abstract

Purpose of the paper: *Drawing on the resource-based view and moving from Devigili et al.'s (2018) framework on wine brand identity, the paper aims at investigating which brand identity dimensions family wine businesses are benefiting from in their foreign sales turnover. In particular, it focuses on the impact of the territorial identification (distinguishing between denomination, locality, region and country) and the governance attributes (looking at family, tradition, innovation and storytelling) on foreign sales turnover.*

Methodology*: A unique database consisting of 120 family wine businesses has been analysed through an OLS regression model. Questionnaires were collected between 2017 and February 2019 through wineries' websites and phone calls.*

Results*: Our results indicate that family wine businesses are hampered by and benefit from the adoption of specific brand identity's sub-dimensions. More precisely, the region of origin (territorial identification) and the use of tradition (governance attribute) have a negative impact on wineries' foreign sales turnover, while only the use of family (governance attribute) has a positive impact.*

Research limitations: *The paper is built on a sample of Tuscan family wine business.*

Practical implications: *The study demonstrates that wineries need to pay attention to their online brand strategies. More precisely, family wine businesses should better emphasise their family dimension, while being careful of the region of origin and tradition sub-dimensions.*

Originality of the paper: *The paper contributes to research on the internationalisation of family businesses and brand management by illustrating the main brand identity dimensions that lead to higher foreign sales turnover.*

Key words: family firms; foreign sales turnover; firm's brand name

1. Introduction

Given the important share in the global market, the internationalisation of Italian wineries is a key factor in maintaining the economic and social importance of the wine industry and in providing a strong and long-term competitive advantage. In 2018, the Italian wine industry gained its role

as a world leader in production and consolidated its position as an exporter. It produces 55 million hectoliters with an increase of 29% on an annual basis, of which almost 20 million are sold abroad. With a record export value of 6.2 billion euros, it is only second behind France in world suppliers of wine (Ismea, 2019a). Ismea (2019a) highlights the 70% growth in export value over the last decade, consolidated by 3.3% growth last year and by an 8% growth in the first three months of the current year. It is therefore evident that foreign markets represent an important target of the marketing strategies of Italian wine companies which are mostly small and medium-sized family businesses.

Family businesses are, in effect, very common in the wine sector (Gallucci and D'Amato, 2013; Georgiou and Vrontis, 2013). In family businesses, family and business dynamics are highly interrelated (Aldrich and Cliff, 2003). By definition, a family business is "*a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families*" (Chua *et al.*, 1999, p. 25). According to the resource-based view, family businesses possess unique resources (Carney, 2005; Casprini *et al.*, 2019; Habbershon and Williams, 1999). In particular, family wine businesses are building on unique resources such as their family name, real estate and heritage behind the country-of-origin or the wine intrinsic characteristics (Balestrini and Gamble 2006; Pucci *et al.*, 2017; Sogari *et al.*, 2018), to increasingly differentiate, domestically and internationally. Indeed, online channels are helping family businesses in better communicating and reinforcing their identity. However, while empirical evidence shows that family businesses deal with different brand identity strategies (Micelotta and Raynard, 2011), little is known about how family wine businesses design their online brand identity strategy to reach *international markets*.

Indeed, the wine context represents a unique field of research. Brand identity results from an intricate set of attributes. According to Devigili *et al.* (2018), in the wine context, the brand identity comprises three macro-areas of attributes, namely (i) *product/process-related attributes*, i.e. deriving from the intrinsic characteristics of the wine and its production process, (ii) *locational attributes*, i.e. those attributes relating to where the wine is produced, and (iii) *social attributes,* i.e. those deriving from external approval (e.g. certifications/reviews) and governance attributes (i.e. the winemaker or the family). Therefore, family wineries can leverage on different attributes in their promotion strategies, spanning from product-related attributes to family-related attributes, and satisfying those consumers who are increasingly interested in knowing not only the wine, but also the firm behind the wine they buy. Thus, in the case of family firms, the potential benefits of having a family governance is linked to the degree of communication of the family history, values and identity through proper branding strategies. A marketing strategy focused on effective brand identity drivers could have a key role in determining the success of the winery's promotional efforts.

Moving from Devigili *et al.*, (2018) framework, this paper concentrates on the locational and the social attributes and focuses on two of their constituting dimensions, namely the *territorial identification* and the *governance attributes*, as determinants of family businesses' foreign sales turnover. More precisely, the paper disentangles the effects of the sub-dimensions characterising territorial identification and governance attributes, namely denomination, locality, region and country (as sub-dimensions of the former) and family, tradition, innovation and storytelling (as sub-dimensions of the latter) on foreign sales turnover.

The paper begins with a review of the relevant literature that supports our research questions. In successive sections, we present the methodology (i.e. sample, operational measures and model), and describe the results. We close the paper with a discussion of our findings and offer suggestions for both academics and practitioners.

2. Theoretical framework

A brand has been defined as a "*name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition*" (Keller, 2003, p. 12). On a general level, the firm's brand identity and what it represents is the most important intangible asset for many companies and is arguably a primary basis for competitive advantage (Aaker and Biel, 1992). At its most simplistic, a company's brand identity represents a set of promises that, for the buyer, implies trust, consistency and a defined set of expectations, expresses how managers and owners want the brand to be perceived, and conveys the firm's culture, physical specificities, personality and relational style (Kapferer, 2012).

Brand plays an important role in explaining consumers' behaviour and preferences. This is particularly crucial for those products, such as wines, that are complex in nature, i.e. whose quality cannot be assessed before consumption. Therefore, consumers tend to rely on different cues (Sogari *et al.*, 2018) in their buying journey such as the territory, the winery name and the wine grapes, among others. This information is not only available on the wine label but is also increasingly accessible through corporate websites (Taylor *et al.*, 2010; Triana, 2019), QR codes, wine e-magazines, blogs and social media (Capitello *et al.*, 2014). Consequently, companies, irrespective of their size, should diffuse information related to their product and leverage on those specific aspects that may be more appealing for different audiences, at the national and international level.

Companies that present a cohesive, distinctive and relevant brand identity can create a preference in the marketplace, add value to their products and services and may command a price premium (Simonson and Schmitt, 1997). However, it is not straightforward which brand identity attributes that companies should emphasise to improve their performance. Indeed, previous studies have focused on the description of how wineries have built their brand, such as the case of the British Paul Masson (Breach, 1989) and the Australian Casella Wines (Dufour and Steane, 2010), but

there is a lack of empirical evidence about which are the key dimensions that family wine businesses may leverage to improve the foreign sales turnover.

Focusing on the wine industry, this paper moves from Devigili *et al.* (2018) framework according to which the wine brand identity is defined along three attributes: product/process, locational and social. Each of them results from two dimensions, namely the product and the process characteristics, the *territorial identification* and the collateral experiences, the external approval and the *governance attributes*. This paper reviews two of these dimensions - the territorial identification and the governance attributes - as factors influencing the foreign sales turnover. In the following paragraphs, we provide a deeper description.

Territorial identification. The wine industry differs from many industries in the way that brand identity is inextricably linked to a spatially determined location. Geographical attributes play an important role in the wine business, acting as a tool to decrease consumer information asymmetries (Josling, 2006; Moschini *et al.*, 2008) and buying risk perception (Atkin and Thach, 2012), thus creating expectations regarding quality (Verlegh and Steenkamp, 1999; Johnson and Bruwer, 2007). Consumer perceptions of wine quality can be affected by several elements as country of origin, region and sub-region, vintage, grape variety, productive style and vineyard. Several studies have found that wine origin is a quality indicator in the consumer decision process when purchasing wine (Balestrini and Gamble 2006; Pucci *et al.*, 2017).

The wine quality perception is related to the geographical area because consumers believe in the decisive role of the soil and the climatic conditions of that particular territory. As a consequence the quality perception attaches to the wine area applies to each winery of that location.

This perceived collective quality is the result of a spatially determined process of identity construction (Pucci *et al.*, 2018). Consequently, the winery of a region competes both locally with other similar wineries of the geographical area but, in a broader perspective, the regions it belongs to competes with other wine regions on the market. Then, both country-of-origin and region are useful branding tools to differentiate products from both foreign and national competitors (Bruwer and House, 2003; Pucci *et al.*, 2017). The interrelation between individual and collective reputation leads the territorial brand to play the role of an umbrella brand, (Durrieu, 2008). Consumers build their quality perception on the umbrella brand and, since different products are identified by the same "country or region-of-origin" that perception is implicitly transferred to all the wines of the same region (cf. Schamel, 2006). As the umbrella brand communicates a precise identity to the consumer, it becomes evident that territorial attributes have an effective role in the process of building the brand image (Teuber, 2011). In wine branding, region-of-origin has acquired a greater importance than grape varieties, which can be farmed everywhere, because what is not replicable is the terroir (Johnson and Bruwer, 2007).

Based on the previous arguments, we propose the following research question:

RQ1. How does a corporate brand identity based on "Territorial Identification" affect international turnover in wine family businesses?

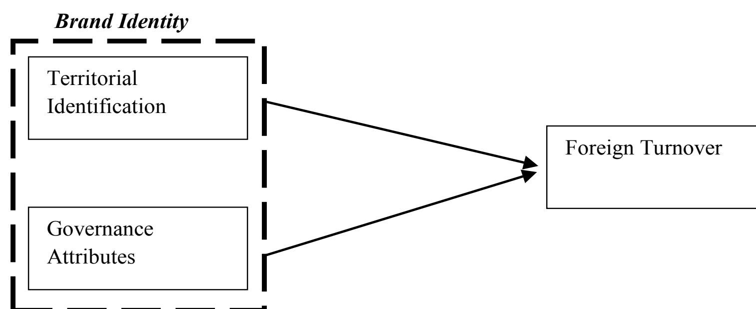
Governance attributes. According to Devigili *et al.* (2018), the governance attributes refer to the family, the innovation, the tradition and the storytelling. In the wine sector, often the winemaker is the family per se. The name of the family represents an important corporate branding attribute (Binz Astrachan *et al.*, 2018; Lockshin *et al.*, 2000; Lockshin and Hall, 2003) which increases sales and captures consumers' attention (Craig *et al.*, 2008). However, as shown by empirical analysis on companies' websites, family businesses may adopt different strategies, emphasising different elements such as family-related features (e.g. family members and emblems) (Micelotta and Raynard, 2011), the importance of the past, traditions and innovation (Vrontis *et al.*, 2016), and the role of the family within the family business. For example, Dufour and Steane (2010) describe the case of Casella Wines, Australia's largest family owned wine company, emphasising the role of innovation and R&D as key determinants for its success as well as the importance of passing wine making skills along generations. Some other studies have examined the differences between family and nonfamily communication strategies on the websites. For example, focusing on the corporate social responsibility communicated via websites, an empirical investigation on Italian wineries shows that family businesses and nonfamily businesses tend to emphasise different words (Iaia *et al.*, 2019). Specifically, the formers highlight the "*'family' ('estate', 'generation', history', property', and 'life')*" (Iaia *et al.*, 2019, p. 1455), while the latter emphasise the place of origin among others.

Exploiting the identity of the family brand can help foster the positive perception of consumers towards the family firm especially when company communication strategy focuses on history and heritage, (Blomback and Brunninge, 2016; Craig *et al.*, 2008) balances innovation and tradition and translates family values (reliability and long-term value orientation) into corporate strategy (Binz Astrachan and Astrachan, 2015). In so doing, the family branding strategy creates long-lasting competitive advantages (Gallucci *et al.*, 2015) as consumers perceive them as the most sustainable, social and fair form of organisation. These awards, coming from a large section of consumers, give dignity to the family nature, so that family firm can be considered as a brand on its own (Krappe *et al.*, 2011) influencing the purchasing behaviours of consumers and, in turn, sales and growth rates.

Based on the previous arguments, we propose a second research question:

RQ2: How does a corporate brand identity based on "Governance attributes" affect international turnover in wine family businesses?

Fig. 1 The conceptual model



Source: Authors

3. Research Design

3.1 Empirical Setting

The sample units of this research are 120 Tuscan wineries. Tuscany is among the most known Italian wine regions worldwide. In 2018, the total wine production of Tuscany was 2.4 million hectolitres, involving 23.166 firms (Ismea, 2019b). In terms of exports, the Tuscany denomination of origin (DO) still wines account for 27% (in value) of all Italian exports. Of the almost 55 thousand hectares cultivated with DO wine, the Chianti denomination accounts for 48.4%, Chianti Classico for 18.5%, and Brunello di Montalcino for 5.3%. The monthly average price at source (Jun-2019) confirms Brunello di Montalcino as the most valuable Italian wine (1085.00 €/Hl), followed, at a distance, by Chianti Classico with 282.5 €/Hl (Ismea, 2019c). The price trend of the Chianti denomination also shows a significant value decrease from 142.5 €/Hl (Jun-2018) to 112.5 €/Hl (Jun-2019). However, Chianti can count on an estimated brand value of 1.83 billion euro, with Brunello di Montalcino far behind with 0.79 billion euro (WineNews, 2015). Given their heterogeneity, these three wine clusters represent an ideal empirical setting. Hence, the sample belongs to three different consortia: 25 to Chianti, 61 to Chianti Classico, 32 to Brunello di Montalcino, and 2 wineries showing multiple affiliations. All wineries involved in this research are family firms.

3.2 Data Collection

To perform the analysis presented here, two databases were merged. The first one, collected in 2017, aimed to identify brand identity strategies employed online by wineries (Devigili *et al.*, 2018). Data were gathered downloading the full content of wineries' websites, page by page. After checking for corrupted or duplicated documents, the whole set of files was uploaded onto NVivo 11. Through a word frequency query, 457 words were selected and divided into 18 brand identity attributes. Thus, each website was analysed to identify the weighted frequency of attributes' occurrence.

The second database was collected through a structured survey submitted to a sample of Tuscan wineries between January and February 2019. The survey was articulated in several questions concerning: basic descriptive data, governance and management composition, competences held, internationalisation strategies and results obtained. Questionnaire answers were gathered both through telephone and face-to-face interviews.

To assure that the sample comprised family-owned businesses only, the following questions were asked: (i) "What is the percentage of shares held by the family?" and (ii) "Are you a family business?". Therefore, we considered family businesses those with an amount of family shares equal to or greater than 50 percent and those giving an affirmative answer to question two (Craig *et al.*, 2008). After controlling for missing values, we merged the two datasets obtaining 120 usable observations.

3.3 Variables Description

Dependent Variable. Foreign Turnover is operationalised, asking respondents to state the percentage of foreign turnover over the total turnover (Ren *et al.*, 2015).

Independent Variables. Based on Devigili *et al.* (2018), we selected two sets of macro-drivers, namely territorial identification and governance attributes. Territorial identification drivers capture the crucial role played by terroir in the wine business (Johnson and Bruwer, 2007), thus we can distinguish: [1] denomination, [2] locality, [3] region and [4] country. Governance attributes are a kind of brand constellation cue referring to winemakers' and wineries' history (see, for example, Lockshin and Hall, 2003), thus: [5] family, [6] innovation, [7] tradition and [8] storytelling. Each of the former drivers is associated with a list of words coherent with its meaning, selected by the research team and validated in a previous research article (Devigili *et al.*, 2018). Comparing the total words included in a website with that list of words, we calculated a weighted frequency of occurrence per each attribute on each website.

Control Variables. In line with previous research, we included both age and size as control variables (Pucci *et al.*, 2020; Terjensen and Patel, 2017). Age is operationalised as the natural logarithm of number of years since its establishment and size as the total firm's turnover. Furthermore, to take into account the differential effort on marketing, we controlled for the percentage of employees with marketing functions over total number of employees (Orr *et al.*, 2011).

4. Results

Table 1 provides descriptive statistics and Pearson's correlation among dependent, independent and control variables. Correlation coefficients do not highlight any problematic value, similarly, VIF scores (see Appendix A) are all below the value of 2. Thus, this research data do not appear to not suffer from any multicollinearity issue.

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italian journal of management
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Tab. 1: Descriptive statistics and correlation analysis

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
[1]	For. Turn. (%)	1											
[2]	Family	0.0964	1										
[3]	Tradition	-0.1876	0.4457	1									
[4]	Innovation	0.0134	0.3974	0.3018	1								
[5]	Storytelling	0.0079	0.4657	0.2579	0.2834	1							
[6]	Denomination	-0.1111	-0.1409	0.015	0.0351	-0.0674	1						
[7]	Locality	-0.1053	-0.0196	-0.0007	-0.1485	-0.0438	0.0228	1					
[8]	Region	-0.2478	-0.0246	0.1323	-0.0767	0.0614	0.606	0.0098	1				
[9]	Country	-0.0731	-0.0046	-0.0048	-0.1143	0.1135	-0.0285	0.2056	0.0073	1			
[10]	Age (ln)	-0.0262	0.1123	0.1045	0.0234	0.0131	0.0469	0.0287	0.0614	0.0256	1		
[11]	Size (Tot. Turn.)	0.159	-0.0198	-0.0188	-0.002	0.0243	0.0304	-0.1102	-0.0003	0.0232	0.1219	1	
[12]	Mkg Emp. (%)	0.1708	0.1815	0.1524	-0.0605	0.1734	-0.0718	0.0957	0.0555	0.0458	-0.128	-0.1511	1
	Obs.	120	120	120	120	120	120	120	120	120	120	120	120
	Mean	592.167	0.0030	0.4201	0.0451	0.0033	0.0053	18.838	0.6710	0.4130	35.561	2,421,100.0	337.655
	Std. Dev.	268.535	0.0038	0.3705	0.0959	0.0037	0.0092	15.068	0.7028	0.4673	0.8087	9,853,730.0	370.954
	Min	0	0	0	0	0	0	0.06	0	0	1.098.612	2,000.0	0
	Max	100	0.0222	2.22	0.56	0.0199	0.0684	6.82	4.65	3.04	6.852.243	100,000,000.0	245

Note: all correlation coefficients greater than 0.15 (in absolute values) are statistically significant

Source: Authors

Table 2 displays the results of the Ordinary Least Square (OLS) regression performed through Stata 14. Regarding control variables, both *Size* and the number of *Marketing Employees* have a positive and significant effect on the dependent variable. On the other hand, *Age* does not show an effect statistically different from zero.

Among *Territorial Identificatio*n drivers, only Region has a statistically significant effect on F*oreign Turnover*, but it is *negative*. Therefore, both *Denomination, Locality*, and *Country* drivers have no effect on the dependent variable.

In terms of Governance Attributes, both *Innovation* and *Storytelling* have a non-significant effect. On the other hand, *Tradition* shows a strongly significant and negative coefficient, while *Family* has a positive and significant one.

Tab. 2: OLS regression results

	Foreign Turnover (%)					
	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
Family	0.1958	0.1108	1.77	0.080	-0.0238	0.4154
Tradition	-0.2634	0.0989	-2.66	0.009	-0.4595	-0.0673
Innovation	-0.0064	0.1003	-0.06	0.949	-0.2052	0.1924
Storytelling	-0.0336	0.1002	-0.34	0.738	-0.2321	0.1650
Denomination	0.0999	0.1118	0.89	0.373	-0.1217	0.3214
Locality	-0.0942	0.0893	-1.06	0.294	-0.2712	0.0828
Region	-0.2795	0.1121	-2.49	0.014	-0.5017	-0.0574
Country	-0.0617	0.0889	-0.69	0.489	-0.2379	0.1146
Age (ln)	0.0056	0.0883	0.06	0.950	-0.1693	0.1805
Size (Tot. Turnover)	0.1828	0.0877	2.08	0.039	0.0090	0.3566
Mkg Employees (%)	0.2437	0.0915	2.66	0.009	0.0623	0.4251
Constant	-8.43E-10	0.0851	0	1	-0.1687	0.1687

Obs. = 120, R2 = 0.2111, R2 Adj. = 0.13

Source: Authors

5. Discussion and conclusion

Brand identity is an important resource that businesses adopt to compete internationally. However, most of the previous research has focused on the impact of specific brand dimensions on consumers' buying behaviours (Chamorro *et al.*, 2015), while less is known about which brand identity dimensions have the most influence on businesses' performance. Additionally, brand identity has rarely been investigated with respect to family businesses (Beck, 2016; Binz Astrachan *et al.*, 2018), while from preliminary studies it clearly emerges that family businesses pursue very different brand communication strategies (Micelotta and Raynard, 2011). Consequently, focusing on family firms, this study aimed at understanding to what extent two constituting elements of a business brand identity (Devigili *et al.*, 2018), namely *territorial identification* and *governance attributes*, influence *foreign sales turnover*. On the one hand, the choice of focusing on *territorial identification* relies on the specific role that territory plays for complex products, such as wine, whose intrinsic characteristics cannot be assessed before consumption (for a review see Sogari *et al.*, 2018). Indeed, studies are stratifying about the several nuances that *territorial identification* embraces such as country-of-origin, region-of-origin (Pucci *et al.*, 2017), locality (Chamorro *et al.*, 2015) and the denomination of origin. On the other hand, the increasing interest of scholarly researchers on the unique characteristics of family businesses, as compared to their nonfamily counterparts, led us to investigate how they use brand identity's governance attributes in their communication. Indeed, family businesses not only possess unique resources (Habbershon and Williams, 1999) but also tend to communicate their brand through unique marketing strategies (Micelotta and Raynard, 2011). This is particularly evident in corporate websites where the family business may choose to give more emphasis to specific elements such as its family's history, its estates and heritage, the traditions linked to the product development as well as investments in innovative activities and continuous innovation among others. Our results indicate that family businesses benefit (or are hampered by) from the adoption of specific brand identity dimensions in their foreign sales turnover. The findings add interesting insights from both a theoretical and a practical perspective. Specifically, we believe that this paper advances a twofold contribution.

First, not all territorial identification dimensions have an impact on international performance. More precisely, only Region of Origin has an influence on foreign sales turnover, but this is negative. This is particularly interesting since, based on the resource-based view, the uniqueness of each wine region should have led to a positive impact. Instead, foreign sales turnover decreases when family businesses communicate their Region of Origin online. This might be explained by the fact that international consumers are not interested in region per se, but rather are interested in the wineries' specificities.

Second, not all governance attributes are equal. Indeed, describing the family pays off. Family businesses that describe elements such as the genealogy of the family, the family members and their roles in the company

present higher foreign sales turnover. This is interesting since family businesses are learning "how to sell" themselves at the international level. Being able to communicate the continuous involvement of the family in the winery helps in boosting foreign sales turnover. This challenges some of the previous studies that have suggested that family brand identity influences performance only as mediated by a customer-centric orientation (Craig *et al.*, 2008). Although we did not verify for mediation effects, we believe that this result might contribute to that research considering foreign sales turnover. Moreover, we found that the tradition element seems to hamper foreign sales turnover. In other terms, those family businesses that are mainly focused on tradition export less.

This study is not without limitations. Firstly, we only focused on Tuscan wineries. It would be interesting to extend our sample to other regions. Secondly, we focused on family-owned businesses, and family business scholars clearly emphasise that family are heterogeneous including management aspects (see D'Angelo *et al.*, 2016). For example, Gallucci *et al.* (2015) show that family involvement in management combined with a corporate brand strategy positively influences the firm's performance. Indeed, it would be worthy to consider whether the presence of family or nonfamily managers strengthens or lessens the influence of governance attributes on foreign sales turnover. However, we believe that the paper is particularly interesting in terms of managerial implications and might represent a starting point for future research. Specifically, our findings recommend family businesses that are aiming to internationalise to highlight their family-related attributes when they communicate their business online, while avoiding an emphasis on tradition. In addition, we recommend that future studies might explore why territorial identification dimensions are not significant for - or have a negative relationship with - family firms' foreign sales turnover. For this purpose, we recommend that scholars consider the role of territorial institutions in promoting regions and review which elements, from a place branding perspective, they should work on to help companies to better compete internationally.

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Appendix

Appendix A: Multicollinearity analysis

Variable	VIF Score
Foreign Turnover (%)	1.27
Family	1.73
Tradition	1.43
Innovation	1.38
Story Telling	1.37
Denomination	1.72
Locality	1.10
Region	1.82
Country	1.09
Age (ln)	1.07
Size (Total Turnover)	1.09
Marketing Employees (%)	1.22

Mean VIF = 1.36; Condition Number = 18.98

Academic or professional position and contacts

Monica Faraoni
Associate Professor of Management
University of Firenze - Italy
e-mail: monica.faraoni@unifi.it

Matteo Devigili
PhD of Management
University of Trento - Italy
matteo.devigili@unitn.it

Elena Casprini
Researcher of Management
University of Siena - Italy
elena.casprini@unisi.it

Tommaso Pucci
Associate Professor of Management
University of Siena - Italy
tommaso.pucci@unisi.it

Lorenzo Zanni
Full Professor of Management
University of Siena - Italy
lorenzo.zanni@unisi.it

sinergie
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ISSN 0393-5108
DOI 10.7433/s112.2020.08
pp. 151-164

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