

# Family business internationalization: an insight into opportunities and challenges

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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 (Mensing 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

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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 an 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 non-family businesses: embeddedness in Egypt, Madagascar, Morocco and Turkey”, Kalhor and Ghalwash introduce a more international perspective 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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