The Internationalization of Family Firms

Facilitating and Constraining Features

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Foreword

Something international. The authors, Martin Koopman and Kevin Sebel, having studied in The Netherlands, Sweden, Indonesia and New Zealand, both have a particular interest in international activities and cultural differences. Therefore the focus on a topic in internationalization was easily decided.

Something with family business. Ever since we have followed the Master course of ‘Family Business Development’ we have become increasingly interested in this topic as well. Additionally, both authors’ families are active in family businesses at the time. Relating the two topics of family business and internationalization, in theory and practice, has therefore been a true joy for us.

Looking back. The thesis has been written with Kevin being stationed in The Netherlands and Martin in Sweden. This provided the opportunity to study both Dutch and Swedish family firms. The communication between the authors has been frequent and efficient. It was a pleasure to conduct this research, thereby concluding the final stage of our Master in Business Administration.

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- LudvigSvensson AB
- De Vries Scheepsbouw BV
- Go-Tan BV
- Castelijn Meubelindustrie BV
- Daloplast AB
- Hästens Sängar AB
- BIM Kemi AB
- Fa. Bisschops BV

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Martin Koopman & Kevin Sebel

Jönköping, 17 June 2009
Abstract

Subject: Master Thesis within Business Administration

Title: The Internationalization of Family Firms – Facilitating and Constraining Features

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Keywords: Internationalization, Family Business, Facilitating, Constraining, Features, Process, SME, Dutch, Swedish, Manufacturing industry

Introduction: Research has shown that family firms play an important role in modern economies and that they maintain special characteristics and features in comparison to non-family businesses. Furthermore, it is evident in literature and practice that internationalization is a crucial process and strategy in the present global business environment.

Problem: These findings however, have not led to a family business internationalization strategy. Only some studies have been conducted concerning the influence of the special features of family firms on the process of internationalization. This means that there is a gap between theory and practice.

Purpose: To increase the academic understanding of the phenomenon internationalization of family businesses, through the use of both theoretical and empirical findings.

Research questions: This study attempted to fulfill the purpose by providing answers to several research questions. The main research questions are: What is the current state of knowledge about internationalization, family business features and previous research in internationalization of family firms? How do the family business features theoretically influence the internationalization process? How do the family business features empirically influence the internationalization process? What are the theoretical contributions and practical managerial implications of these findings?

Method: A solid literature research has been conducted in order to determine the theoretical influences of family business features on internationalization. The empirical testing of the expectations was conducted through a qualitative approach by taking personal interviews at eight companies, four in The Netherlands and four in Sweden, and studying secondary documentation.

Findings: The study shows that it is difficult to decisively determine the either facilitating or constraining influence of family business features on internationalization. The results show that the 23 features which have been studied in the sample are facilitating or constraining under certain conditions (see table 5, p. 108). This implies that managers, researchers and consultants will be required to study these conditions first in order to determine the facilitating or constraining effects in a company. In addition, a model has been constructed illustrating the empirical findings concerning the internationalization process (see figure 8, p.112). Finally, concerning internationalization theories, it is determined that family businesses tend to use the Network approach in starting their internationalization process, the Stage approaches in further developing the international operations and support their process through the Resource-based view and the Knowledge-based view.
# Table of Contents

## FOREWORD

Acknowledgments .................................................................................. II

## ABSTRACT

## TABLE OF CONTENTS

List of Figures .......................................................................................... VI
List of Tables ............................................................................................. VI
List of Diagrams ....................................................................................... VII
List of Appendices ..................................................................................... VII

1. **BACKGROUND** ................................................................. 1

   1.1. **INTRODUCTION** ......................................................... 1
       1.1.1. Why Internationalization? ........................................ 1
       1.1.2. Why Family Firms? .................................................. 2

   1.2. **PROBLEM** ..................................................................... 3

   1.3. **PURPOSE** ....................................................................... 4

   1.4. **DELIMITATION** ............................................................ 5
       1.4.1. Internationalization process ..................................... 5
       1.4.2. Family Firm characteristics ..................................... 5
       1.4.3. Small and Medium-sized Enterprises ....................... 5
       1.4.4. Swedish and Dutch internationalization .................... 6
       1.4.5. Manufacturing industry ............................................. 7

   1.5. **DEFINITIONS** .............................................................. 7

2. **FRAME OF REFERENCE** .................................................... 8

   2.1. **PREVIOUS RESEARCH** ............................................... 8

   2.2. **INTERNATIONALIZATION THEORY** ........................... 10
       2.2.1. Defining Internationalization .................................. 10
       2.2.2. Internationalization models ..................................... 11
       2.2.3. Entry modes .......................................................... 16
       2.2.4. Conclusions ......................................................... 19

   2.3. **FAMILY FIRM THEORY** ............................................. 20
       2.3.1. Defining Family Business ....................................... 20
       2.3.2. Family Involvement ............................................... 21
       2.3.3. Culture ................................................................. 22
       2.3.4. Control ................................................................. 24
       2.3.5. Succession ............................................................ 25
       2.3.6. Strategy making ..................................................... 26
       2.3.7. Corporate Governance ........................................... 27
       2.3.8. Conclusions ........................................................ 29

3. **THEORETICAL ANALYSIS** ........................................... 30

   3.1. **ANALYSIS MODEL** .................................................... 30

   3.2. **FACILITATING FEATURES** ......................................... 32

   3.3. **CONSTRAINING FEATURES** ....................................... 34

   3.4. **UNCERTAIN FEATURES** ............................................. 37
4. **METHOD** ........................................................................................................................................44

4.1. **RELATIONS TO THE THESIS** .................................................................................................44

4.2. **CHOICE OF METHOD** ..............................................................................................................45

4.2.1. **Interpretive approach** ..............................................................................................................45

4.2.2. **Qualitative research** ..............................................................................................................45

4.2.3. **Case study approach** ..............................................................................................................46

4.2.4. **Validity and Reliability** ...........................................................................................................46

4.3. **RESEARCH TECHNIQUES** ........................................................................................................47

4.3.1. **Interview planning** ................................................................................................................48

4.3.2. **Subjectivity** ...........................................................................................................................48

4.3.3. **Data selection** ........................................................................................................................49

4.3.4. **Limitations** ..........................................................................................................................50

4.4. **SAMPLE** ....................................................................................................................................51

4.4.1. **Go-Tan BV** ............................................................................................................................51

4.4.2. **Ludvig Svensson AB** ..............................................................................................................52

4.4.3. **FA Bisschops BV** ................................................................................................................52

4.4.4. **BIM Kemi AB** ........................................................................................................................53

4.4.5. **De Vries BV** ..........................................................................................................................54

4.4.6. **Hästens Sängar AB** ...............................................................................................................54

4.4.7. **Castelijn BV** ..........................................................................................................................55

4.4.8. **Daloplast** ................................................................................................................................56

4.5. **EMPIRICAL ANALYSIS APPROACH** .......................................................................................56

5. **EMPIRICAL ANALYSIS** ..............................................................................................................57

5.1. **FACILITATING FEATURES** .......................................................................................................57

5.1.1. **Long-term orientation in strategy-making and investments** ..................................................57

5.1.2. **Long-term relations with stakeholders** ..................................................................................59

5.1.3. **Aim for internalizing critical resources** ..................................................................................61

5.1.4. **Favor control through ownership** ..........................................................................................63

5.1.5. **MOMENTS OF REFLECTION AND LEARNING FROM CURRENT OPERATIONS** ...............65

5.1.6. **Family business culture facilitates foreign family firm relations** ..........................................66

5.1.7. **Informal communications** ...................................................................................................68

5.2. **CONSTRAINING FEATURES** ..................................................................................................70

5.2.1. **Rigidity of Family culture** .......................................................................................................70

5.2.2. **Preference for family members** ..............................................................................................72

5.2.3. **Lack of education and experience of family managers** ............................................................74

5.2.4. **Inward oriented strategy and lack of market orientation** .........................................................75

5.2.5. **Strategic focus on culture and values, not on economic benefits** ..........................................77

5.2.6. **No involvement of non-family members in the strategy process** .........................................78

5.2.7. **No information sharing with non-family employees** ..............................................................80

5.2.8. **Centralized decision-making** ................................................................................................81

5.2.9. **Maintaining all ownership in the family** .................................................................................83

5.2.10. **Exclusion of external financial resources** .............................................................................84

5.3. **UNCERTAIN FEATURES** .........................................................................................................85

5.3.1. **Selection and requirements of external managers** ...................................................................85

5.3.2. **Use of intuition and gut-feeling in strategic decision-making** .................................................86

5.3.3. **Involve the whole organization in moments of reflection and learning** .......................................88
5.3.4. Possibilities for re-investment of profits .............................................................. 89
5.3.5. Local focus of family firms ................................................................................. 91
5.3.6. Managerial succession of family or non-family CEOs ...................................... 92
5.4. ENTRY MODES CHOICES ...................................................................................... 93
5.4.1. Preference to start with exporting ....................................................................... 93
5.4.2. Preference for culturally close host-countries .................................................... 95
5.4.3. Preference for the Stage approach ..................................................................... 98
5.5. ADDITIONAL FINDINGS ....................................................................................... 100
5.5.2. Other influential factors ...................................................................................... 101
5.5.3. Internationalization theories ............................................................................. 103
6. CONCLUSIONS ........................................................................................................ 105
7. DISCUSSION ........................................................................................................... 111
7.1. THEORETICAL CONTRIBUTIONS ....................................................................... 111
7.2. MANAGERIAL IMPLICATIONS ............................................................................ 113
7.3. LIMITATIONS AND FURTHER RESEARCH ....................................................... 115
8. REFERENCES .......................................................................................................... 117
APPENDIX .................................................................................................................... 123
APPENDIX 1: CRITICISM AND SUPPORT ON INTERNATIONALIZATION THEORIES ................................................... 123
APPENDIX 2: REQUIREMENTS FOR INTERNATIONALIZATION .................................. 126
APPENDIX 3: FAMILY BUSINESS FEATURES AND CHARACTERISTICS .................. 131
APPENDIX 4: QUESTIONS FOR THE INTERVIEWS ....................................................... 134

List of Figures

Figure 1: International-Product-Life-Cycle (Vernon, 1966; Picture source: ProvenModels.com, 2008) .......... 12
Figure 2: Uppsala model (Johanson & Vahlne, 1977; Picture source: Compiled by authors) .................. 12
Figure 3: Model (Johanson & Vahlne, 1977; Picture source: ProvenModels.com, 2008) ....................... 13
Figure 4: Entry modes (Dimitratos, 2004; Picture source: Compiled by authors) ................................. 17
Figure 5: Roles within the family business (Neubauer & Lank, 1998; Picture source: Compiled by authors) .... 27
Figure 6: Analysis model (Source: Compiled by authors) ......................................................... 31
Figure 7: Theoretical Family Firm Internationalization model (Source: Compiled by authors) ............... 43
Figure 8: Empirical Family Firm Internationalization Model (Source: Compiled by authors) ............... 110

List of Tables

Table 1: Requirements for internationalization ...................................................................... 19
Table 2: Family business features and characteristics .......................................................... 29
Table 3: Interviews in different companies ........................................................................... 51
Table 4: Findings of internationalization theories ................................................................. 103
Table 5: Overview of Conclusions ...................................................................................... 109
List of Diagrams

**Diagram 1: Long-term Orientation in Strategy-Making and Investments** .................................................. 57
**Diagram 2: Long-term Relations with Stakeholders** ................................................................. 59
**Diagram 3: Aim for Internalizing Critical Resources** ............................................................... 61
**Diagram 4: Favor Control through Ownership** ........................................................................ 63
**Diagram 5: Moments of Reflection and Learning from Current Operations** ........................................ 65
**Diagram 6: Family Business Culture Facilitates Foreign Family Firm Relations** ......................... 66
**Diagram 7: Informal Communications** .................................................................................. 68
**Diagram 8: Rigidity of Family Culture** ....................................................................................... 70
**Diagram 9: Preference for Family Members** ............................................................................... 72
**Diagram 10: Lack of Education and Experience of Family Managers** ........................................ 74
**Diagram 11: Inward Oriented Strategy and Lack of Market Orientation** ......................................... 75
**Diagram 12: Strategy Focus on Culture and Values, Not on Economic Benefits** ......................... 77
**Diagram 13: No Involvement of Non-Family Members in the Strategy Process** .......................... 78
**Diagram 14: No Information Sharing with Non-Family Employees** ........................................... 80
**Diagram 15: Centralized Decision-Making** .............................................................................. 81
**Diagram 16: Maintaining All Ownership in the Family** ............................................................. 83
**Diagram 17: Exclusion of External Financial Resources** ............................................................ 84
**Diagram 18: Selection and Requirements of External Managers** ............................................... 85
**Diagram 19: Use of Intuition and Gut-Feeling in Strategic Decision-Making** ............................... 86
**Diagram 20: Involve the Whole Organization in Moments of Reflection and Learning** ............... 88
**Diagram 21: Possibilities for Re-Investment of Profits** ............................................................. 89
**Diagram 22: Local Focus of Family Firms** .................................................................................. 91
**Diagram 23: Managerial Succession of Family or Non-Family CEOs** ...................................... 92
**Diagram 24: Preference to Start with Exporting** ......................................................................... 93
**Diagram 25: Preference for Culturally Close Countries** ............................................................ 96
**Diagram 26: Host-Country Choice Motivations** ........................................................................ 96
**Diagram 27: Preference for the Stage Approach** ....................................................................... 98

List of Appendices

**Appendix 1: Criticism and Support on Internationalization Theories** ........................................ 123
**Appendix 2: Requirements for Internationalization** ............................................................... 126
**Appendix 3: Family Business Features and Characteristics** ..................................................... 131
**Appendix 4: Questions for the Interviews** ............................................................................... 134
1. Background

The purpose of this chapter is to clarify the broader background of the thesis study in terms of problem, purpose and delimitations. First we will introduce the subjects of internationalization and family businesses and clarify the importance of these areas of knowledge. The introduction forms the basis for the background of this thesis study. The following purposes will be the guide for the reader throughout the whole thesis. The delimitations will make the research more valuable for the reader, because of the focus in our study on specific areas of research. Finally, in definitions, we will state the definitions of family business and SME which will be used in this thesis.

In this master thesis we will focus on the phenomenon internationalization of Swedish and Dutch small and medium-sized family firms in the manufacturing industry. Through this study we hope to increase our understanding of this phenomenon. Not only the theoretical understanding is important, but the practical managerial implications are evenly significant to us.

1.1. Introduction

1.1.1. Why Internationalization?

Internationalization is an important process for companies, because the very nature of today’s economic, social and political environment has become increasingly globally oriented. New technologies have significantly driven the globalization of the world economies. Main forces behind globalization are the technologies to overcome distances, such as containerization, commercial jets and digitalization, which have led to more efficient transportation of goods and information (e.g. Madhok, 1997; Morgan-Thomas & Bridgewater, 2004; Dicken, 2007). This has led to the ability of suppliers, manufacturers and customers to become more efficiently linked together (Morgan-Thomas & Bridgewater, 2004). Furthermore, the removal of political and economical barriers to trade and economic cooperation has increased accessibility of new emerging markets.

Nowadays, more than ever before, virtually no company can escape the further internationalization of the economy and every company sooner or later will need to cope with internationalization (Rabobank, 2004). The connections which have been created between countries and companies have and will always create winners and losers; for companies this process is called competition (Morgan-Thomas & Bridgewater, 2004; Dicken, 2007). The global economy creates opportunities to exploit the economy of scale in large new markets through lower labor costs, new employees, more research and development and lower material costs (e.g. Tsang, 2000; Dicken, 2007; Rabobank, 2004).

Developments in the macro-structure of the global economy are most evident in the global institutions which have been formed around the time that globalization was initiated, i.e. in the 1920s and mostly after World War II. Examples of these institutions are the International Monetary Fund (1944), the General Agreement on Tariffs and Trade (1947), resulting in the World Trade Organization in 1995 and the United Nations Monetary and Financial Conference (1944), resulting in the World Bank (Dicken, 2007). These organizations are increasingly opening up international markets by removing political and financial barriers to international trade and co-operation.

As the markets for companies become more global, many firms are confronted with increased international competition. For companies, these developments raise threats, but also opportunities.
Customers require not only traditional issues, such as higher quality and lower costs, but also issues such as, speed of delivery and product variability. Correspondingly, product life cycles are shortening drastically and firms need to act much faster on changing market conditions (Erhun et al., 2007; Dicken, 2007). Anticipating on these opportunities and threats, companies grow internationally, which arises various organizational and strategic changes within the firm (Calof, 1993). The strategy of a firm is the basis upon which the firm chooses to distinguish itself or its offerings from other firms, in order to gain advantage in the market (Porter, 1996). In addition, for the strategy to work, the firms must develop a set of distinctive capabilities that enable it to compete in the market (Porter, 1996). Therefore, the international strategy should anticipate on distinguishing the company in the international market and developing the required skills and competences to do so.

There are also specific advantages to internationalization, beside the necessity explained before. From practice, Rabobank Netherlands (2004) found that internationalization makes companies stronger and more innovative. This is partly caused by the increased exchange of new ideas and knowledge. Also Naldi and Davidsson (2008) support the finding that internationalization provides the basis for entrepreneurial actions such as venturing into new markets and reaching new international customers.

Well then, if internationalization of firms is very much present for all companies in all countries, how then should firms internationalize? What are possible processes which they will go through or which approaches can companies choose towards internationalization? And what are specific requirements for the internationalization process to be conducted successfully?

### 1.1.2. Why Family Firms?

Family businesses are the most frequent form of business organizations around the world (Leach, 2007; Melin & Nordqvist, 2007). In addition to that, Zahra (2003) stated that family firms play a major role in leading economic growth throughout the world. More specifically, family firms account for more than 70 per cent of employment in Europe and make a major contribution to the economic output of this continent (GEEF, 2003a). It is even stated that family businesses are crucial for the future of the European economy, because they provide a continuing source of entrepreneurial energy (GEEF, 2003b).

The two countries which will be studied in this thesis are Sweden and the Netherlands. There is no doubt that family businesses play an important role in the economies of these countries as well. It is found that around 80 percent of the companies with ten or more employees in the Netherlands can be defined as a family firm (Vereniging Familiebedrijven Nederland (VFN), 2003). Those companies account for 50 percent of the employment within the Netherlands (VFN, 2003). In addition to that, the Dutch Union of Family Businesses (2003) state that about 50 percent of the gross domestic product (GDP) is derived from family firms and that around 15 percent of the 100 biggest companies in the Netherlands can be defined as family businesses as well. Similar figures are experienced in other countries within Europe, such as Sweden (Vereniging Familiebedrijven Nederland, 2003). The figures of family businesses within the different countries of the European continent may be a little dissimilar due to the use of different definitions, but we still can conclude that family firms are a major source of income for European countries and sustain large parts of the society by providing jobs and producing products (Zahra, Hayton & Salvato, 2004).

The growing awareness of the importance of family firms has led to a noticeable increase in research and understanding of these businesses in the past several years, but a vast number of studies have focused only on the typical issues for family firms such as succession, family relations and estate planning (Denison, Lief & Ward, 1999; Kellermans, Eddleston, Barnett & Pearson, 2008). Even though
there is growing agreement about the relevance of family firms in the economies of many countries (Chua, Chrisman & Steier, 2003), the internationalization of these firms, as will be explained later, is a lesser developed area of research. This is surprising since it is found that due to the globalization in the world the internationalization of family firms is becoming more critical and is one of the key challenges for many family businesses (Gallo & Sveen, 1991; Zahra, 2003; Ruzzier, Antoncic & Hisrich, 2007). In addition, family firms face unique barriers to international expansion (Graves & Thomas, 2008) but on the other hand possess unique assets and capabilities that they can effectively use as they internationalize (Okoroafo, 1999; Zahra, 2003). Hence, the facilitating and constraining focus in this final thesis study. This indicates that the internationalization process of family firms may differ from that of non-family firms.

In conclusion, family businesses are very important for the world economy in general and more specifically for the economies of Sweden and the Netherlands. Despite the growing awareness of the importance of family businesses, studies have focused on the typical family issues, but mainly ignored the link with internationalization. Therefore we can ask ourselves: What is specifically different in the international pathways undertaken by family firms compared to non-family firms? How do the special features and factors of family businesses influence the internationalization of these firms?

1.2. Problem

In the introduction it has become clear that nowadays the world economy is increasingly globally oriented. Many scholars find that it is almost impossible for a company to escape this international environment. Although the global economy presents opportunities for growth, it also presents increased competitive challenges and companies therefore need to work on a distinctive set of capabilities to successfully internationalize.

In addition to that, researchers have indicated that family businesses are the most frequent form of organization in the world. In Europe alone, around 70% of the employment is created by family businesses. It is found that internationalization also forms a challenge for family firms and that the internationalization process of family firms may differ from non-family firms, due to the considerable differences in management style and organizational capabilities. Considering these facts, it is surprising that a limited amount of research has been conducted in this area.

The current internationalization literature mainly covers large organizations (Hitt, Hoskisson & Kim, 1997 cited in Zahra, 2003; Davis & Harwesson, 2000) and new venture organizations (Zahra, Ireland & Hitt, 2000). There is also a lacking focus on family business internationalization, thus excluding features of family businesses which may influence the theory in question (such as including external owners and managing family cultures and the like). Some studies have been conducted regarding the influence of special family business features on internationalization, as will be presented in ‘Previous Research’ (paragraph 2.1), but we found some lacking elements. These studies for example mainly involve survey based research and is therefore not qualitative and in-depth (e.g. Fernández and Nieto, 2005; Olivares-Mesa and Cabrera-Suárez, 2006), something that may be regarded as necessary. Furthermore the previous research does not focus on the underlying reasons of why family firms choose for certain features, thus not exploring the true nature of the influence of these features and the consequences.

Since family business features are highly subjective and differ from company to company and since the internationalization strategies are very complex, we deem a qualitative research more appropriate (see Method, paragraph 4.2). Additionally, previous family firm internationalization literature is very specific thus not providing an overview of many aspects (e.g. Davis & Harwesson,
2000; Gallo and Garcia-Pont, 1996). This may be considered desirable for family business managers and consultants. Finally, previous research in family firm internationalization does not cover the process of internationalization and hence does not propose a strategic outline recommended for family firms. Additionally, the previous research does not cover the internationalization theories which may or may not be applicable for family businesses. These aspects of the problem will be elaborated upon in the Previous Research (paragraph 2.1) and Theoretical Contributions (paragraph 7.1).

In conclusion, the main problem which is studied in this final thesis constitutes of the combination of the subjects presented in the introduction and above. The internationalization of family firms we believe is an underdeveloped area of academic research, whereas the actual figures show how important these businesses really are. Since family businesses are essential in our society and since internationalization is a very important and necessary strategy, it makes sense to understand how internationalization exhibits in family businesses. We know that there are many family business specialties influencing the management and performance of family business. The available studies in family firm internationalization possess some limitations which we like to address in this research, namely: the lack of qualitative studies, an overview of influences of special family business features, research concerning family business internationalization process and strategies and, finally, the assessment of applicability of current internationalization theories. Finally, the current literature does not provide a satisfying guide for family business managers, researchers and consultants. Clearly there is a need to further study these topics and to further enrich the academic research in this area.

1.3. Purpose

Following the problem statement, we have determined a set of purposes to this thesis. First we have one primary purpose, followed by four secondary purposes. These secondary purposes subsequently result in related research questions, which will be answered throughout the report.

Primary thesis purpose:

- Increase the academic understanding of the phenomenon internationalization of family businesses, through the use of theoretical and empirical findings.

Secondary purposes:

1. Determine the current state of academic knowledge about general internationalization theory, family business theory and previous research in family firm internationalization.
   a. What are internationalization theories for companies in general?
   b. What are special features and characteristics of family businesses?
2. Determine how, theoretically, the special features of family businesses influence the internationalization abilities of this type of business.
   a. What should theoretically be facilitating and constraining features of family businesses, with regards to internationalization?
   b. How can these family business features influence the ability to internationalize?
3. Determine how, in practice, the special features of family businesses influence the internationalization abilities, through means of several case studies.
   a. What are based on the empirical findings facilitating and constraining family business features?
   b. How do the family business features influence the internationalization process?
4. Conclude on the findings from the theoretical and empirical studies and determine theoretical contributions and generally applicable managerial implications for family firm internationalization.
a. What do these findings contribute to the existing knowledge about family firm internationalization?
b. What are the general implications of these findings for family businesses which are on the verge of internationalization?

1.4. Delimitation

1.4.1. Internationalization process

As the term internationalization implies, the firm is in the process of internationalizing from an originally domestic to an intended international orientation. Some academics argue with rights that the current literature on internationalization fails to explain the so called ‘global start-ups’. This has led to the emerging of the term ‘international entrepreneurship’ (Oviatt & McDougall, 1994; Zahra & George, 2002). This thesis will focus on the internationalization process of domestically oriented family firms. Therefore we do not claim to include theories with regards to ‘global start-ups’ in this thesis. This indicates that the companies that will be chosen for our empirical study are no ‘global start-ups’ either.

1.4.2. Family Firm characteristics

As explained in the introduction, family firms form an important part of modern economy. So far, most literature on internationalization has not specifically focused on family firms, thereby excluding the influence of specific family firm features, such as: ownership, family involvement, succession, family culture and family members’ knowledge and experience (Casillas & Acedo, 2005; Gallo and Sveen, 1991; Okoroafo, 1999). We intend to extent the academic knowledge in this field of interest by researching family firms’ internationalization. This means that we do not claim to say something about the internationalization of non-family firms. We ensure this by relating family firm theories (information gathered from research in the field of family businesses) with internationalization theories in order to determine which specific features/factors of family firms do influence the internationalization of those firms.

1.4.3. Small and Medium-sized Enterprises

Likewise to the absence of family firm focused research in internationalization, also SMEs have received little accreditation among scholars in internationalization. Current models on internationalization have some absence of SMEs characteristics (e.g. Ruzzier et al, 2006; Fernandez & Nieto, 2002), but do mainly focus on the internationalization of Multi-National Enterprises (MNEs). The focus in this study will be on small and medium-sized family firms, therefore we will only investigate small and medium-sized family firms in our empirical research or family businesses that have started their internationalization as a SME.

The reason to focus on SMEs is twofold. First of all, it is found that SMEs account for a large part of modern economies and are considered as very important to a country’s economy for several reasons. The Organization for Economic Co-operation and Development found in their report on Employment, Innovation and Growth (OECD, 1996) that SMEs are vital for the economies of the OECD-member countries, since a large part of the employment and national GDP is created in these companies. Therefore, SMEs can give jobs to a large share of a country’s workforce, add considerable share to the total business turnover and make a country’s economy more flexible (Svetlicic et al, 2007). There
is also increasing evidence that SMEs play an important role in the production of innovation (Acs & Preston, 1997; Cited in Naldi, 2008), thus contributing to the competitive position of the country as a whole (Porter, 1990).

If we take a closer look at some specific countries in Europe, we can see that Bank of England (2001; Cited in Berry et al., 2004) statistics show that firms with less than 100 employees accounted for some 99.8% of the total absolute number of business population. Furthermore, 44.7% of the turnover and 55% of employment is created in SMEs in the UK. These numbers always depend on the definition which is used. The European Commission’s report on SMEs (Verheugen, 2005), promotes to define SMEs as having less than 250 employees and less than €50M revenue. Following this definition, we found that in both The Netherlands (CBS, 2008) and Sweden (SCB, 2008), roughly 99.5% of the total absolute number of companies has less than 250 employees. Clearly, SMEs take an important position in our economies and should therefore be included in this academic research.

The second reason for focusing on SMEs is that the international business environment is more and more accessible for small companies to engage in international activities, due to technological and political advances (Mason, 2008; Dicken, 2007). The revival of small businesses in Western economies from the 1970s and onwards, commonly referred to as ‘the emergence of the entrepreneurial economy’, is related to increased globalization and economic integration (Audretsch and Thurik, 2001; Cited in Naldi, 2008). As said before, despite the increasing international activities of SMEs, literature on internationalization focuses mainly on large organizations (Ruzzier et al, 2006). The internationalization of small and medium-sized enterprises (SMEs) is at present a fact, but not yet a theory (Grandinetti and Rullani, 1992), through which it is very interesting to focus on these kind of companies.

1.4.4. Swedish and Dutch internationalization

Another focus of our study is the focus on Swedish and Dutch companies. We have chosen this partially by logic reasoning and partially based on findings from literature. We are physically present in Sweden and the Netherlands during the time this thesis will be written, which makes it more appropriate to focus on these countries in order to successfully carry out our empirical research (personal interviews with different family firms within Sweden and the Netherlands). In addition to this reason, we have chosen to focus on Sweden and the Netherlands due to relatively close national cultures between these two countries (Hofstede, 2009).

It is found by Hofstede (2009) that the national cultures of Sweden and the Netherlands are very similar in terms of Hofstede his cultural dimensions. Both countries score high on ‘individuality’, which indicates societies with more individualistic attitudes and relatively loose bonds with others (Hofstede, 2009). Besides that, both countries prefer to minimize or reduce the level of uncertainty by enacting rules, laws, policies and regulations (Hofstede, 2009). Several academics have found relations between national cultures and strategic choices within companies, such as the choice to internationalize (McDonald et al., 2004). This implies that Swedish and Dutch family firms will most likely have similar views on internationalization. Therefore, we intent to make it safe to say that the findings of this study are only applicable for Swedish and Dutch family firms.
1.4.5. Manufacturing industry

The internationalization process can differ from sector to sector (Ruzzier, Antoncic & Hisrich, 2007; Sven & Gallo, 1991). The internationalization of an intangible service for example will require other internationalization strategies than the internationalization of a physical good (Ruzzier et al., 2007). Therefore, we have chosen to focus on a specific sector in our research in order get more specific results from our empirical study. The focus in this thesis will be on manufacturing family firms, which means that we will only work together with manufacturing companies in the empirical part of this report. We could also have chosen for a more service related sector, such as the IT sector, but we have found two arguments to choose for manufacturing companies, which will be explained in the continuation of this section.

Manufacturing firms do normally follow a gradual internationalization process from domestically oriented towards internationally oriented (Olivares-Mesa & Cabrera-Suárez, 2006; Loane et al., 2004). This is in line with the focus on the internationalization process as discussed before.

A second argument for choosing manufacturing firms is that especially these firms are vulnerable to the risks and opportunities presented by foreign and/or global competition (Ruzzier et al., 2006). One of the reasons for this vulnerability are the drastically shortened life cycles of physical products (Erhun et al., 2007). Therefore, manufacturing firms must constantly remain agile and capable of delivering products efficiently to the customer-driven, global market in order to remain competitive (Zhou & Nagi, 2002). This means that due to the global competition and the shortened product life cycles, especially manufacturing firms have to take internationalization into consideration. Therefore, it is very interesting to study manufacturing firms in our empirical research.

1.5. Definitions

Throughout this thesis we will frequently use the terms ‘Family Business’ and ‘SME’. These terms have been given differential definitions by other authors, so we find it essential to explain our chosen definitions. Important to mention is that synonym to family business and equally used in this report is family ‘firm’, ‘organization’ or ‘company’. All apply to the same definition as family business.

Family Business:

A firm in which one or more family members own at least 50% of the firm’s shares and the CEO of the firm perceives the company to be a family business.


Small and Medium-sized Enterprise (SME):

Small-size company: less than 50 employees and less than 10M€ revenue
Medium-size company: less than 250 employees and less than 50M€ revenue

(Verheugen, European Commission, 2005)
2. Frame of Reference

In this chapter we will describe the theoretical basis of the thesis study. First we will discuss the previous research in family firm internationalization. Secondly, we will explain the different internationalization theories in general and identify the critical elements which are required in order to perform successful internationalization. Finally, we will discuss the special features and characteristics of family firms. These internationalization elements and family firm characteristics will be analyzed and related to each other in the next chapter. Readers who are familiar with internationalization theories and family business characteristics may skip or skim through these paragraphs and turn to Chapter 3 directly.

2.1. Previous Research

As stated before, the internationalization of family firms is an underdeveloped area of research. A vast number of studies have focused on the typical issues for family firms such as succession, family relations and estate planning, but the internationalization of these firms is not so much researched (Denison, Lief & Ward, 1999; Kellermans, Eddleston, Barnett & Pearson, 2008). There have been a couple of studies in the past which have empirically researched the impact of some specific features of family businesses on their internationalization process. As we have explained in the problem statement in Chapter 1.2, we believe that there are certain shortcomings to these studies. Nevertheless, we will of course use the previous research in our theoretical analysis as well.

A couple of studies have found a direct relationship between the CEO’s characteristics and the internationalization of family businesses (Davis & Harveston, 2000; Mason, 2008; Olivares-Mesa & Cabrera-Suárez, 2006; Casillas & Acedo, 2005). Davis and Harveston (2000) argue that an ageing owner/CEO tends to become more risk averse and conservative. An old owner may not want to take risky decisions anymore, such as internationalizing the business, because this might threaten their own and their family’s economic security. On the other hand it is found that older owners/CEO’s show a higher inclination to internationalize the business, because older owners/CEO’s have most likely more international (business) experience than younger executives (Mason, 2008) Olivares-Mesa & Cabrera-Suárez, 2006).

In addition to the age of the owner/CEO, many studies have found a positive relationship between the owner/CEO his education and internationalization; owners/CEO’s with a higher formal education are more likely to implement change (Cavusgil & Naor, 1987; Simpson & Kuja, 1974 cited in Davis & Harveston, 2000; Casillas & Acedo, 2005).

Fernández and Nieto (2005) found a negative relationship between family ownership and international involvement. The reason for this negative relationship is the difficulty that family firms face in accessing the essential, external financial and human resources to build competitive advantages internationally (Fernández & Nieto, 2005; Gallo & Garcia-Pont, 1996; Gallo & Sveen, 1991; Graves & Thomas, 2008), due to the nature of family businesses to ‘protect’ the firm from outsiders. Olivares-Mesa and Cabrera-Suárez (2006) stated that this ‘protective’, risk-averse behavior of the owning families exists because of the concentration of the family wealth in the business. It is found that especially financial resources are required to fund international activities (Graves & Thomas, 2008). In line with this postulation, Olivares-Mesa and Cabrera-Suárez (2006) argued that especially smaller family firms are characterized by resource scarcity.
The same study of Fernández and Nieto (2005) shows that external owners help the family firm to complete its array of resources (Fernández & Nieto, 2005). These businesses professionalize their management because of the need to systematize and account to the third party (Fernández & Nieto, 2005). Empirical research has confirmed that the combination of a more professional management and the access to more (financial) resources, due to an alliance with a third party, leads to a more internationally involved business (Fernández & Nieto, 2005).

This view is confirmed by Nordqvist and Naldi, who stated that an open governance structure (external and non-family owners, board members, CEO) and with large top management teams facilitates internationalization within family firms. More specifically, they distinguished the influence of the governance structure on the scale (the percentage share of a firm its inward and outward international activities) and scope (the number of countries to which a firm is exporting) of internationalization (Nordqvist & Naldi). According to them external ownership promotes both the scale and scope of internationalization, the existence of external board members facilitates only the scale, whereas an external CEO and large top management teams facilitate just the scope of internationalization (Nordqvist & Naldi).

Beside the possibility to have another firm with a stake company, empirical research by Olivares-Mesa and Cabrera-Suárez (2006) shows that partnerships with international firms enhance internationalization as well. The explanation given by Olivares-Mesa and Cabrera-Suárez (2006) is that those network ties provide the family business with information about foreign clients and markets, through which these firms may enjoy a ‘learning advantage’ and find it easier to go abroad than firms without international partners.

A study by Gallo and Garcia-Pont (1996) has discovered that in family businesses (1) a lack of international cultural awareness or experience, (2) a lack of support by the highest governing body of the company (the owners) and (3) the resistance to internationalize the business due to the strong connection with the local market are important reasons for family businesses not to internationalize. This demonstrates the important influence of culture on the decision to internationalize. Regarding the lack of support by the highest governing body of family firms it is argued that an inadequate level of technology, such as the use of Internet, within family businesses is an important cause of this negative perception towards internationalization (Gallo & Garcia-Pont, 1996; Davis & Harveston, 2000).

Succession is another factor unique to family businesses which has empirically demonstrated relations to internationalization (Fernández and Nieto, 2005; Graves & Thomas, 2008). Fernández and Nieto (2005) found that subsequent generations show higher export propensity and intensity than first-generation family members. The reason for this can be find in the acquired abilities and knowledge of the second and subsequent generations and the impatience of those generations to demonstrate their capabilities by looking for strategic changes, such as internationalization (Fernández and Nieto, 2005). In other words, a successful succession can give a new push to the firm in terms of new strategies and resources. However, Graves and Thomas (2008) state that the commitment to internationalization always depend on the vision and qualities of the successor.

Finally, the critical importance of a long-term commitment within family firms has found to have a positive influence on the internationalization process within these businesses (Graves & Thomas, 2008). If family businesses face poor short-term results from their international activities, they will not directly react with discontinuing those activities due to their longer-term view on market development and business growth (Graves & Thomas, 2008).
2.2. Internationalization Theory

The existing research in internationalization takes different view-points to the internationalization process. Consequently, there is a vast variety in definitions about the internationalization process. Therefore, we will first explain the definitions we found in theory about internationalization. In order to perform an unbiased research in family firm internationalization, we must embrace all possible definitions and approaches as feasible. After the definitions we will proceed with the explanation of the different process models and theories and entry modes for internationalization. The same unbiased research principle goes for these sections. For an extensive discussion of the criticism and support for the internationalization theory in question, please refer to appendix 1.

2.2.1. Defining Internationalization

Throughout the years academics have tried to grasp the internationalization process in a definition, usually going hand in hand with the point of view which the academic takes on the internationalizing of a firm.

2.2.1.1. Economic approach
Researchers supporting this approach found that firms invest abroad when they possess firm-specific advantages with which they will outperform the international competition. There are market inefficiencies, different demands in other markets and differences in economies (such as: labor costs, market size, customer income) which make it profitable to perform internationalization (e.g. Hymer, 1976; Cited in Dicken, 2007; Dunning, 1979).

2.2.1.2. Stage models
There are many researchers who, under the sequential, evolutionary or stage approach to internationalization claim that internationalization is a sequential process of increasingly more involvement in international operations (Vernon, 1966; Johanson & Vahline, 1977; Calof & Beamish, 1995; Welch & Luostarinen, 1993; Cited in Naldi, 2008) Different authors find different stages, but they all recognize specific, common steps each with specific characteristics. The internationalization process means that the company continuously adapts its strategy, structure, resources and operations to the new or changed international environment (Johanson and Mattson, 1988).

2.2.1.3. Network approach
The network approach rests upon the assumption that firms rely on certain resources, which can be accessed only through network connections (Johanson & Mattsson, 1988). Anderson et al (1994) define a business network as a set of two or more connected business relationships which together form a collective actor. These networks will then contribute to the internationalization process by providing for example resources, knowledge and contacts (Johanson & Mattsson, 1988).

2.2.1.4. Resource-based views
The resource-based viewpoint in general links a firms’ internal organization with its ability to achieve a sustainable (international) competitive advantage (Barney, 1991). In the context of internationalization, the management must focus on the sustainable and difficult-to-copy attributes of a firm, which contribute to competitive advantages in international markets (Ruzzier et al, 2006).

2.2.1.5. Knowledge-based views
Penrose (1995) is one of the academics who take a knowledge-based view on growth through internationalization. Penrose (1995) finds a firm to be a bundle of physical and human resources
whose productivity is regulated by an administrative body. Therefore, internationalization must be the growth of the administrative body through acquisition of new, international, physical and human resources. Many other researchers also acknowledge the importance of learning (e.g. Johanson & Vahlne, 1977).

2.2.1.6. International New Venture theory
Oviatt and McDougall (1994) define an international new venture as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. The process of internationalization is therefore not limited by sequential steps or stages and companies can perform comprehensive internationalization with the use of specific resources, such as experienced manager, technological knowhow or financial resources (Naldi, 2008).

2.2.2. Internationalization models
Here the internationalization models will be thoroughly discussed to ensure that there is a broad orientation on the possible internationalization processes and their implications, so that they can be applied to family firm characteristics and situations. For the purpose of convenience, we have classified the theories under specific headings: Economic approaches (Monopolistic advantage theory, Transaction-Cost theory and Eclectic paradigm), Stage models (IPLC theory and Uppsala model), Network approach, Resource-based views, Knowledge-based views and International New Venture theory.

2.2.2.1. Economic approaches
Around the 1960s, much research has been conducted on the internationalization of MNEs. This resulted in the development of the economic approach, in particular: the monopolistic advantage theory, the transaction cost theory and the eclectic paradigm (Ruzzier et al, 2006). The economic approach to internationalization regards the process as based on the assumption of market imperfection (Naldi, 2008). Hymer (1976; Cited in Dicken, 2007), pioneered in approaching internationalization from an organizational perspective, argued that structural imperfections of the market enable foreign firms to use competitive advantages over local firms. Hymer (1976; Cited in Dicken, 2007) assumed that local firms initially have competitive advantages over foreign firms, like knowledge about the business environment and market demands and better network connections. Therefore foreign firms need to possess some assets which can undo the competitors’ advantages, like better technology, cheaper capital or economies of scale (Dicken, 2007).

Under the transaction-cost theory firms seek to optimize the flow of goods by creating an internal market within the company, for example through vertical integration, and bringing new operations, formerly carried out by intermediate markets, under the ownership and governance of the firm. The costs of organizing the transaction will thereby be lowered and the firm will create more profit or a more competitive position (Ruzzier, 2006).

Building on these theories, Dunning (1979; 1980) developed the eclectic paradigm, also known as the OLI paradigm. OLI stands for Ownership-specific, Localization and Internalization. Companies need to possess certain Ownership-specific advantages (such as types of knowledge, technology, human skills, financial capital and marketing sources) which give them a competitive advantage in foreign markets (likewise to Hymer, 1976; Cited in Dicken, 2007). Secondly, companies need to be able to Internalize existing and new ownership advantages (i.e. creating new products from R&D, licensing technologies or selling products) in order to continuously compete abroad. Finally, the companies’ locations must make it profitable for the firm to exploit their internalized ownership advantages. The host country must for example allow settlement of the firm (Dunning, 1979; Dicken, 2007; Svetlicic et al, 2007; Ruzzier et al, 2007; Naldi, 2008).
2.2.2.2. Stage models
The evolutionary, sequential or stage models of internationalization see investing abroad as a part of a gradual process of a firm’s international growth and knowledge accumulation (Svetlicic et al, 2007). Furthermore, the stage models regard the process as being determined or characterized by possible pre-defined steps (Johanson & Vahlne, 1977).

International-Product-Life-Cycle
The first developed stage-model to internationalization is the international product life-cycle (IPLC) theory, developed by Vernon (1966). The IPLC distinguishes four stages in an international trade cycle, from exporting abroad to moving production facilities abroad and exporting back to the home country (Dicken, 2007). Vernon assumed that any local producer is more likely to be aware of the possibilities of introducing new products in their home country than foreign producers. Under this assumption, it is likely that new products are introduced in the home country and when the home market is saturated or the product reaches maturity and is standardized, companies seek to export. Figure 1 shows this process, (Dicken, 2007). Following the IPLC sequence, Dicken (2007) describes that the most common path to internationalization is: (1) domestic market only, (2) exporting, (3) sales department abroad and (4) overseas production facilities.

Figure 1: International-Product-Life-Cycle (Vernon, 1966; Picture source: ProvenModels.com, 2008)

Uppsala model
The next stage-model approach to internationalization is a very influential one, the Uppsala model (Johanson & Vahlne, 1977). They recognize the internationalizing of a company as a very complex process, which consists of various distinct stages, each with its own characteristics.

The initial assumptions made by Johanson and Vahlne (1977) in the Uppsala model are that a firm seeks long-term profitability and a low risk-taking profile. These assumptions lead to the conclusion that the performance of current operations and market knowledge will influence the resources and market commitment decisions. The result of their research leads to a cyclical model of: (1) resource commitment decisions, (2) results of operations, (3) market commitment decisions and (4) knowledge about markets (See Figure 2). In the process of internationalization, the experimental knowledge which is derived from the process

Figure 2: Uppsala model (Johanson & Valhne, 1977; Picture source: Compiled by authors)
is deemed critical for further development of the process (Naldi & Davidsson, 2008). Better knowledge about a market leads to more efficient market and resource commitment (Johanson & Vahlne, 1977).

The Uppsala model partially results in the same steps as the IPLC approach and the steps as explained by Dicken (2007). However, the Uppsala model describes this as to be a consequence of gradual acquisition of foreign market knowledge and gaining experience from involvement in international activities (Johanson & Vahlne, 1977; Ruzzier et al, 2006). A firm progresses from (1) no exporting, to (2) ad hoc or active exporting, to (3) establishment of an overseas subsidiary through either licensing or joint venture, to (4) full commitment of overseas production (Lam & White, 1999). In Figure 3 the relationship between market commitment and market knowledge, with the resulting entry mode is clearly visible.

As a consequence of the knowledge about a market, in the Uppsala model firms are hypothesized to first enter host countries with less psychological (language, culture, education) and therefore physical distance (Johanson & Vahlne, 1977; Lam & White, 1999; Ruzzier et al, 2006). Later, when knowledge and experience with foreign markets has accumulated, firms are expected to get involved in more comprehensive or physically distant international activities (Ruzzier et al, 2006; Naldi & Davidsson, 2008).

Figure 3: Model (Johanson & Vahlne, 1977; Picture source: ProvenModels.com, 2008)

2.2.2.3. Network approach
The network approach rests upon the assumption that firms rely on certain resources, which can be accessed only through network connections (Johanson & Mattsson, 1988; Lehtinen & Penttinen, 1999). Anderson et al (1994) define a business network as a set of two or more connected business relationships which together form a collective actor. A firms’ position in the network may be considered both from a micro (firm-to-firm) or a macro (firm-to-network) perspective. From the micro perspective, collaborative as well as competitive relationships are crucial elements of the internationalization process in order to access resources, contacts and knowledge. The macro perspective includes the influences which firms have on firms in other networks (Johanson & Mattsson, 1988).

Likewise to the previous Uppsala model and the following knowledge-based view, the network approach of Johanson and Mattson (1988) emphasizes the gradual learning and development of market knowledge as well, but then through interaction within networks. In the network approach, the internationalization process is the exertion, penetration and integration of networks. Establishing net relations in a country-based network (exertion), deepening relations with existing foreign networks (penetration) and connecting and coordinating between networks (interaction) enables a firm to better internationalize (Johanson & Mattsson, 1988; Naldi, 2008; Ruzzier et al, 2006).
2.2.2.4. Resource-based views

In this subsection we will summarize several authors’ findings regarding a resource-based view (RBV) on internationalization. The RBV in general links a firms’ internal organization with its ability to achieve a sustainable competitive advantage (Barney, 1991). In the context of internationalization, the strategic management must focus on the sustainable and difficult-to-copy attributes of a firm, which contribute to competitive advantages in international markets (Ruzzier et al, 2006). The RBVs assume that the internationalization process depends on the ability of a company to reconfigure its capabilities in global competitive advantages (Olivares-Mesa & Cabrera-Suarez, 2006; Barney, 1991).

Different resources can contribute to this process described above. Olivares-Mesa and Cabrera-Suarez (2006) found four factors of influence in the resource-based view: size, technological capabilities, diversification and human capital. Madhok (1997) regards a company as a bundle of relatively static, yet transferable resources which are transformed into capabilities of individual skills, organization and technology. We, however, will follow Barney’s (1991) classification of Physical capital resources, Human capital resources and Organizational capital resources and in addition some External resources. We think that we can cover all aspects of the RBV in this way:

Physical capital resources
These include the physical technology in use, the firms’ plant and location and the access to raw materials (Barney, 1991). The last can be related to the network approach, where the firm must establish good supplier relations for internationalization.

Recent research has shown that entrepreneurial firms can overcome the lacking resources and networking connections by the use of internet technology (Davis and Harveson, 2000). In line with the eclectic paradigm (Dunning, 1979), this technology can contribute to the ownership-specific advantages, provided that the firm has the ability to internalize the knowledge in order to exploit the technology. Therefore, availability of appropriate equipment, location, channels, materials and machines can improve the exploitation of opportunities in the market.

Human capital resources
These include training, experience, judgment, relations and knowledge and the like (Barney, 1991). It is closely related to the knowledge-based view, explained in the next subsection. Under the resource-based views, these intangible assets are recognized as important for providing a competitive advantage, since they are difficult to copy (Ruzzier et al, 2006).

Human capital can also influence the ability to adjust international operations. If products need adjustment or if marketing strategies need to be reviewed, more educated and experience personnel can significantly increase the effectiveness of for example export activities (Olivares-Mesa & Cabrera-Suarez, 2006).

Market orientation is positively associated with international competitiveness (Armario, Ruiz, & Armario, 2008; Hunt & Lambe, 2000). Knowledge acquisition and market commitment through a market orientation are also associated with better export performance (Armario, Ruiz, & Armario, 2008). The human capital represented in the Top Management or the Board of Directors have great influence on the directions, decisions and performance of the internationalization process, through their experience, market research and knowledge. Finally, market oriented firms based their strategies on better knowledge about customers and competitors and can therefore create more competitive strategies (Hunt & Lambe, 2000).
Organizational capital resources
These include the formal and informal reporting systems, communication patterns, planning, control and coordination systems (Barney, 1991). In the organizational capabilities framework (OC), a major source of competitive advantage is derived from the supporting structure and organizational capabilities to exploit the OLI elements (Teece, 1986; Madhok, 1997; Dunning, 1980). The OC addresses the impact of a governance system on the potential use of the available know-how (human capital) within the firm (Madhok, 1997). An appropriate governance structure (such as decentralization, autonomy and informal communications, Dicken, 2007) will support the ability to create competitive advantages.

In terms of diversification, firms with the ability to produce and market a wider range of products have higher odds of being able to serve foreign market (Olivares-Mesa and Cabrera-Suarez, 2006). Firms with a broader product scope have a higher likelihood of early entry into a foreign market (Olivares-Mesa and Cabrera-Suarez, 2006). Also the firm size affects the ability to conduct international expansion, through the ability to absorb high costs and lower risks, involved with international investments and create economies of scale (Buckley & Casson, 1976; Cited in Dicken, 2007).

External resources
In line with the network perspective, Ahokangas (1998) assumes that SMEs are dependent on the development potential of key internal and external resources, which can be adjusted or developed within the firm and between firms and their environments. In other words, international firms can search for external or internal resources and can do so in a firm oriented way or in a network oriented way. The key issues concerning these modes of resources include control over and dependence on the critical resources (Ahokangas, 1998).

2.2.2.5. Knowledge-based views
The Economic approach (Dunning, 1979), the stage models (Johanson & Vahlne, 1977) and the RBVs (e.g. Barney, 1991) all recognize the important of knowledge in the internationalization process. Knowledge is seen as a vital resource. Especially for small firms, market and technological knowledge is regarded as vital (Wiklund & Shepherd, 2003). According to Penrose (1995), a firm is a bundle of physical and human resources whose productive services are released and made cohesive within an administrative framework. Growth, then, is the process of expansion of a firm’s resource base and collateral change in its administrative body. Essentially growth is an evolutionary process and based on the collective knowledge accumulation in the context of a firm (Penrose, 1995). However, the growth opportunities exploitation is limited, since the capacity of the existing managerial personnel of the firm for doing so, is limited.

The knowledge based view (KBV) on firm growth of Penrose (1995) combines the Economic approach (Dunning, 1979) and the Uppsala model (Johanson & Vahlne, 1977), but is not limited by particular stages. Penrose (1995) recognizes the learning moments of firms during their internationalization process. Consequently, the knowledge must first be integrated (internalized in Dunning’s words, 1979) before a new expansion process can be initiated. Thus, this creates some series of integration, leading to several stages. The firm has originally some body of knowledge, often called an area of specialization, in which it decides to internationalize. The kind of internationalization does therefore not imply a specific path or rigidity (Naldi, 2008).

The influence of the entrepreneur and the overall strategy in particular on the entry mode and internationalization process is widely regarded to be significant, especially in SMEs (Andersson, 2000; Miesenbock, 1988). Therefore the knowledge and experience of this person forms an important criterion for internationalization.
2.2.2.6. **International New Venture theory**

A relatively new approach to internationalization is the International New Venture (INV) theory. Oviatt and McDougall (1994) define an INV as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.

In the new economic environment, the quality, speed and efficiency of communication and transportation have reduced transaction costs (Porter, 1990). Also the increased homogenization of markets has made international marketing activities easier (Oviatt & McDougall, 1994). Finally, in this international environment, a sustainable competitive advantage increasingly depends on the possession of a particular unique asset, such as technology (Barney, 1991). Therefore, small companies need not be limited by their size and particular characteristics to be able to internationalize (Oviatt & McDougall, 1994).

According to Oviatt and McDougall (1994) it is also evident that many small international start-ups do not follow the traditional patterns suggested by the Uppsala model. Also according to Dicken (2007) some firms do not follow the most common pattern towards internationalization. A firm may bypass some intermediate stages and set-up overseas production facilities directly. This is especially evident in smaller countries, like The Netherlands (Dicken, 2007).

International New Ventures require four necessary elements (Oviatt & McDougall, 1994):
1. The formation of an organization by internalizing some international transactions
2. Strong alliances or alternative governance structures to access abundant resources
3. Establishment of foreign location advantages
4. Control over unique, sustainable resources

2.2.3. **Entry modes**

The start and further development of the internationalization of a firm may occur in different ways, which we call entry modes. The choice of entry mode appears to be the result several considerations and each entry mode postulates other requirements to the firm. We will now look at some influences on the entry mode choice and afterwards look at some specific entry modes.

2.2.3.1. **Influential factors**

It is found that the host and home-country culture plays an important role in the choice of entry mode. Host-country power distance and uncertainty avoidance (for more explanation see: Hofstede, 2001), can for example affect the management of foreign operations in terms of trust, change management, opportunistic behavior and policy enforcement (Shane, 1994; Erramilli, 1996; Brouthers et al, 2004). If the power distance is high, the employees may not trust the foreign manager or communication mistakes may occur. Furthermore, high uncertainty avoidance may influence the willingness of employees and managers to change policies and operations. Home-country power distance and uncertainty avoidance levels on the other hand, may affect the decision makers in terms of perception of risk, trusting partners and tolerance to new ideas from the host country (Shane, 1994; Erramilli, 1996). If the home-country culture has a high level of uncertainty avoidance, then for example the owners may be reluctant to choose certain, more risky, international venture, even though these may be more profitable or more efficient.

The pursued strategy and objectives of the firm is also of great influence on the entry mode decision (Turnbull, 1987; Cited in McDouald, 2004). The targeted level of local presence in the marketing strategy will determine the extent of desired localization of the entry mode (Kutschker & Bäurle,
1997). In this situation firms may prefer a joint venture or another type of collaboration to increase the proportion of locals in the firm. In terms of timing the entry mode, it is found that firms first seem to internationalize by purely purchasing machinery, raw materials and components from abroad instead of entering a foreign market totally (Olivares-Mesa and Cabrera-Suarez, 2006). Depending on how aggressive the management desires pursue its objectives (e.g. increasing sales or lowering labor costs), firms may become an early enterer or a late enterer. This has as a consequence again, that the early enters usually follow a pattern of stage-internationalization, whereas late enterers do not have another choice but to form an alliance or joint venture (Loane, Morrow & Bell, 2004). In any case, firms are expected to choose the entry mode which delivers the highest risk-adjusted return on investment (Agarwal & Ramaswami, 1992).

Some firms desire a high degree of control and coordination over their supply chain and therefore desire particular entry modes (Kutschker & Bäurle, 1997). In addition, the availability of unique resources also determines the required level of control. Knowledge intensive firms or companies with other specific resources are therefore expected to prefer wholly owned subsidiaries (Agarwal & Ramaswami, 1992).

2.2.3.2. Types of Entry

Although there are many types of entry modes into foreign markets, they can be classified five general and most common types of entry modes each with relatively uniform characteristics and consequences for the firm. Dimitratos (2004) classified: exporting, licensing or franchising, joint ventures, strategic alliances and subsidiaries or acquisitions and four factors of influence on the choice:

1. Level of resources committed: the level must be high in advanced strategies, such as licensing, franchising, joint ventures, strategic alliances or subsidiaries, but can be lower for levels of export.
2. Level of collaboration: refers to the relation between the internationalizing company and competitors or partners in the foreign market. Joint ventures require high levels of collaboration, but acquisition or wholly owned subsidiaries require less collaboration of foreign partners.
3. Pursuit of competitive advantage: referring to the type of objectives pursued in the strategy of the company (e.g. differentiation, cost leadership, market expansion, sales increase and level of localization). This is also supported by other scholars, as explained before.
4. Order/timing of entry: first movers usually retain higher market share than late entrants and first movers generally follow a stage approach to internationalization.

In particular the first two can be used to classify the entry modes to internationalization in a schematic way (Dimitratos, 2004):

![Figure 4: Entry modes (Dimitratos, 2004; Picture source: Compiled by authors)](image-url)
We will briefly explain the managerial consequences of each choice of entry mode.

**Exporting:**
The exporting behavior of firms is generally divided into three stages: the pre-engagement phase (only domestic sales), the initial phase (sporadic export and learning period) and the advanced phase (extensive export through agents, networks and relations) (Leonidou & Katsikeas, 1996; Cited in Mason, 2008). In general, it is found that export activities require centralized decision-making in order to balance market demands and production capacity with the pursued marketing strategy (Claver et al, 2007). Olivares-Mesa and Cabrera-Suarez (2006) found that company size, levels of technology, levels of product diversification and availability of human capital (experience, market knowledge) can enhance the success of the export process.

However, from the network approach the relationships of a firm play a more crucial role, rather than firm-specific advantages (Johanson & Mattsson, 1988). In relation with the export development process explain before, network members can help a firm by identifying areas where changes in market demands are occurring and changes in product designs are desirable (Zahra et.al, 2003).

**Licensing:**
Shortly, the use of patents and copyrights nowadays can protect new knowledge from opportunistic use by other parties. Nevertheless, patents and copyrights are often ineffective at protecting intellectual property, especially in foreign markets (Olivares-Mesa and Cabrera-Suarez, 2006). Therefore, more expensive and aggressive first-mover advantages are used for additional protection, such as acquisitions.

**Joint Ventures and Strategic Alliances:**
Joint ventures which are established over different geographical areas generally require decentralized decision-making, in order to avoid bureaucracy and to enable local managers and employees to adapt to the foreign market (Claver et al, 2007). As explained before, cultural difference may influence entry modes. This is particularly the case with joint ventures where two cultures may clash in terms of power distance, uncertainty avoidance, and enforcement of contracts or time orientation (Shane, 1994). However, working with local people also saves time and costs to learning new knowledge about another market (Madhok, 1997). Instead of joint-ventures, firms can also supplement their knowledge through strategic alliances (Madhok, 1997).

**Subsidiary and Acquisitions:**
Wholly owned subsidiary or acquisition of foreign companies, unlike a joint venture, avoid major strategic implications like knowledge sharing, levels of collaboration, future relations with the partner, adjustments of strategic objectives and levels of control are avoided (Lam & White, 1999). Furthermore, acquisition and integration of new knowledge, technologies and marketing activities is an incremental and gradual process which can be costly and inefficient in comparison to the competitors who have already established operations (Penrose, 1980). Finally, clashes between cultures of a third party, like in a joint-venture, as largely avoided (Shane, 1994; Erramilli, 1996; Brouthers et al, 2004). Therefore, an acquisition can be an attractive solution.
2.2.4. Conclusions

In conclusion on all the internationalization theory, we will here provide a schematic overview of all the critical elements which are pointed out by scholars for internationalization. In addition, we will summarize the most important aspects which may influence the choice of entry mode. For more elaborate explanation of the aspects pointed out in table 1, please refer to appendix 2: Requirements for internationalization.

Table 1: Requirements for internationalization

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Strategy process</th>
<th>Governance and Ownership</th>
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<tbody>
<tr>
<td>- Appropriate education</td>
<td>- Pro-active strategic activities</td>
<td>- Long-term orientation</td>
</tr>
<tr>
<td>- International experience</td>
<td>- Integration of knowledge</td>
<td>- Control assets</td>
</tr>
<tr>
<td>- Cultural Competences</td>
<td>- Establish location advantages</td>
<td>- Access to capital</td>
</tr>
<tr>
<td>- Accepting external people</td>
<td>- Using business networks</td>
<td>- External managers</td>
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<table>
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<tr>
<th>Organizational structure</th>
<th>Culture</th>
<th>Resources</th>
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<tbody>
<tr>
<td>- Decentralized decision-making</td>
<td>- Learning</td>
<td>- Possession of unique asset</td>
</tr>
<tr>
<td>- Informal communications</td>
<td>- Experimenting</td>
<td>- Organizational capabilities</td>
</tr>
<tr>
<td>- Autonomous units</td>
<td>- Market oriented</td>
<td>- Know-how</td>
</tr>
<tr>
<td>- Simple control systems</td>
<td>- Entrepreneurial mindset</td>
<td>- Financial strength</td>
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<tr>
<td>- Correct information systems</td>
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<thead>
<tr>
<th>Entry modes</th>
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<tr>
<td>- Market knowledge</td>
</tr>
<tr>
<td>- Decision-making structure</td>
</tr>
<tr>
<td>- Home-country power distanced and uncertainty avoidance levels</td>
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<tr>
<td>- Preferences in control and coordination</td>
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<td>- Preferences in information sharing</td>
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<td>- Preferences in resource commitment</td>
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2.3. **Family Firm Theory**

Much research has been conducted in the field of family business. The studies have resulted in the definition of special features, characteristics and factors which differs family businesses from non-family businesses. These features will be discussed in this chapter. First we will define family businesses and subsequently discuss the features. Finally, we will provide an overview of the features which will be used in this thesis.

2.3.1. **Defining Family Business**

One single definition of family businesses does not exist (Sharma, 2004) which indicates that different definitions have been used by researchers and practitioners during past years.

The most stringent definitions only classify a business as a family business when it is characterized by (a) having a family member as president or CEO, (b) employing members of the family and (c) managers defining their firms as family businesses (Holland & Boulton, 1984 cited in Davis et al., 2000, p.108). These definitions exclude all family businesses with a non-family member as a CEO. In addition, businesses with a family member as CEO, but without further family members as employees are excluded in this definition as well. This definition will not be used in this thesis, because we would like to include all those family businesses with non-family CEO’s as well in order to study what kind of influence non-family CEO’s or managers have on the business in terms of level of internationalization.

One of the definitions that include non-family CEO’s has been stated by Chua, Chrisman & Sharma (1999, p.25):

‘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’

This definition implies that the business must be controlled by members of the same family or a small number of families. This does not necessarily mean that the CEO must be a family member, since control can be obtained in the form of for example (voting) shares as well. Chua, Chrisman and Sharma (1999) do not mention anything about the perception of the CEO regarding their business. It is important for the purpose of this thesis that we develop a theory about and for true family businesses which possess the unique features/factors of family businesses. We believe that businesses with a CEO who do not perceive the business as being a family firm, do not possess all the unique features/factors of a family firm which will be discussed in the continuation of this paragraph.

In conclusion, the definition which will be used in this thesis must include the possibility of non-family CEO’s and this CEO must perceive the business as being a family firm. This means that the following definition of family businesses will be used in this thesis:

‘Family firms are defined on the basis of the following two criteria: (1) a firm in which one or more family members own at least 50% of the firm’s shares and (2) a firm that is perceived by the CEO as being a family firm (Westhead & Cowling, 1999 cited in Naldi & Nordqvist, p.14).’
2.3.2. Family Involvement

The most distinctive character of a family business is the family itself (Nordqvist & Böers, 2007). The family involvement in ownership and management makes them different from other types of firms. The presence of the family in the ownership and management can be a benefit or a disadvantage for a family firm’s competitiveness. Therefore it is important to create the right conditions to cope with this unique feature (Moores & Barret, 2003 cited in Sciascia & Mazzola, 2008).

The term that describes the bundle of resources that are distinctive to a firm as a result of family involvement is ‘familiiness’. This term was created by Habbershon and Williams (1999), but expanded by Habbershon, Williams and MacMillan (2003). Habbershon and Williams identified five separate aspects of familiness that influence the competitiveness of family businesses: human, social, sustainability and patient capital, along with governance systems of family businesses.

Human capital consists of acquired knowledge, skills and capabilities of a person that allows for unique and novel actions (Sirmon & Hitt, 2003). In family businesses human capital can be both positive and negative. On the negative side, hiring only from within the family may lead to skill deficiencies. This might have negative implications for the internationalization possibilities of family businesses, since one of the most common barriers for businesses to not internationalize is the lack of available qualified, international oriented employees who have knowledge regarding regulations, language and cultures (Arbaugh, Camp & Cox, 2008). This might be especially the case in family businesses, where due to the involvement of the family, non-qualified family members do get favored over professional managers from outside the family with an international orientation (Olivares-Mesa & Cabrera-Suárez, 2006).

On the positive side, hiring from within the family provide the business with commitment and tacit knowledge of family members, which can be viewed as a distinctive resource which is hard to imitate (Sirmon & Hitt, 2003). In line with this, it is found by Gallo and Sveen (1991) that family businesses do encourage their members to obtain international knowledge. One can think about encouragement in terms of speaking other languages, travelling and working abroad for a couple of years. The international knowledge gained by this experience can be seen as a distinctive resource for family businesses in order to possess the required amount of international knowledge within the company to internationalize.

The aspect social capital is closely related to human capital and consists of the relationships between organizations or individuals (Sirmon & Hitt, 2003). One can think about network ties, shared language, culture and the enduring exchange of information among family members. The influence of the distinctive cultures of family businesses and network ties will be discussed in section 3.3.3. The enduring exchange of information among family members in combination with intensive communication could be viewed as a feature related to family involvement that might enhance internationalization (McCollom, 1988 cited in Zahra, 2003). Family members talk about the business after work hours as well, since the strategic arena of family firms also includes spontaneous talks in the hallway, around the family kitchen table and during holidays (Hall, Melin & Nordqvist, 2006). It is found by James (1999, cited in Zahra, 2003) that the continuous sharing of knowledge and experiences create trust that promotes risk taking and strategic moves that require a longer payoff period. Internationalization is typically a strategic move that might take years to generate profits (Zahra, 2003).

A potential negative issue within social capital is related to the agency theory. This theory contends that the interest of principals (owners/shareholders) and agents (managers) do not match (Smith, 2008). The theory argues that while principals often want to maximize profits, their agents may
prefer other goals (Smith, 2008). That is why, principals would like to monitor and control their agents and the costs of carrying out these activities are known as agency costs (Chrisman, Chua & Steier, 2005). According to Chrisman et al. (2005) no consensus has been reached in literature over the issue of whether agency costs are low or high within family firms. Nevertheless, Sirmon and Hitt (2003) state that agency costs tend to be low at the initial stages of the family business development because of great levels of loyalty, commitment and trust. Habbershon (2006) adds to this that as the business becomes larger family members loose the powerful family connection and start to shirk and free ride.

Patient capital is the third aspect that will be discussed in relation to family involvement. Family businesses normally have a long term orientation with the desire to perpetuate the business for future generations (Neubauer & Lank, 1998). This means on the negative side that family firms avoid taking external financing, which will be further elaborated on in section 3.3.5 ‘Control’. On the positive side, due to the long term orientation, most family business goals are not aiming at short term profitability, which results in more available financial capital that can be invested in more creative and innovative strategies (Sirmon & Hitt, 2003).

The fourth aspect that will be examined is sustainability capital, which can be defined as the combination of positive results from the above mentioned capitals and the willingness of family members to pool resources to help the company when in need (Sirmon & Hitt, 2003). In other words, while many non-family businesses would simply decrease activity during economical unstable periods, family businesses are more likely to avoid that kind of actions in order to increase the company its wealth in the long run. This demonstrates the long term orientation of family businesses again.

The last aspect regarding familiness is the corporate governance system, which will be entirely studied under section 3.3.7 called ‘Corporate Governance Structure’.

2.3.3. Culture

Culture is an extensive researched topic and many definitions have been given in order to describe this complex aspect; Hofstede (1980) defined it as the collective programming of the mind, which distinguishes one group of people from another. Kotter and Heskett (1992) suggested that culture refers to values that are shared by people in a group and that tend to persist over time, even when the group membership changes. Another definition was given by Mike and Slocum JR. (2003, p.319):

‘An organization’s culture reflects the values, beliefs and attitudes of its members. These values and beliefs foster norms that influence employees’ behaviors. Cultures are collections of unspoken rules and traditions and operate 24 hours a day. Cultures determine much of what happens within an organization.’

The last definition worth mentioning was stated by Alvesson (1993) who suggested that culture is the shared and learned world of experiences, meanings, values and understandings which inform people and which are expressed, reproduced and communicated in partly symbolic form.

Despite the many definitions that have been given over time, one can discover many similarities. We may conclude from the literature that culture exist within a group of people, such as an organization, where values and beliefs do influence the behavior of those people and that it tends to survive over time.
The organizational culture of family businesses is very much influenced by the culture of the family (Gallo & Sveen, 1991), so one can expect that due to the involvement of the family, the organizational culture does determine much of what happens within a family firm. This idea is supported by Ward (1987) who stated that the culture of the family business influences the achievements of the business far more than any other factor.

It is found by Gallo and Sveen (1991) that organizational cultures of family businesses have their origin in the local environment and are very much influenced by particular family members or the founder of the company. Leach (2007) even elaborates on this by stating that walking through the doors of some family businesses can be like entering a time tunnel; he experienced in many family businesses sentiments such as ‘Things are done this way because dad did them this way’. This indicates that it is unlikely that family businesses want to change their image, operational methods and tie with the local environment. This idea is confirmed by Schein (1995) who stated that the cultures of family businesses are quite resistant to change.

Older family members might not see internationalization as a logical strategy in order to compete in the global economy, but as a strategy which is not in line with the organizational culture and local roots of the company. In addition, Dominant family members in a family business can undermine the explicitness of a developing culture, by not accepting people from outside the family within the business (Hall, Melin & Nordqvist, 2001). Therefore, there will be a risk that certain competences such as innovation may not be included in the organizational culture of family businesses. Furthermore, the dominant role of family members in determining the culture might decrease autonomous behavior within the organization, which means that less entrepreneurial initiatives will be taken by employees (Zahra et al., 2004).

Some other cultural characteristics of family firms are found by Gudmundson, Hartman and Tower (1999) who stated that the culture of family businesses has an inward orientation, which is negatively related to pro-activeness. On the positive side, the culture of family firms enjoys long-term commitment and is positively associated with employee dedication (Gudmundson et al., 1999).

The situation regarding culture is more complex in family businesses with a non-family CEO (Hall & Nordqvist, 2008). As discussed before, culture determines much of what happens within a family business. That means that it is very important for a non-family CEO to acknowledge the family culture and the related goals of the business. Hall and Nordqvist (2008) found that non-family CEO’s are more driven by profit oriented goals, whereas family members tend to have more cultural related core goals such as perpetuating family values and norms. This indicates that non-family CEO’s are more likely to pursue internationalization. However, these initiatives will most likely do not get any support from the family. In this case, the culture of the family business will be a limiting factor regarding internationalization again. This finding is consistent with previous research by Chrisman, Chua & Sharma (2005) who stated that many family businesses do not pursue internationalization aggressively because of their willingness to achieve noneconomic benefits, such as continuing the tradition of being a local producer, over financial returns.

Another complexity concerning culture arises when the values of the first generation remains static in the business, through which the family might risk a vacuum in a later stadium (Leach, 2007). A practical example of this vacuum can be when the values of the first generation are so incorporated into the business, that family members of for example the third generation, who cannot identify themselves with these values, may feel restrictive in the way they want to carry out their jobs. According to Leach (2007) a vacuum might lead to disconnection, communication failures and conflicts within the business.
On the other hand, studies have shown that organizational culture can be a strategic resource for family businesses as well (Zahra et al., 2004; Ibrahim & Ellis, 2004). It is found that many of the culturally related characteristics of family businesses are the same all over the world (Gallo & Sveen, 1991). This means that culture can facilitate international contacts and collaborations among family firms worldwide. In this context, network relationships are seen as critical (Coviello & McAuley, 1999 cited in Olivares-Mesa & Cabrera-Suárez, 2006). Networks provide family businesses with access to market knowledge, international contacts, resources and capabilities required for internationalization (Olivares-Mesa & Cabrera-Suárez, 2006). This indicates that networks among family businesses enhance the internationalization of these types of firms and one can say that the shared cultural characteristics of family businesses all over the world are the basis for those networks. Nelton (1995, cited in Okoroafo, 1999) and Okoroafo (1999) have confirmed this finding by stating that owners of family firms often choose to do business with family companies from elsewhere in the world, since both companies share values and goals that enable them to bridge cultural barriers more effectively than in the case with a publicly held company.

2.3.4. Control

In many family businesses the wealth of the family is concentrated in the business. This means that families tend to maintain complete control over the business. Gallo, Tapies and Cappuyins (2004) stated that the reluctance to lose control over the business can limit their sources of funding for internationalization. The process of internationalization requires typically enormous financial sources and is perceived to be very risky (Arbaugh et al., 2008; Zahra, 2003), so external financial sources might be a necessity for most family businesses. As a hindrance, in their preference for privacy and control, family businesses favor internally generated equity over long-term debt and outside equity (Graves & Thomas, 2008). Consequently, many family businesses do not have enough funds to internationalize or to undertake other costly strategies.

Whereas non-family firms might issue shares in order to gain enough financial sources to pursue their (international) strategies, family businesses have normally no interest in issuing shares because it leads to more shareholders and a resulting loss of control (Fernández & Nieto, 2006). Control can be seen as a key-word for most family businesses.

Internationalization does not only challenge the factor control in terms of financial control, but also in terms of organizational control. Gallo and Garcia-Pont (1996) state that family firms are characterized by high degrees of concentration of authority in the hands of the family. On the contrary, internationalization requires decentralization in decision-making and more formal ways of organization (Fernández & Nieto, 2005). This might be difficult to achieve in family businesses, where the family might want to keep their authority and control in the organization. In addition to this, internationalization might lead to the recruitment of higher qualified managers, since management nearly always need to be of higher quality in an international company (Gallo & Sveen, 1991). Higher qualified staff wants most probably more responsibility and control within the company, which is difficult in a family business where a family would rather maintain the control. This shows again how difficult it will be for family businesses to expand internationally if they want to keep the control of the organization within the family.
2.3.5. Succession

Succession to the next generation is a process unique to family firms (Graves & Thomas, 2008) and is according to Neubauer and Lank (1998) the most fundamental strategic decision within family businesses. We can distinguish two types of succession; management and ownership succession. Management succession is the change of leadership within a family business (Leach, 2007), which implies the change of a CEO. In this context, a fundamental decision is the choice to appoint a family member or a non-family member as the new CEO. According to Astrachan, Allen and Spinelli (2002), a majority of family firm leaders have been found to be desirous of keeping the leadership within the family. In these cases, the fact that one sibling has finally been “elevated” above the rest is one of the most complex factors, especially in the older family businesses with many potential successors (Astrachan et al., 2002). The underlying psychological, family-related, emotionally charged dilemmas during this procedure can have a negative influence on the continuation of the business (Leach, 2007).

If a family comes to the conclusion that there is nobody within the family with the interest or ability to run the firm and they do not want to sell the business, a non-family CEO should get recruited. According to Neubauer and Lank (1998) this step is dramatic and, as a rule, very complex, because of material and psychological aspects of complexity. From the material point of view, Neubauer and Lank (1998) stated that such a step means entrusting a non-family member with the care and development of what is probably the family’s most important asset. From a psychological point of view, Neubauer and Lank (1998) found that there could be a fear that the identity and character of the firm, as shaped by the family over a long period of time, may be lost if an outsider steers his own course with the company. This indicates that it will be challenging for a non-family CEO to get the support from the family. Lansberg (2007) even called turning all stakeholders into followers the greatest challenge any newly appointed external CEO could face, because especially within family businesses their support may be essential to ‘lead’ the business. As discussed before in section 3.3.3, the ability of the non-family CEO to acknowledge and cope with the family culture determines to a high degree if the business does get negatively influenced by the succession process.

The first part of this section has mainly discussed the possible negative implications of management succession for family businesses. On the positive side, a new generation of leadership can bring in new attitudes, behaviors, management styles, objectives and strategic ideas (Swinth & Vinton, 1993; Okoroafo, 1999; Ward, 1998). More specifically, a new generation can be expected to be more qualified, better prepared and more international oriented due to travel experiences and the encouragement of speaking different foreign languages (Fernández & Nieto, 2005; Gallo & Sveen, 1991). This indicates that new generations will be better prepared to introduce and implement advanced strategies, such as the internationalization process, in the family business (Fernández & Nieto, 2005). These findings demonstrate the importance of the background of the successor. As already mentioned in paragraph 2.1 ‘Previous Research’, the age, (international) experience and education of the successor are significant for the internationalization of family businesses (e.g. Mason, 2008; Davis & Harveston, 2000).

In this context, a family firm that hires a non-family CEO can benefit from the external resources (international experience, relationships and the like) that are brought in by the new CEO (Naldi & Nordqvist). Those resources might trigger the implementation of strategies that were previously hindered by a lack of resources, such as internationalization. The additional skills, perspectives and ideas of a non-family CEO can take away the resistance within the company regarding new strategic actions (Naldi & Nordqvist). This example of appointing a non-family CEO demonstrates again how important the background of the successor is, in terms of international experience, education and the access to a solid international network.
2.3.6. Strategy making

Strategy processes are crucial in the development and survival of every family firm (Hall et al., 2006). A strategy is the basis upon which a firm chooses to distinguish itself or its offerings to gain advantage in the market and the set of distinctive capabilities that enable it to do so (Porter, 1996). The basic strategic management process for both family and non-family firms is similar in the way that a strategy must be formulated, implemented and controlled in the context of a set of goals (Sharma, Chrisman & Chua, 1997). However, there is a growing realization that the strategic planning and the resulting strategy of family firms significantly differ conceptually from the strategies of non-family firms (Gudmundson et al., 1999), because family businesses are thought to manage according to philosophies which are strongly related to the family interest (Miller & Le Breton- Miller, 2005) and the family members are very influential in the strategy formulation (Hall et al., 2006).

An important characteristic of family business strategy is that it is deeply influenced by the family values (Sharma et al., 1997). It is found by Hall et al. (2006) that the most deep-seated and unconsciously held values are the most influential. One important value for family firms is usually the focus on and responsibility for the local market or community (Hall et al., 2006). Gallo and Sveen (1991) have confirmed this idea by stating that strategies in family firms are narrowly focused on customer needs in local markets; contemplating national expansion in the same business or in a closely related business, focusing on markets where tailor made service is frequent, relying on competitive advantages bound to the owner family’s abilities, culture and relations with customers and being people intensive rather than capital intensive. This indicates that resources will seldom be allocated to areas other than closely related to the present local business (Gallo & Sveen, 1991; Gallo & García- Pont, 1996), which implies that it is difficult for family firms to plan and implement an internationalization strategy. In other words, the values of family firms, which are the basis of the strategy in family businesses, may not support internationalization of those businesses.

As stated before, an important characteristic of family business strategy is that it is deeply rooted in family values and relations (Sharma et al., 2007). In other words, the strategy of a family business is mainly determined by the culture of the firm. Therefore, the family will be most likely feel a strong commitment towards a chosen strategy, through which the strategy becomes a source of rigidity (Gallo & Sveen, 1991). This implies that it will be difficult to change a chosen strategy in a family firm.

Another implication of the family involvement in the strategies pursued by family businesses is that family firm leaders are often skeptical concerning sharing information with people from outside the family, especially when it comes to strategies (Hess, 2006). This might be negative related to the creativity, innovation and pro-activeness within a family business, since it is found that the involvement of middle managers and employees in strategizing enhances entrepreneurial behavior (Kanter, 2004). In line with this finding, it is stated that family firms tend to centralize their decision making and strategizing (Zahra et al., 2004), whereas a more decentralized structure would have encouraged middle managers and other employees to participate in the strategizing process.

A different characteristic of the strategizing process of family firms is their lack of formalization (Sharma et al., 1997; Hall et al., 2006). This indicates that the strategizing process within family firms is not featured by many rules, procedures and bureaucracy, which can be positive for innovation within the company (Hall et al., 2006).

The last factor worth discussing regarding the strategy process is the fact that many typical family businesses characterize themselves as being committed to long term objectives (Gallo & Sveen, 1991; Gallo & Pont, 1996). This means that the family stays with the business in both good and bad times and tends to plan for continuity, rather than short-term profitability (Gallo & Sveen, 1991).
2.3.7. Corporate Governance

The final features which we will describe are related to the specialties of the governance structure of family firms. The key components of the governance structure of a family business comprises of family involvement, ownership, the board of directors and top management (Neubauer & Lank, 1998; Naldi & Nordqvist). As one can see in figure 3.1, a key characteristic of the corporate governance structure of family businesses is the fact that family members can have multiple roles (owner, manager and board member) which can overlap. In total, a family member can theoretically have up to fifteen roles within the family business. These fifteen different roles will not be discussed literally, but this figure will be used to support some of the statements made in this section.

According to Neubauer and Lank (1998) the overlap of ownership, board, top management and the family can create some negative dynamics within the business.

![Governance Roles in the Family Business](image)

Figure 5: Roles within the family business (Neubauer & Lank, 1998; Picture source: Compiled by authors)

The ownership situation of family businesses is a critical element, because due to the family nature of these companies the majority of the business capital consists of family assets (Mason, 2008; Gallo & Sveen, 1991). This means that in case the roles of owner, family and CEO (management/employee) overlap, as is visualized in role number ten in figure 3.1, the CEO ‘plays’ with the money of the family. These circumstances will make the CEO more conservative and risk averse (Mason, 2008).

Another challenging situation might occur within family businesses, when a company has many (family) owners, but only a few of them are actually involved in running the business. In these situations, the owners who are not involved in the business (role numbers two and five in figure 3.1), will be mainly interested in their profits in the form of dividends, whereas the family members who are involved in the business (role number six for example), would rather reinvest the profit in the business in order to develop the company (Gallo & Sveen, 1991). The described situation might lead
to a power struggle among the different owners as well, which can result in a crisis in the organizational structure that may result in an obstacle to important decision making (Gallo & García-Pont, 1996).

In case the board of directors comprises of family members (role number seven in figure 3.1) who occupy the position for a prolonged period of time without having the required professional abilities, the development of the business might get negatively influenced (Gallo & Sveen, 1991). Board members, who are selected according to their status within the family, might not have the necessary professional and market knowledge to take the right decisions concerning larger, strategic investments, such as internationalization (Gallo & Sveen, 1991). This will be particularly the case if the family holds all the power on the board of directors, when it comes to important strategic decisions. A more open governance structure, with for example external board members will enrich the business with non-family resources, such as international expertise, that can overcome their lack of resources that constraints their ability to pursue certain strategic choices, such as internationalization (Naldi & Nordqvist).

The importance of external board members can be explained by looking at the four types of resources which the board can provide a family firm: (1) advice, counsel and know-how, (2) legitimacy and reputation, (3) channels for communicating information between external organizations and the firm and (4) preferential access to commitments or support from important actors outside the family (Pfeffer & Salancik, 1978 cited in Naldi & Nordqvist). It is found that external board members bring specific attributes, such as expertise, and links to external resources to the board, through which boards with external members would have a greater diversity of resources (Naldi & Nordqvist) and as a result better possibilities to carry out those four ‘roles’.

The governance structure of family firms in general heavily depends on the stage of development of the business (Neubauer & Lank, 1998). Traditionally, family firms in the first generation have steep organizational hierarchies headed by a very strong leader who is often the founder (Gallo & Sveen, 1991). This implies that this person carries out a role as a family member, owner, CEO and board member (in case of an official board), which is visualized in role number fifteen in figure 3.1. According to Fernández and Nieto (2006) firms in this stage of development are characterized by centralized decision-making, little formalization, informal systems of control and poorly developed information systems. In this case, the strong leader will take all the strategic decisions (Gallo & Sveen, 1991), which means that if this person does not understand the opportunities of internationalization, the company would not pursue this kind of strategies.

As soon as the second generation is rising to management and more family members are getting involved in the business, the business is at a stage that it becomes more difficult to run (Mallin, 2004). At this time it is necessary to develop a more formal governance structure in order to control the operations and development of the company (Mallin, 2004). Internationalization is typically a strategy that requires the implementation of more formal structures (Fernández & Nieto, 2006), which implies that internationalization will often initiated at a later stage of development.

In addition to this, a family firm at a later stage of development will most likely have a larger top management team, which can be described as a group of managers with different tasks, competencies and areas of responsibility (Finkelstein & Hambrick, 1996 stated in Naldi and Nordqvist. A larger top management team will have more and various links to the environment and possesses a greater diversity of resources (Naldi & Nordqvist). As stated before, those resources and links can have a significant, positive influence on the option to pursue an internationalization strategy.
2.3.8. Conclusions

In conclusion on all the theory about family business, we will here provide a schematic overview of all the special family business features which have been identified in this Frame of Reference. For a more elaborate explanation of the aspects pointed out in table 2, please refer to appendix 3: Requirements for internationalization.

Table 2: Family business features and characteristics
Theoretical Analysis

The purpose of this chapter is to analyze and relate the different parts of the Frame of Reference together, as a basis for our empirical research. First we will describe our analysis approach. Secondly we will discuss family firm features which may influence the internationalization process. The features are classified as facilitating, constraining and uncertain. In addition, we have found some characteristics of family firms which imply the use of specific internationalization pathways or entry modes and theories. Finally, we will summarize our findings in a theoretical model.

3.1. Analysis model

As stated in the introduction, we have used a certain approach to analyze the ‘Frame of Reference’. This approach is visualized in figure 6, which can be viewed on the next page. This self created research model will be clarified in this paragraph.

First, we have put all the aspects we have gathered concerning internationalization (paragraph 2.2 ‘Internationalization Theory’, table 1) into the ‘funnel’. Next, we have set the features of family firms (paragraph 2.3 ‘Family Firm Theory’, table 2) to be the ‘family firm filter’. Then we analyzed, discussed and evaluated the influence of each feature on internationalization in a theoretical context. As a result from this analysis, there are 5 boxes into which we can ‘drop’ the aspect in question. The 5 possible outcomes are:

1. No relationship; when no relationship between a certain internationalization requirement and a specific feature of a family firm was found. This means that the internationalization requirement did not pass the ‘family firm filter’ and will not be of further use in this study.
2. Facilitating relationship; when a positive relationship between the family firm feature and internationalization was found. This indicates that the feature in question will facilitate the internationalization of family businesses. Those features dropped, after they have been analyzed, discussed and evaluated, through the family firm filter into the box called ‘facilitating features’.
3. Constraining relationship; when a negative relationship between the family firm feature and internationalization was found. This implies that the feature in question will constrain the internationalization of family businesses. Those features dropped into the box called ‘constraining features’.
4. Uncertain relationship; when a feature of family firms was found to have an either facilitating or constraining relationship with internationalization. This means that we discovered both possible positive and negative implications for a family business in internationalization. Those features dropped into the box called ‘uncertain features’.
5. Relationship with a specific entry mode; when a relation between a family firm feature and the use of a specific entry mode or internationalization pathway was found. Those entry mode requirements were dropped into the box called ‘entry mode choices’.
Figure 6: Analysis model (Source: Compiled by authors)
3.2. Facilitating features

As explained in the previous chapter, family businesses in particular have a long term orientation, which is embedded in their culture (Sirmon & Hitt, 2003; Gudmundson et al., 1999). This feature is found to be desirous when firms want to internationalize, since the financial advantages of internationalization may require a longer time before they are visible (Agarwal & Ramaswami, 1992; Armario et al, 2008). Firms in particular require a long-term view on the returns of investments of the internationalization process, which is very important for a financially risky strategy such as internationalization (Armario, Ruiz & Armario, 2008; Johanson & Vahlne, 1977). Since this long-term view is found among family businesses, we believe this will enhance and facilitate their willingness to internationalize, whereas publically held firms may need to cope with short-term objectives of investors. In addition to the financial long-term view, according to the KBV and the Uppsala model, learning from internationalization provides a basis for further development of strategies (Penrose, 1995; Johanson & Vahlne, 1977). This useful knowledge and experience may only be obtained in the long-run and require a long-term view (Armario, Ruiz, & Armario, 2008).

Another positive implication of the long term orientation of family firms is the resulting long-term relationships with stakeholders. More specifically, we believe that family firms are willing to invest in their international contacts and network relations in order to exploit and sustain these relations. Ruzzier et al., (2006) stated that investments in network connections are required to make them useful for internationalization. In addition, the network approach to internationalization (Johanson & Mattsson, 1988) finds that many resources can only be accessed through strong relations in networks. Furthermore, it is found that the long-term orientation of family firms enhances employee commitment (Gudmundson et al., 1999). From the RBV (e.g. Barney, 1991) we can conclude that this will facilitate to maintain knowledge and human capital within the firm, required for internationalization. Therefore, we can conclude that the long term orientation of family firms in terms of network relations enhance possibilities in access to resources and knowledge from the international network.

Subsequently, family businesses are found to have a strong preference for privacy and control in terms of financial and human resources (Gallo, Tapies & Cappuyins, 2004; Graves & Thomas, 2008; Gallo & Garcia-Pont, 1996). This implies that family firms in general do have control and independence over those critical resources. A study by Ahokangas (1998) showed us that having control and independence over critical resources, such as financial resources, lowers risks and increases efficiency of international expansion. So, one can conclude that the preference of family firms to have control over critical resources, enhances their ability to internationalize successfully. Another implication of the factor control within family businesses is that these firms can be expected to internalize international transactions within the organization. From the eclectic paradigm (Dunning, 1979) we know that internalization of ownership-specific advantages (such as market knowledge, technologies, human capital and the like) is required in order to exploit these ownership-specific advantages. The new knowledge which comes mutually with the implementation of an internationalization strategy should be internalized in order to avoid high transaction costs as well (Buckley & Casson, 1979; Cited in Naldi, 2008; Madhok, 1997). We believe that family firms can avoid these high transaction costs, because of their aim to internalize as much resources as they can in order to keep complete control over their business.

In the context of aiming for control over the organizations assets, we can also assume that family firms will strive for control and therefore ownership in foreign subsidiaries. It is found that the ownership in foreign companies increases the likelihood to obtain technical, economic, personnel and information resources that positively influence the internationalization process (Olivares-Mesa & Cabrera-Suárez, 2006). Besides that, Dimitratos (2004) stated that (complete) ownership also has the
advantage of less sharing with other parties, which enhances internationalization. Again, this demonstrates how the characteristic of high degrees of control within family businesses can push a successful internationalization strategy.

Family businesses are characterized by an enduring exchange of knowledge and experiences among family members, due to the family involvement in the business (James 1999, cited in Zahra, 2003). It is found by James (1999, cited in Zahra, 2003) that this creates trust within the organization that promotes risk taking strategic moves that require a longer payoff period, such as internationalization. In addition to that, we believe that the enduring exchange of knowledge and experiences create moments for learning and reflection within the organization. In the KBV (Penrose, 1995) it is found that new growth periods can only be initiated when the knowledge and experiences from current operations are fully integrated into an organization and from the Uppsala model (Johanson & Vahlne, 1977) we can see that current operations require to be studied in order to create new market commitment. Therefore we think that the family business features stimulate the integration of knowledge within the company, through which the process of integrating knowledge and experiences from current operations will go faster in family businesses than in non-family firms. Internationalization is often related to growth (Zahra, 2003), so we can conclude that due to the family involvement, family firms will be better prepared to initiate new internationalization strategies.

Another positive implication of the family involvement in the business is that family members are usually really committed to the business (Sirmon & Hitt, 2003), since the majority of business capital consists of family assets (Mason, 2008; Gallo & Sveen, 1991). It is found that a high level of resource commitment is required when developing relations (Ruzzier et al., 2006). So, we believe that family firms are better able to develop (international) relations than non-family firms. As discussed before, the existence and development of network relations supports internationalization.

Gallo and Sveen (1991) found that many of the company culture characteristics of family businesses are the same all over the world. Therefore, Coviello and McAuley (1999, cited in Olivares-Mesa & Cabrera-Suárez, 2006) stated that organizational culture can facilitate international contacts and network relations among other family firms worldwide. Connections to business relations create international contacts and opportunities and play an essential role in internationalization (Johanson and Mattsson, 1988; Löfgren et al, 2008). In other words, one can say that the cultural similarities among family firms worldwide facilitate business relations between those firms, which support internationalization. As discussed before, the willingness of family firms to invest in these relations in order to create long term relationships will even augment internationalization within family businesses.

Finally, it is found that the strategizing within family businesses is not featured by many rules, procedures and bureaucracy (Hall et al., 2006) and that the governance structure and control systems of family businesses are informal (Fernández & Nieto, 2006), which implies fast decision-making, flexible organization structures and easy communication channels and can stimulate innovation (Hall et al, 2006). According to Pangarker (2008) and Löfgren et al (2008), this will make it easier for family firms to adjust to other cultures and adapt their products. This can enhance possibilities for family firms to successfully internationalize the business.

The family involvement in the business creates an overlap between the family and the business (Neubauer & Lank, 1998), which results in informal communication of family business issues at the dinner table. This is confirmed by Fernández and Nieto (2006) who stated that family businesses, especially those in the first generation, are characterized by little formalization. In addition, Hall et al (2006) found that the strategy process in family business is not features by many rules, procedures and bureaucracy, thus being informal and stimulating innovation. These informal communications
and reporting systems are associated to an effective and efficient multinational organization structure (Dicken, 2007). Since multinational organization need to cope with different cultures and long-distance communications, efficiency may be improved through informal communications, without long procedures and difficult forms.

As discussed, some of these features can be related to specific internationalization theories, notable the Knowledge-Based view and the Uppsala model. In conclusion, the facilitating features family firms in their internationalization process are:

1. Long-term orientation in strategy-making and investments
2. Long-term relations with stakeholders
3. Aim for internalizing critical resources
4. Favor control through ownership
5. Moments of reflection and learning from current operations
6. Family business culture facilitates foreign family firm relations
7. Informal communications

3.3. Constraining features

It is found by Loane et al. (2004) that an adequate supply of experienced managers is important for the effective execution of a global strategy. From the RBV we know that experience is an essential factor to diminish the level of uncertainty and risks related to foreign-market decisions (Armario et al., 2008; Barney, 1991). The problem in family firms is that non-qualified family members are favored over professional, experienced managers from outside the family (Olivares-Mesa & Cabrera-Suárez, 2006), which may lead to skill deficiencies. The main reason for the resistance to accept people from outside the family is the fear that non-family members do change the organizational culture of the firm (Hall et al, 2001). The culture of family businesses is very much influenced by the family (Gallo & Sveen, 1991) and family firms are found to be desirous to maintain this cultural identity over time (Schein, 1995). This approach of family firms may cause a lack of experienced, knowledgeable managers, which makes it more difficult for these companies to take good strategic and marketing decisions regarding internationalization (e.g. Penrose, 1995; Oviatt & McDougall, 1994).

Another negative implication of the reluctance within the family to recruit higher qualified, external managers is that the family business is not enriched with non-family resources, such as international relations and knowledge (Naldi & Nordqvist). It is found by Barney (1991) and Ruzzier et al (2006) that appropriate experience, relations and knowledge are necessary to create a globally competitive strategy. In general, management nearly always needs to be of higher quality in an international company (Gallo & Sveen, 1991). However, if family firms remain reluctant towards hiring external managers and keep the decision-making control within the family, the quality of the top management will not increase. The lack of competent, open-minded and experienced managers within family firms is a limitation for internationalization (e.g. Zahra et al, 2001).

According to the Rabobank (2004) a pro-active development of a good internationalization strategy is crucial for companies to internationalize successfully. We believe that family firms in general do not pro-actively develop internationalization strategies, because it is found by Gallo and Sveen (1991) and Gallo and Garcia-Pont (1996) that strategies in family firms are narrowly focused on consumer needs in local markets, which indicates that resources will seldom be allocated to areas other than closely related to the present local business. This is in line with the local roots of the family culture (Gallo & Sveen, 1991). Because family firms usually focus on their local markets they hardly experiment and try new markets or international activities in order to learn from it and find the best international direction (Johanson & Vahlne, 1977; Naldi & Davidsson, 2008). Obviously, the defective
market orientation of family firms is a limiting factor in terms of internationalization, since it is found that an excellent market orientation provides a business with relevant information about (international) customers and competitors which in turn would result in better international strategies (Hunt & Lambe, 2000).

Another characteristic of the strategizing of family firms is the skeptical attitude of family firm leaders to share their strategies with people from outside the family (Hess, 2006). The communication on strategic issues that can reproduce or change strategies of a family firm are made in informal meetings, such as around the kitchen table (Hall et al., 2006). We believe that the dominant role of family members in determining the strategy might decrease autonomous behavior and an entrepreneurial orientation (Dess & Lumpkin, 2005) within the organization, which diminish the chance to develop a market-oriented, entrepreneurial culture among employees. This will work limiting for internationalization, since Armario et al. (2008) and Zahra et al. (2001) have found that a market-oriented, entrepreneurial culture among employees will enhance the possibilities to identify international opportunities. This is confirmed by Day (1994; Cited in Armario et al., 2008) who stated that opportunity recognition can only occur if the right information structures are in place, such as: widespread information distribution, open-minded inquiry of information and accessible data for all employees.

The governance structure of family businesses, especially those in the first generation, can be characterized by centralized decision-making (Fernández & Nieto, 2006). In addition to this, Zahra et al. (2004) stated that the dominant role of family members in determining the culture and the strategy might decrease autonomous behavior within the organization. According to Dicken (2007), the lack of decentralized decision-making and autonomous behavior enhance bureaucracy and rigidity and decrease innovation and efficiency within family firms. We believe that a firm which aims to internationalize, needs efficient and fast decision-making structures in order to react sufficient to the fast changing international market. Therefore, the high level of bureaucracy and rigidity within family firms will limit their internationalization. In addition to that, Olivares-Mesa and Cabrera-Suárez (2006) stated that innovativeness in new products or existing products plays a significant role in accelerating the entry process and timing into foreign markets, since products may require adjustment to foreign market demands. This implies that family firms will typically internationalize their business at a later stage than non-family businesses, due to low level of innovation.

In light of the OLI paradigm and the RBV, it is found that financial resources enhance the ability to reach foreign markets and that financial resources may be required to outcompete foreign competition (Dunning, 1979; Olivares-Mesa and Cabrera-Suárez, 2006; Bridgewater et al., 2004). We expect that family firms in particular face a lack of financial resources, because of their preference for privacy and control through which they favor internally generated equity over long-term debt and outside equity (Graves & Thomas, 2008). We believe that this can limit the sources of funding for large strategic movements, such as internationalization. One way to overcome this disadvantage for family firms is the use of international alliances or joint ventures, which can support the company with both managerial and financial resources (Oviatt & McDougall, 1994). It is also found by Fleiss and Busquets (2006) that risk adverse firms should share costs in order to spread out the risks associated with internationalization. However, family firms may be risk-adverse and we do not believe that family businesses will choose these later options because it will lead to a loose of control over the business. The same argument applies for the option to involve external owners in the business in order to increase access to financing (Fernández & Nieto, 2006).

We have already cited that family businesses mainly focus on their local markets, due to the local roots of their culture and the important value of taking responsibility for the local community (Gallo & García-Pont, 1996; Hall et al., 2006). In addition to that, it is found by Gudmundson et al. (1999) that the culture of family firms has an inward orientation, which is negatively related to pro-
activeness. We think that this factor limits the internationalization of family firms, because Oviatt and McDougall (1994) discovered that it is important to seek aggressively and pro-active for international sales opportunities. In addition, many researchers have found that a market orientation ensures the use of relevant market information about customers and competitors when designing strategies (Hunt & Lambe, 2000). We can conclude that family businesses do not have this approach due to their inward orientation and focus on family values, through which it is to find and exploit international opportunities.

It is found by Sharma et al. (2007) that the strategy of a family firm is mainly determined by the culture of the organization. As discussed before, cultures of family firms are quite resistant to change (Schein, 1995), which implies that strategy may become a source of rigidity (Gallo & Sveen, 1991). In addition, is found by researchers that uncertainty avoidance, which can be present in family firms due to their family wealth in the business (Mason, 2008), may lead to reluctance for more comprehensive international endeavors (Shane, 1994; Erramilli, 1996). Several authors have identified the need for pro-active, aggressive and market oriented strategy formation (e.g. Oviatt and McDougall, 1994; Dess & Lumpkin, 2005; Hunt & Lambe, 2000). Due to this, we believe that family businesses in general do not pro-actively look for this kind of competitive advantages due to their rigid, locally focused culture.

We have already discussed the importance of high-qualified, experienced managers from outside the family within family firms, but we believe that the same applies to board members (in case of a board of directors). The board members should not be selected according to their status in the family, but because of their professional abilities (Gallo & Sveen, 1991). We expect that this is not always the case in family firms, which might limit the development of these businesses. Again, it is argued that an open governance structure, with for example external board members will enrich the business with non-family resources, which can enhance internationalization (Naldi & Nordqvist).

As discussed, we can relate some constraining features to specific internationalization theories, notable the Resource-Based view. This implies that family firms are mostly constrained in their internationalization process due to the possession, acquisition or development of some resources. In conclusion, the constraining features of family firms for internationalization are:

1. Rigidity in family culture
2. Preference for family members
3. Lack of education and experience of family managers
4. Inward oriented strategy and lack of market orientation
5. Strategic focus on culture and values, not on economic benefits
6. No involvement of non-family members in the strategy process
7. No information sharing with non-family employees
8. Centralized decision-making
9. Maintaining all ownership in the family
10. Exclusion of external financial resources (debt)
3.4. Uncertain features

We have stated in paragraph 3.3 that the lack of an adequate supply of internationally experienced managers is one of the limiting factors for family firms in terms of internationalization (Loane et al., 2004). In order to overcome this limiting factor, family businesses are recommended to stress the importance of recruitment and selection (Loane et al., 2004). We believe that there is an ambiguity in this recommendation, since family firms are characterized by very strict recruitment and selection procedures, if they do decide to attract a non-family manager. The reason for this is that besides the fact that a manager should be competent, he or she should fit in the culture of the family business as well (Hall & Nordqvist, 2008). This is of a critical importance, since the organizational culture of family businesses does influence the achievements of the firm far more than any other factor and is therefore really important to the family. In conclusion, the strict recruitment and selection procedures implies that if family businesses are willing to appoint a non-family manager, they will most likely select the most capable one for that specific company.

It is found by Penrose (1995) and Etemad (2004) that not all internationalization decisions are purely based on facts and rational thinking, but often on intuition, gut-feeling and experience. We believe that family managers take more decisions based on their intuition, gut-feeling and experience than non-family managers. According to Penrose (1995) and Etemad (2004) this might lead to good international decision-making as well. The reason for this specific decision-making approach of family managers is related to the family nature of the business. Siblings are often involved in the business at an early stage, through which they gain a great deal of knowledge and experience about the business, are truly, emotional committed to the business and possess specific, tacit knowledge (Sirmon & Hitt, 2003). These factors are the reason that family managers are better capable of making decisions based upon their intuition, gut-feeling and experience, since they know exactly how the business will react to certain internationalization decisions. However, we still believe that international knowledge, relations and experience are essential for internationalization, this discussion has shown that family managers do have specific decision-making features as well, which are important for making the right international decisions (Penrose, 1995; Etemad, 2004).

Another finding by Penrose (1995) is that the organization must have moments of reflection and learning during the internationalization process. In our opinion, this finding can be viewed from both a positive and a negative side. On the positive side, as described in paragraph 3.2, due to the enduring exchange of knowledge and experiences among family members (James 1999, cited in Zahra, 2003) there are many moments of reflection and learning within a family business. On the other hand, due to the skeptical attitude of family firm leaders to share their strategies and thoughts with people from outside the family (Hess, 2006), it can be assumed that non-family members do not get involved in the reflection and learning moments. This indicates that not the organization as a whole reflects and learns during the internationalization process, which can be seen as a negative point. The same ambiguity applies to the monitoring of current operations. We believe that family members do monitor their current operations extensively, but that they do not involve the whole organization in this monitoring. This means that it is hard to say if family businesses are able to identify opportunities and threats regarding their current operations (Johanson & Vahlne, 1977).

We have extensively argued that family firms face a lack of financial resources in order to enhance the ability to reach foreign markets, due to their preference to favor internally generated equity over long-term debt and outside equity (Graves & Thomas, 2008). However, we see a positive influence of the financial behavior of family firms as well, which we would like to point out in this discussion. Due to their preference for control, family businesses in general would not use outside equity in the form of for example shares. This has the advantage that family firms do not have the obligation to pay dividends to external stakeholders, through which they can re-invest profits into the business.
According to Svetlicic, Jaklic and Burger (2007) this can influence the likelihood of international investments. In conclusion, one can say that the way family firms generate their cash, could also have a positive implication for internationalization; however the limiting factors for internationalization in this context are more obvious.

It is found by Vernon (1966) that contacts with local producers or marketers increase the odds of developing an appropriate product for the area in question, since local people know more about the demands and needs of the foreign market. On the one hand, one can say that family businesses do have an advantage here, because of their focus on local environments (Gallo & Sveen, 1991), but on the other hand this focus is mainly on their own local environment, since family businesses tend to have an inward orientation (Gudmundson, Hartman & Tower, 1999). This indicates that it is uncertain if the focus on local producers and marketers can be viewed as an enhancing factor for internationalization, since family businesses do not have a pro-active attitude to get in contact with local people in foreign markets.

The last item which we would like to mention in this paragraph is the succession feature of family businesses. Succession is the most fundamental strategic decision within family businesses (Neubauer & Lank, 1998), but we have hardly used it in our analysis to back up either constraining or facilitating factors for internationalization in family firms. The reason for this is that we believe that the implications of succession for internationalization of family businesses mostly depend on the situation of the company and the background of the successor. In terms of managerial succession, recruitment of a non-family CEO can enhance internationalization in company A due to the external resources that are brought in by the new CEO (Naldi & Nordqvist). However, on the other hand managerial succession can limit internationalization in company B if the new CEO is not able to integrate in the family culture and turn the family into followers (Lansberg, 2007), through which the family will show even more resistance towards the internationalization ideas from the new CEO. There are so many underlying psychological, family-related, emotionally charged dilemmas possible during succession (Leach, 2007) that it is company specific how the organization will change, in terms of internationalization as well. A new generation of leadership from the family can supply new attitudes, behaviors, management styles, objectives and strategic ideas as well (Swinth & Vinton, 1993; Okoroafo, 1999; Ward, 1998), but it would depend from case to case if these new attitudes and so on will either enhance or limit internationalization. In that context, the background of the successor in terms of experience, network, education and the like is crucial (e.a Mason, 2008; Olivares-Mesa & Cabrera-Suárez, 2006).

In conclusion, the most uncertain influence of features of family firms for internationalization are:

1. Selection and requirement of external managers
2. Use of intuition and gut-feeling in strategic decision-making
3. Involve the whole organization in moments of reflection and learning
4. Possibilities for re-investment of profits
5. Local focus of family firms
6. Managerial succession of family or non-family CEOs
3.4.1. Contradictions in the literature

Besides the uncertain features that are discussed before, we have identified that some features of a family business are recognized as both potential positive and potential negative factors in paragraph 3.2 and 3.3. This means that there seems to be a contradiction in some parts our theoretical analysis. We find it vital to highlight those contradictions in order to show the importance of the qualitative, empirical study in the continuation of this thesis. One of the aims of this qualitative study is to discover how these contradicting features influence the internationalization process of family firms in practice.

The first contradiction is related to the feature control. As stated before, family businesses are found to have a strong preference for privacy and control in terms of financial and human resources (Gallo et al., 2004; Graves & Thomas, 2008; Gallo & García-Pont, 1996). We identified three positive relations regarding internationalization; having control and independence over critical resources lowers risks and increases efficiency of international expansion (Ahokangas, 1998), high transaction costs can be avoided (Buckley & Casson, 1979; Cited in Naldi, 2008; Madhok, 1997) and the likelihood to strive for control and therefore ownership in foreign subsidiaries has a positive influence on the internationalization process as well (Olivares-Mesa & Cabrera- Suárez, 2006). On the other hand, we also identified three negative implications of the strong preference of control for family firms regarding internationalization; a lack of financial resources (Graves & Thomas, 2008), a lack of higher qualified, external managers (Naldi & Nordqvist) and a lack of professional, experienced board members (Naldi & Nordqvist). This means that according to our analysis of the literature, the feature control can work both facilitating and constraining for internationalization.

The same contradiction applies to the factor ‘family involvement’ in family businesses. On the positive side, this factor creates trust within an organization, promotes internationalization (James, 1999, cited in Zahra, 2003), stimulates the integration of knowledge within the company through which new internationalization processes can earlier be initiated (Penrose, 1995; Zahra, 2003) and increases the resource commitment within family firms which stimulates the development of international relations (Ruzzier et al., 2006). On the negative side, the family involvement can lead to the situation that non-qualified family members are favored over professional, experienced managers from outside the family (Olivare-Mesa & Cabrera-Suárez, 2006), through which family firms face difficulties with the effective execution of a global strategy (Loane et al., 2004).

The last contradiction that we would like to mention is related to the governance structure of family businesses. We discovered the positive relation regarding internationalization that the informal governance structure of family firms (Fernández & Nieto, 2006) leads to fast decision-making and stimulates innovation (Hall et al., 2006), which will make it easier for those businesses to adapt their products to other cultures (Pangarker, 2008; Löfgren et al., 2008). On the other hand, we found that family businesses also decrease innovativeness due to centralized decision-making (Fernández & Nieto, 2006) and a lack of autonomous behavior (Zahra et al., 2004). This is a very clear contradiction, which will be studied attentive in our qualitative study.
3.5. Entry mode choices

We have discussed the facilitating, constraining and uncertain influences of features of family businesses on internationalization. We will now discuss some family firm features which can be related to the entry mode choices. In previous sections we have already came across many characteristics which may imply the use of some entry modes, but without direct explanation. Nevertheless, there are many studies in which researchers have indeed related specific firm characteristics to specific entry modes in general. We need to filter out those characteristics which can be related to family business theory.

First of all there are two characteristics of firms which usually result in a wholly owned subsidiary. Kutschker and Bäurle (1997) found that firms which prefer control and coordination over their supply chain and unique assets will require a wholly owned or significantly controlled subsidiary. As we know, family firms usually prefer privacy and control and therefore favor internally generated equity over outside equity (Graves & Thomas, 2008). Furthermore, family owners are found to possess high degrees of concentration of authority (Gallo & García-Pont, 1996). Finally, the dominant culture of the family members can deteriorate autonomous behavior in the organization (Zahra et al, 2004). Due to these reasons the existing theory clearly points out that family businesses must prefer wholly owned subsidiaries because of their desire for control.

Likewise, the reluctance to knowledge sharing and adjustment of strategy to other parties is also found to result in wholly owned subsidiaries and acquisitions (Lam & Whie, 1999; Shane, 1994). Arguments for this are that family firm leaders are often skeptical towards sharing strategic information with people from outside the family (Hess, 2006) and family firm leaders tend to be reluctant to accept other people in the strategy making (Hall et al, 2001; Gallo et al, 2004).

Although most literature indicates that family firms are expected to prefer wholly owned subsidiaries, there are also some relations to joint-venture and alliances, since a learning orientation and willingness to cooperate with other cultures usually result in eagerness for joint-ventures and alliances (Claver et al, 2007; Shane, 1994; Madhok, 1997). As family firm contacts and network relations are facilitated by their common culture (Coviello & McAuley, 1999 cited in Olivares-Mesa & Cabrera-Suárez, 2006) and family members encourage each other to obtain international knowledge by travelling, speaking other languages and working abroad for a couple of years (Gallop & Sveen, 1991), we can indeed find some motivations for family firms to start alliances or joint-venture as well. However, the arguments are not as strong as those for wholly owned subsidiaries.

Another clear relation we have found in literature is that centralized decision making, risk adversity and lacking resources usually results in starting internationalization with exporting (Claver et al, 2007; Olivares-Mesa & Cabrera-Suárez, 2006). We know that family businesses tend to centralize their decision making (Zahra et al, 2004; Fernández & Nieto, 2006). Studies have also pointed out that family business owners are often CEOs and therefore have their private capital connected to the business, which makes them more risk adverse and conservative (e.g. Mason, 2008). Finally, as we stated before, the reluctance to lose control over the family business may reduce the available capital for investments (Graves & Thomas, 2008; Gallo et al, 2004). Therefore, the literature points out that family businesses are expected to start their internationalization process with exporting.

In addition to the previous reasons, it is also found that firms which seek long-term profitability and have a long-term orientation in their strategy follow the stage approach from the Uppsala mode (Johanson & Vahlne, 1977). The Uppsala model indicates that firms follow a learning process in internationalization and usually start with exporting in order to test a market. Given that family firms usually have a long-term orientation in their strategy process and profitability orientation (Sirmon &
Hitt, 2003; Gudmundson et al, 1999), we can say that family firms are expected to follow the stage approach to internationalization, starting with exporting.

Furthermore, we want to shortly discuss that family firms are not expected to internationalize according the International New Venture theory (INV) (Oviatt & McDougall, 1994). As discussed before, the INV requires four necessary elements: (1) the formation of an organization by internalizing some transactions, (2) strong alliances or alternative governance structure to access abundant resources, (3) establishment of foreign location advantages and (4) control over unique resources (Oviatt & McDougall, 1994). In our opinion the major contribution of the International New Venture theory is the requirement for internationalizing small businesses to have access to plenty of resources, Element 2. The INV theory, in addition to the other Elements, requires the small business to have access to abundant capital, by for example going public or involving external owners. Now we can clearly see the relation with family firm theory. Family firms are found to be reluctant to involve external owners in order to attract capital for international expansion (Gallo et al, 2004; Graves & Thomas, 2008). Therefore family firms are expected not to perform the aggressive internationalization explained by the INV theory, like starting joint-ventures or becoming global start-ups.

Instead we can say that family firms are expected to follow the stage approach and also internationalize first to culturally close countries. The family culture influences the activities of the firm to a great extent (e.g. Ward, 1987; Schein, 1995). Additionally, it is found that culture of the family business has an inward orientation, which leads to less pro-activeness. The result may be that family firms would prefer to select the country of export or international activity in a culturally close country instead of for example reasons related to market potential. This can also be related to findings from Hall and Nordqvist (2008), that non-family CEO’s are more driven by profit oriented goals, whereas family members tend to have more cultural related core goals such as perpetuating family values and norms.

Nevertheless, we also find some problems with relating the family firm internationalization to the Uppsala model. This stage model is based on the assumption of risk adverse firms (Johanson & Vahlne, 1977), resulting in learning process with regards to internationalization; i.e. the more knowledge the safer the decision to commit resources. As Johanson and Vahlne (1977) explain, experimental knowledge is crucial to make the right decision and to start the learning process. However, experimental behavior takes a great deal of risk-taking (Dess & Lumpkin, 2005). Therefore, before the risk adverse firm can start the ‘safe’ learning process of internationalization, the organization has to initially take a risk of committing resources, thus leading to a paradox. In relation to family businesses we can say that this paradox is very much true because there are indications that family firms have more possibilities for risk-taking since they have a long-term orientation (Sirmon & Hitt, 2003; Gudmundson et al, 1999; James 1999, cited in Zahra, 2003). On the other hand, there is also literature which finds that family firms are reluctant to take risk, due to the fact that a large proportion of the family’s wealth is connected to the business (e.g. Mason, 2008).

In conclusion, we can say that most of the features of family firms result in entry mode behavior which can be related to the stage models, in particular the Uppsala model. Since family firms are reluctant to lose or share control over the business, it is found to be unlikely that they start joint-ventures or alliances in order to accelerate the internationalization process, as described by the INV theory. Finally we can say that most theoretical basis is found to assume that family firms tend to start with exporting, perform their international activities in culturally close countries and end-up with having wholly owned subsidiaries.
3.6. *Theoretical model*

Thus far, we have found from theory that family firms contain certain facilitating and constraining features in relation to the internationalization process. These features have been thoroughly discussed in the previous paragraphs. In addition, there are features from the family business which we could deem neither facilitating nor constraining. These features will require further study before we can classify them as facilitating or constraining.

Furthermore, we can conclude from the analysis of the entry mode theory and the family business features, that we may expect family businesses to mostly internationalize in accordance to the Uppsala model. This implies a step-wise approach to internationalization, studying and learning from current operations and increasing market commitment in successful markets. Also, family businesses are expected to enter countries which are culturally close to the home country's culture and are expected to prefer wholly owned subsidiaries.

The theoretical model (see figure 7 on next page) attempts to summarize these findings in a graph-like overview. The left vertical axis represents a measure of internationalization. We have chosen, in accordance with our theoretical findings, the stages which can be related to the Uppsala model, including the fact that family businesses will prefer wholly owned subsidiaries.

The right vertical axis represents any type of failure or success of the form of internationalization in the left vertical axis (for example revenue growth, number of employees, profit growth, number of international operations).

The horizontal axis represents a time line.

- \( \overrightarrow{\cdot \cdot} \) = trend line of the internationalization process (in terms of vertical axis left or right)
- \( \overleftarrow{\cdot} \) = actual process (in terms of vertical axis left or right)
- \( \backslash \backslash \) = possible process, towards failure, if constraining features outweigh the facilitating features

F = facilitating features

C = constraining features
As the model points out, the internationalization occurs in stages. The facilitating factors boost the process to success, whereas the constraining factors demote the process towards failure. If at any given time the constraining factors outweigh the facilitating factors in influence on the internationalization process, then the actual internationalization line will continue to move downwards, following the line of the ‘possible process’. Notice however, that the occurrence of the facilitating or constraining features is not bound to the timeline, that is, they do not necessarily occur in a specific time order. We attempt to show that over time, facilitating or constraining features may occur and influence the internationalization process.

At present, our findings from theory have shown that there are slightly more constraining features of the family business than facilitating features. Therefore the ‘actual process line’ over time ends up between failure and success. In other words, if the family management and business system would theoretically not pose as many constraining features to internationalization, then the process of internationalization would result in a more successful outcome.
4. Method

In this chapter we will explain the methods which we use to study family firm internationalization. In addition, we will describe the sample used in the empirical research. The main purpose of this chapter is to show that the approaches we use in studying the phenomenon of family firm internationalization are aimed at increasing the validity and reliability of the thesis study.

4.1. Relations to the thesis

In order to decide on an appropriate method for the empirical research we should refer back to the objective of this thesis in relation to the problem (Riley et al., 2000). What is it that we are trying to research and to what purpose do we research this topic? As we have seen in the introduction, family firms are very important for the modern economy. From the existing theories we know that family firms possess special features which differentiate them from other, shared or publically held firms in terms of culture, strategy, governance and the like. In addition to that, nowadays, internationalization is regarded as a necessary and value creating strategy for all companies. From the existing theories, we know that successful internationalization requires international knowledge, experience, networks, financial investments, strategic planning and the like. Despite the importance of both topics, there are only few studies about internationalization of family firms. The main problem of this thesis therefore is the gap between the existing theory of internationalization and the existing theory of family business, which has lead us to conclude that there are no or few decisive studies about family business internationalization. In relation to this, the main purpose of this thesis is to increase our understanding of this phenomenon, family business internationalization, through increasing our understanding of the influence of family firm features on internationalization.

Now we can ask ourselves, what method is appropriate to increase our understanding of this phenomenon? There are some aspects of this study that will be decisive to determine the right method:

1. **The contextual differences between family firms.** In order to make useful conclusions from this study we must make sure that the method correctly identifies commonalities among family firms which facilitate or constrain the internationalization process, despite the contextual differences, such as family values and believes and family ownership and management.

2. **The complexity of the internationalization process.** Despite the many different internationalization strategies, such as exporting, joint-ventures, diverse approaches and firm requirements, we must try to relate the family features to fundamental aspects of the internationalization process in order to be able to generalize them.

3. **The contradictions in existing research.** There are no decisive theories about family firm internationalization and only few studies which have identified common aspects of family firms which influence internationalization. The method should be able to cope with a loose and irresolute theoretical basis, but nonetheless create meaningful conclusions.
4.2. Choice of Method

4.2.1. Interpretive approach

There are many discussions in the area of methodology research about whether the knowledge which we acquire is truly explaining the phenomenon at hand (Amaratunga et al., 2002). This debate about epistemology is fairly important because we need to understand when and how claims of knowledge resulting from studies contribute to our understanding of a phenomenon (Eldabi et al., 2002). The most frequent used types of epistemology are positivism and interpretive science (Riley et al., 2000). Positivists take the approach that the ‘real world’ is objective and tangible and that it can be analyzed in an objective fashion in order to increase our understanding of the phenomena of which the ‘real world’ comprises (Riley et al., 2000). Positivists usually use quantitative methods to test and generalize phenomena (Amaratunga et al., 2002). The implications are that researchers can be independent from the analysis and that the phenomenon can be reduced to simple factors to facilitate analysis of the causes (Amaratunga et al., 2002). Interpretive science however, approaches phenomena in the ‘real world’ as a product of (human) actions. The phenomena are constructed on the basis of shared meanings, which are subjective (Riley et al., 2000). The implications are that researchers are unavoidably involved in the observation process and that subjectivity must be considered in the research. The focus of interpretive science is also on meaning, rather than facts alone (Riley et al., 2000).

Given the contextual differences between family firms and the complexity of the internationalization process, we find taking an interpretive approach to the phenomenon in this study more suitable. This will then constitute that we must try to avoid subjectivity from the researcher and that the method which we apply can explain the meaning of our findings, rather than facts.

4.2.2. Qualitative research

From the school of thought of interpretive science, the approach which we use in this study will be the qualitative research. In general, the underlying reason for using qualitative research is the assumption that the concepts related to a given phenomenon have either not yet been indentified, or are not fully developed, are poorly understood or require further exploration in order to increase the general understanding (Corbin & Strauss, 2008). This is clearly the case in internationalization of family firms. As explained before, there are even contradictions which we can find if we relate existing internationalization theory and family firm theory.

Related to positivism, quantitative research requires an objective world which can be generalized by independent researchers. In addition, it requires the breaking down of the phenomenon into simple parts in order to facilitate statistical testing (Lee, 1999; Amaratunga et al., 2002). Given that internationalization of family firms is subjective to the contextual differences of family values, beliefs and management and the complexity of internationalization, we believe that it will be hard to break it down in smaller parts for statistical testing. This is especially the case since no accepted theory has been developed. Therefore, quantitative methods at the moment are not appropriate to use. Instead, qualitative research allows researchers to get at the inner experience of participants, to determine how meanings are formed through for example culture and to discover rather than test variables (Corbin & Strauss, 2008). Qualitative research seeks to understand the subjective nature of the world and therefore requires the researcher to interact with the phenomenon (Lee, 1999; Riley et al., 2000). Because of these reasons, we believe it to be more appropriate to use qualitative methods to study our phenomenon.
4.2.3. Case study approach

A case study is one way to conduct a qualitative research (Yin, 2003). Case study research is well suited for the examination of why and how real-life (organizational) phenomenon occur (Lee, 1999). Similar, Yin (2003) finds that case study research is particularly well suited when a phenomenon raises ‘how’ and ‘why’ questions, when the investigator has little control over the event and when the phenomenon concerns a contemporary and real-life context. The main purpose of case studies is often to contribute to our knowledge of phenomena related to groups of individuals, organizations or political decisions (Yin, 2003). These phenomena are nowadays increasingly complex and the desire to understand these phenomena create a need for case studies (Yin, 2003). A major difference between laboratory, field experiments or surveys and case study research is that the researcher is not required to have control over variables (Lee, 1999; Yin, 2003). The case study’s in-depth nature makes it therefore well suitable for the study of situational processes (Lee, 1999). Complex and dynamic processes are difficult to explain through the use of survey research (Yin, 2003). As described before, our subject of interest is very complex and subjective. Therefore we think that this approach will be suitable to study the phenomenon. In addition, the objectives of case study research have a perfect fit with our problem definition. There is a need to understand internationalization of family businesses, since there are many family businesses and the process of internationalization is an increasingly important action. Also we require to know why and, more important, how family businesses can perform internationalization successfully, taking into consideration their special features. This is in line with the ‘how’ and ‘why’ questions that are well suited for a case study approach.

Both Lee (1999) and Yin (2003) have found that a theoretical basis is an important factor in the structure of a case study. That is the reason why we had first conducted an extensive theoretical analysis, before we started the empirical research. The theory underlying the case study will be used to generalize the findings of the study and make the research valuable in the future (Yin, 2003). In addition, the data collection is described in a particular way and the validity and reliability must undergo several criteria (Lee, 1999; Yin, 2003). The later subjects will be discussed in subsequent sections.

Lee (1999) defines ‘the unit of analysis’ in a case study to be the point of view which the researcher takes to the problem. This means that the problem may be approached from different angles. For us: does internationalization mean that the owner decides to export, that the company has been started as an international firm or does it mean the total change from domestic to foreign? In our research we have focused on the ‘process of internationalization’ as described in ‘Delimitations’.

4.2.4. Validity and Reliability

To test the appropriateness of the used methods, the researcher could apply the concepts of validity and reliability to the method. In this context, validity means that the method correctly measures the concept (Riley et al., 2000) and that the results accurately reflect the phenomenon studied (Morse & Richards, 2002). Following this, reliability means that the method consistently measures the concept and that the same results would be obtained if the study would be repeated (Morse & Richards, 2002). It is argued that in qualitative research the validity and reliability concepts do not apply. Considering the contextual, complexity and contradictions in our study so far, we can understand that any method may not result in completely reliable results and is therefore not completely valid to use. However, in qualitative research, the researcher can take strategic actions to ensure that the reliability and validity are maintained (Corbin & Strauss, 2008).
The main actions which we have taken to ensure the validity are: performing neutral and open interviews (Davies, 2007), taking an unbiased position as a researcher (Morse & Richards, 2002) and basing the study on a solid basis of research in previous studies (Yin, 2003). In order to increase the reliability of the study we have selected our data through ‘stratified sampling’ (Riley et al., 2000) and ‘pattern matching’ (Lee, 1999). We will come back to these latter actions later on.

Yin (2003) suggests using some specific actions to ensure the validity and reliability of case study research. In particular: construct validity (the use of multiple sources and having the interviewees review the report), internal validity (correct data collection, through pattern matching according to Lee (1999), external validity (repeat the total case study in another case) and reliability, which involve several specific procedures (e.g. overview of case study objectives, research questions and structure in the research). So far, we have conducted almost all of the suggestions by Yin (2003), except for ‘external validity’. We find this to be outside the scope of our final thesis, but we will come back to this in chapter 6, Discussion.

### 4.3. Research Techniques

In this paragraph we will explain the chosen research techniques related to the qualitative research method. To create the necessary theoretical basis for qualitative research and more specifically a case study approach (Morse & Richards, 2002), we have done an extensive and critical review of the currently available literature about internationalization of family businesses. We have mainly used academic journals, books and the Internet as sources for our frame of reference. We believe that the use of different sources have increased the validity of the study. An analysis of the literature is presented in the previous chapter. The first paragraph of that chapter has clearly demonstrated which research technique we have used to analyze the given subject.

As we know, the research which we will conduct is of a very subjective, contextual and complex nature. We have chosen to construct research questions in order to guide our research process, both theoretical research and empirical. Research questions help to establish boundaries of what will be studied. Since it is impossible for any investigation to cover all aspects of a problem thoroughly, the research questions will make the research more valuable (Corbin & Strauss, 2008). Following these research questions, we have constructed the purpose. Another implication of structuring our research with clear research questions is that it increases the reliability of our case study approach (Yin, 2003).

Major primary sources for qualitative research are: observations, interviewing and surveys (Westbrook, 1999). However, in qualitative research, the range of data collection methods stretches from interviewing and observations to the use of documents and records from the past for secondary sourcing (Davies, 2007; Corbin & Strauss, 2008). It is found that most students and entry-level researchers turn to small sample interviewing in qualitative research, due to the ease of access to in-depth information (Davies, 2007). In general, the interviewing (and observation) methods will provide more valid information than the survey methods, but the survey methods will provide more reliable information (Riley et al., 2000). It is found that researchers who seek for the meaning and core reasons for a phenomenon to happen or who seek to understand the process of timing, stages or development of phenomenon should use interviews or in-depth conversations (Morse & Richards, 2002) Given that the backgrounds of the family and family management will always influence the way they internationalize and given that there are no accepted theories to apply in order to test the internationalization of family firms, we believe that a survey (with standard questions) will not be appropriate in our study, but an interview with the owners or managers is more valid.
More specifically with regards to the case study approach, Yin (2003) defines six sources of information for this kind of research: documents, archival records, interviews, direct or participant observations and physical artefacts. Our primary information source will be interviews. In addition, we will use documentation (secondary sources) about history and company profiles to study the company’s situation more in-depth. Finally, we visit almost all cases ‘on-sight’, which gives the great opportunity to experience the culture of the company. This can be related to studying the physical artefacts of the case. All together we think that the use of multiple sources for this thesis should give an appropriate view on the internationalization process of the family firm in question. This view is confirmed by Yin (2003) who stated that the use of multiple sources increases the validity of the case study (construct validity).

4.3.1. Interview planning

We have found some contradicting suggestions with regards to the planning of the interview. Corbin and Strauss (2008) suggest that qualitative research-interviews should be unstructured and not predetermined by a set of questions. We interpret this in such a way that the researcher should not be biased before the interview and the interview should not be suggestive towards the interviewee, because of the nature (contextual and complex) of the phenomenon under study. However, other researchers have found quite the opposite. Davies (2007) suggests that during qualitative research it is important to have a main research question in mind in order to guide the questions from the interviews. Failure to indentify an initial question can lead to inefficient drift and an inferior end-product (Davies, 2007). To this end, we have selected the research questions and a main purpose. We found this necessary, because the aim of the empirical research is to test the results of our theoretical research. Therefore, the interview questions must directly relate to the conclusions from the theoretical analysis in order to ensure that all topics will be covered and to make the interviews more efficient and valid. In other words, all interview questions were derived from the conclusions in the theoretical analysis. Riley et al. (2000) suggest that this well structured approach with a set of questions makes an interview more efficient in terms of guiding the researcher during the interview towards fulfilling the objective of the study. In addition, the questions can help avoid subjectivity from the researcher (explained later).

4.3.2. Subjectivity

It is often found that the literature review should be the basis of a good qualitative study, since the knowledge of the phenomenon is limited. The existing literature of parts of the phenomenon can guide and suggest possible, theoretical solutions (Morse & Richards, 2002). However the literature may increase the knowledge of previous research, it may also bias the researcher in finding new results.

In order to avoid subjectivity of the researcher, the interview must have clear objectives for the researcher and parameters to study the topic (Riley et al., 2000). Hence, our main research questions are also related to the interviews, but should not bias our interpretation. To limit the interference of subjectivity from the researcher Davies (2007) suggests that the researcher: (1) recognizes what affects the own views and understanding of the subject at hand, (2) guide the qualitative method with research questions and (3) consider the nature of the questions. In order to follow the suggestions of Davies (2007), we have kept the questions as general, open and neutral as possible (the interview questions can be find in appendix 4). The reason for this was that we did not want to force the interviewee into a certain direction, based on our theoretical findings of the internationalization of family firms. The interviewee did still have the chance to explain another aspect with regards to a certain subject, than what the literature suggest.
As an example: it is found that informal communications enhance the ability to internationalize because the company can then better adjust to, for example foreign cultures. To investigate this subject, we could have asked: “What do you think about the contribution of informal communications in the internationalization organization?”

However, then the question suggests that the communication should be informal and it is suggestive in that the information communication will form a contribution to the internationalization process. Instead we formulated the question like this: “How would you describe the communication in your international organization and what are from your experience the advantages and disadvantages from this type of communication?”

In this question, the interviewee is invited to share his type of communication in the organization and what, according to his experience (contextual nature of the phenomenon), are the advantages or disadvantages from the type of communication. The conversation around this question will go deep into the type of communication of the company and how it facilitates or constrains the internationalization process in this particular case.

In addition to researcher subjectivity, there is the subjectivity of the interviewee (Riley et al., 2000). The background and knowledge of the interviewee may influence their opinion about how the family firm features will influence the internationalization process. To tackle this pitfall, we will use our theoretical understanding to objectively study the answers. In addition to that, we thought that it would have been valuable for the objectivity of the interviews to perform interviews with both a family member and a non-family member in each company. In this way, we could have compared the answers in order to get a more ‘objective’ idea of the features and factors that influence the internationalization in a certain company. Nevertheless, we noticed during the first interviews that family and non-family members gave practically the same answers and that the non-family managers could not answer some questions, because they were not directly involved in the internationalization process. In addition to that, our interview questions are not really based on emotionally charged dilemmas, such as the relationship between family members and non-family employees within a company. This indicates that completely different interpretations and opinions are not assumable. Bases on these findings, we believe that just one interview per company with a family member does not influence the objectivity of the results in a negative way.

4.3.3. Data selection

Whereas the structure of the interviews, as discussed before, are aimed at increasing the validity of the thesis study, the data selection techniques are more aimed at increasing the reliability of the qualitative study. One of the most important aspects of quality of qualitative research is the quality of the input information (Corbin & Strauss, 2008). Therefore an appropriate sample is required.

We realized that the phenomenon in this thesis would be highly subjective and complex to study. In addition, we had not found much literature which studied exactly this phenomenon, family firm internationalization. In our delimitations we have set some boundaries to our research in order to create a focus. This focus has mainly been made to increase the value of the research in terms of reliability of the findings. We have articulated this focus through two methods of data selection: ‘stratified sampling’ (Riley et al., 2000) and ‘pattern matching’ (Lee, 1999). By the use of stratified sampling, the researcher sets some parameters which the selected samples have to fulfill. These parameters ensure that the sample reflects the variables under study and that there are no great deviations in the results (Riley et al., 2000). To perform stratified sampling the researcher must create certain selection criteria for the sample. The selection criteria will not be elaborated upon
since this is already done throughout the report and in the delimitations, but will only be summarized further on. The pattern matching approach (Lee, 1999) aims at the same objective as stratified sampling, namely to ensure that the sample is coherent with the variables under study. However, this approach takes a more theoretical position. The method is mostly used in case study research due to the presence of a solid theoretical base and research questions (Lee, 1999).

First, the researcher needs to create an ‘expected pattern’ for the cases under study, which is in this study formulated from the theoretical research. This expected pattern will pose some requirements to the sample. Secondly, the data is selected in accordance with its ‘degree of fit’ with the theoretical requirements. In our case the degree of fit is determined by the delimitations (paragraph 1.4) which are set on the study in order to create focus.

Based on the previous discussion, the sample in this study fulfills the following selection criteria:
- Family owned business (majority or wholly)
- Family must be represented in top management and/or Board of Directors
- Business must perceive itself as a family business
- Small and medium-sized enterprises; SMEs, i.e. 250<employees and 50M€<revenue (Verheugen, European Commission, 2005)
- Swedish and Dutch companies (i.e. Swedish or Dutch owners and managers)
- Home-country: Netherlands and Sweden (4 companies per country)
- Experienced a process from domestically to internationally oriented
- Active in the manufacturing industry (e.g. processing, refining, producing, assembling)
- Continuing international activities (for example through continuous operations in exporting, foreign sales subsidiaries or foreign production; that is, not sporadic)

In conclusion, we can say that the use of qualitative research methods is very appropriate in this study. The case study approach is also appropriate due to the subjective and complex nature of the phenomenon under study. To ensure the validity and reliability of the thesis we have taken the following measures:
- Guide the research by research questions and purpose
- Performing a critical literature review and creating a theoretical perspective
- Taking an unbiased approach as a researcher in the empirical study
- Interview in a structured way to ensure efficiency but remain unbiased
- Interview with open and neutral questions to invite the experience from the interviewee
- Use multiple sources of the company to get different input information
- Performing stratified sampling and pattern matching to select companies
- And continuously reflect and discuss the new information and findings

### 4.3.4. Limitations

Throughout the discussion of the method several limitations of the approaches have already been pointed out. Additionally, it would have been perfect if we had time to perform interviews with more companies in order to add more validity to this thesis. As for now, we gathered information from eight different family businesses in total. As one can see in table 3 in paragraph 4.4, more than one interview has been conducted in three companies. Obviously, a more extensive sample size, would have given us more valid and reliable results. As a hindrance, the minimum time span for this thesis did not make it possible for us to perform more interviews. As discussed before, we have dealt with this limitation by performing neutral and open interviews and taking an unbiased position as a researcher in order to ensure the validity (Davies, 2007; Morse & Richards, 2002). In addition we have used data selection techniques to ensure the reliability of the results.
4.4. Sample

In this paragraph we will briefly present the eight companies which form the sample for the empirical study. The purpose of the presentation is to understand the operations and background of the company in order to make better estimations and evaluations about the influence of family aspects on the internationalization process and the history of the company. An overview of the different companies and the people that have participated in this research is provided in table 3. Before we start with a description of our samples, we would like to discuss the chosen sample size.

As stated before, we have used eight companies for our empirical research. This means eight different cases, which have provided us with in-depth information. It is found by Eisenhardt (1989) that between four and ten cases would be valid in terms of creating new theories. However, theory creating is not the main purpose of this thesis; we believe that an empirical research into eight different companies in addition to an extensive theoretical analysis is appropriate to increase our understanding of family business internationalization.

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Interviewee position</th>
<th>Position in family</th>
<th>Owner</th>
<th>Date of interview</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Go-Tan</td>
<td>Netherlands CEO</td>
<td>Son of founder</td>
<td>yes, 33%</td>
<td>March-27</td>
<td>1,5 hour</td>
</tr>
<tr>
<td>1</td>
<td>Go-Tan</td>
<td>Sweden CEO and President</td>
<td>Fourth generation</td>
<td>Yes, 'a stake'</td>
<td>April-01</td>
<td>2,5 hours</td>
</tr>
<tr>
<td>1</td>
<td>LudwigSvensson</td>
<td>Sweden Manager R&amp;D</td>
<td>Non-related</td>
<td>No</td>
<td>April-01</td>
<td>1 hour</td>
</tr>
<tr>
<td>2</td>
<td>FA Bisschops</td>
<td>Netherlands CEO</td>
<td>Son of founder</td>
<td>yes, 50%</td>
<td>April-02</td>
<td>1,5 hour</td>
</tr>
<tr>
<td>4</td>
<td>BIM Kemi</td>
<td>Sweden Manager Communications</td>
<td>Son of founder</td>
<td>Yes, 25%</td>
<td>April-08</td>
<td>1 hour</td>
</tr>
<tr>
<td>5</td>
<td>De Vries</td>
<td>Netherlands CEO</td>
<td>Fourth generation</td>
<td>yes, 20%</td>
<td>April-17</td>
<td>1 hour</td>
</tr>
<tr>
<td>5</td>
<td>De Vries</td>
<td>Netherlands Group Controller</td>
<td>Non-related</td>
<td>No</td>
<td>April-17</td>
<td>1 hour</td>
</tr>
<tr>
<td>6</td>
<td>Hästens</td>
<td>Sweden CEO</td>
<td>Fifth generation</td>
<td>Yes, 100%</td>
<td>April-22</td>
<td>1 hour</td>
</tr>
<tr>
<td>6</td>
<td>Hästens</td>
<td>Sweden Non</td>
<td>Son of Owner</td>
<td>No</td>
<td>April-22</td>
<td>0,5 hour</td>
</tr>
<tr>
<td>6</td>
<td>Hästens</td>
<td>Sweden Assistant Jan Ryde</td>
<td>Non-related</td>
<td>No</td>
<td>April-22</td>
<td>1,5 hour</td>
</tr>
<tr>
<td>7</td>
<td>Castelijn</td>
<td>Netherlands CEO</td>
<td>Son of founder</td>
<td>yes, 25%</td>
<td>April-23</td>
<td>2,5 hours</td>
</tr>
<tr>
<td>8</td>
<td>Daloplast</td>
<td>Sweden Managing Director</td>
<td>Son of founder</td>
<td>Yes, 'majority'</td>
<td>April-24</td>
<td>2 hours</td>
</tr>
</tbody>
</table>

*Table 3: Interviews in different companies*

4.4.1. Go-Tan BV

This company has been run by a Dutch family since the fifties. The first generation (dad) started with homemade crack nuts in 1954, but nowadays the second generation offers more than 100 products for Indonesian cooking such as soy sauce, prawn crackers and chili pastes. In general one can say that their product range covers the whole of Indonesian cuisine, fused with Thai, Chinese and Japanese styles. There are two siblings directly involved in the business as a director and adjunct-director. The other brother lives abroad, but is a shareholder of the company, has worked for the company before and is currently one of the board members. The company is located in the heart of the Netherlands, where about 60 employees are active in either the factory or the office. The most of the products are still made in this factory; just the chili sauces are produced in Colombia. The company has set up a
joint venture with a Colombian family firm to produce those chili sauces. There are about 30 employees active in this joint venture.

The yearly turnover of the whole company is about €16 million of which 60% is obtained from the Dutch market and 40% from other European markets. They export their products to 16 different European markets of which Scandinavia, Belgium, France and Spain the most important are. This internationalization process has started about 25 years ago, when the oldest brother (the one who is not directly involved anymore) started exporting prawn crackers to France. From that moment, the company has expanded their export to other European countries. The most important objective of the internationalization strategy for the future is to grow within the current foreign markets. The company is not willing to expand their export to countries outside Europe, mainly because of the reason that the higher transport costs will make their products too expensive in those markets.

4.4.2. Ludvig Svensson AB

The company was founded in the 1880s through the passion to develop and manufacture high quality textiles. Currently the company is developing, manufacturing and marketing (1) interior textiles for the furnishing industry, (2) terry cloths (towel cloth) for exclusive retailers and (3) technical textiles for horticulture (indoor agriculture) industry. Product series 3 goes under the name ‘Svensson® screens’ which was started in mid-1970s and now forms a major part of the operations of LudvigSvensson AB. Svensson® screens are textiles which are used in greenhouses and give the grower more effective climate control, thus extending and improving the period of cultivation. In addition, the textile assortment was extended with interior textiles by the acquisition of Svensson Markspelle.

There are five owners (3 ‘children’ and 2 parents). The father and the current generation (Anne, Anders, Eva) form a four person Board. The top management consists of the 2 oldest brother and sister (Anne and Anders) who are president and vice-president, together with external, non-family managers. In addition the youngest sister is active in the company as Engineer.

Currently the company has around 460 employees with an annual turnover of about 55M€. The company operates in 25 countries through sales and distribution departments all over the world. In addition, LudvigSvensson has a production facility in Estonia and China. The main sales market is The Netherlands (+/- 50% of sales) due to the importance of horticulture in this country. The internationalization has started already a long time ago. The family and area has always been internationally oriented and the Swedish market is too small in order to grow a business in interior textiles and horticulture textiles. Quickly after its foundation the company has internationalized with export to neighbouring countries. The results from this over time have been: increasing market share, organic growth in employees and sales. LudvigSvensson develops international operations step-by-step and continuously. New internationalization plans are to maintain and evolve current positions and market development in South America.

4.4.3. FA Bisschops BV

This company was found by the father of the current owners in the early seventies. In that period, the main focus was on the cultivation of tulips and dahlias’. The founder extended the focus with the cultivation of the narcissus a little later. This grow program required more specialization, through which the founder had to bring the grow program of the tulips to an end. As for now, the main operations of this company are the cultivation of both dahlias’ and narcissuses. The company went to a period of succession in 2008 when two sons of the founder bought the business. They are running
the organization together, but the founder does still work for the company. In addition, the third
brother carries out a role as an advisor, but he was not involved in the ownership succession. The
fourth sibling, a daughter, is not involved in the business at all. Besides the family, this company has
an average of about three other employees. The number of employees strongly depends on the time
of the year, since this company mainly offers seasonal work. In busy times, there are about ten
employees who are all working at an operational level. This indicates that this small business, does
not have any non-family members at a managerial position.

Currently, the business has a turnover of around €400,000, from which 95% is generated from sales
abroad. The company works together with export organizations in order to export their products.
The dahlia’s are mainly exported to the United States and the narcissuses mainly to European
countries such as France, Germany, Finland, Switzerland and Austria. The main reason for the
internationalization was simply that the market for both dahlia’s and narcissuses is too small in the
Netherlands. The production does still take place in the Netherlands, in a region which is famous for
its bulb-growing industry. The company does not have any plans to start for example a production
plant or a joint venture in another country. Instead of that, they are currently extending their plant in
the Netherlands.

4.4.4. **BIM Kemi AB**

The founder of this firm worked for a large firm in the chemical business when he, at the age of 26,
became increasingly frustrated that his ideas for new products were not further developed. In 1973
he therefore decided to start BIM Kemi. Initially the company operated with 1 employee (the
founders’ father) and the owner, in a sandwich store in Gothenburg. This niche chemical company
focuses on two main products: functionally oriented and process oriented products. The functional
chemicals improve the surface quality of the pulp and paper, whereas process chemicals improve
productivity of pulp and paper mills. Nowadays, BIM Kemi AB is a specialty chemical company that
develops, produces and markets specialty chemicals for the worldwide pulp and paper industry.

The company has a Board of Directors with 4 non-family members and 2 family members. Since the
foundation, the founder has been the CEO. However, currently the CEO is not a family member.
There are 4 family members involved in the business. The founder is chairman of the board, the
oldest daughter is project leader in the acquired company Hagmans, the oldest son is Manager
Communications and Business Intelligence and the youngest daughter works in several committees.
In particular, beside the common corporate governance bodies, BIM Kemi has a Family Council
where all ownership related issues are discussed. The founder is 55% owner and the second
generation owns 45% of the total BIM group.

The company currently has about 180 employees and a turnover of about 50M€ of which 90% of
sales outside Sweden. The organization is structured as a line organization, but increasingly as a
network organization as foreign subsidiaries are more and more integrated into the BIM group. BIM
is a group of 12 rather independent, but increasingly integrated chemical firms in 12 countries:
Swede, Norway, Finland, UK, Germany, Belgium, Portugal, France, Czech Republic, Estonia, Canada
and ‘Asia’. The chemistry business is typified by large volumes and therefore the company has sought
to expand their market with new customers. Growth has mainly been conducted through
acquisitions, but also through some organic growth. Nevertheless, the owners typify the process as
‘step-by-step’ and points out that the company has neither debts nor external owners.
4.4.5. De Vries BV

The story of this company begins generations ago in 1906, when the founder started his own shipyard in a small village close to Amsterdam. The whole family (five daughters and four sons) was involved in the development of the company. After almost twenty years, two sons decided to start their own shipyard in the same village with a focus on holiday crafts. This shipyard can be seen as the basis of the current shipyard which is run by the fourth generation at the moment. Despite the economical crisis of the thirties and the negative influence of the second World War on the production of yachts, the company has developed itself all the time. One of the most important developments was the joint venture with two other leading names in Dutch shipbuilding in 1949 in order to stimulate the export of yachts to the United States. Nowadays, this joint venture is recognized as the world leader in the field of custom built motor yachts.

The company has especially grown enormously during the last ten years; other companies were acquired and the total group consists of around 750 employees now and has a turnover of 200 million euro’s a year. It is clear that this company does not fit with our chosen definition for SMEs anymore, but we found it still useful to use this case, since the internationalization process has started decades ago when the company could still be considered as a SME.

The current two CEOs are cousins of each other, but the ownership of the company is divided by five different offshoots of the family. This means for example that there are family members who have shares in the company, but they do not work for the organization or they have a lower position within the company.

As mentioned before, the yearly turnover of this company is 200 million euro’s. This turnover is totally created by international sales, which means that the company completely focuses on export. The international ‘journey’ of this firm started in 1931 when they had to built a wooden motor boat for a Greek. As for now, 50% of their international activities is focused on the American market, about 1/3 is intended for the European market (mainly Russia) and the other clients are located in other parts of the world. However, they have no business in South-America and Africa. The main goal for the upcoming years is to integrate the different acquired firms in order to make their business more efficient in terms of supply to international clients.

4.4.6. Hästens Sängar AB

Hästens has been owned and operated by the same family since the mid 1800s. In the beginning, Hätens was a saddler (in that time saddle makers also made beds). The founder lived in a poor family. His father has always said that you should learn a proper trade and make things that people need. The founders’ son continued in his footsteps. This second generation son was obsessed by beds and decided to fully concentrate on making beds from 1917 and onwards. Later on the second and third generation started the factory in Köping in 1924. Genuine horsehair was expensive and only the very rich could afford such a high quality bed. During the 1930s the sleeping culture changed, because people were now able to furnish their house and buy proper beds. The reputation of Hästens began to grow in Sweden and Swedish King Gustav VI Adolf visited Köping in 1953. The third generation began large-scale production and started using machinery in combination with the traditional craftsmanship. As all other generations, the owner at that time had learned the trade of making beds from his father. Throughout the generations of owners the words quality and craftsmanship remained the most important. The oldest daughter (fourth generation) took over the business together with her husband. During that time the famous and traditional Hästens ‘blue check pattern’ was created by the husband.
When the current owner (son of the fourth generation of Hästens) took 100% ownership of the company, Hästens was still very small. He realized that the products have been fully developed over the 150 years of craftsmanship. Hästens was ready to provide the rest of the world with the same sleeping comfort as Sweden. Since then the company grew with 21% annually. The company operates with about 250 employees and has a turnover of about 65M€. Hästens exports to 28 countries mainly through independent sales offices as dealers. Hästens only has wholly owned subsidiaries when this is legally required. Jan Ryde believes in the strengths of local salesmen and their knowledge of the country. Nevertheless, all employees are educated in the product quality and craftsmanship. Product development is the most important for Hästens, because good products are easy to sell. This is also why the owner sees no reasons for external finance in term of debts or external owners. The Netherlands is currently the largest export market due to their purchasing power. The main reason for internationalization and the continuing plans for internationalization mainly stem from the business mission: ‘Making the world a better place by providing everybody with greater sleeping comfort’.

4.4.7. Castelijn BV

This firm was founded in 1958 by the father of the current owners. He started to make design furniture in a shed in a small village in the Western part of the Netherlands. Back in the early days, most of their designs were private assignments, ranging from book cases to shop interiors. The founder developed the company and a factory was built in the early 1960s, in order to make the production of the furniture more efficient. The owner successfully succeeded the ownership of the company to his four children in 1994. Those four children are currently the CEOs of the company with all their own disciplines and each of them possesses 25% of the shares. As for now, the company has about 40 employees and the furniture is still made in the same factory in the Netherlands. However, the factory has expanded a couple of times in order to keep the production close to home.

As said before, the company produces design furniture which indicates that the family made a conscious decision of not going into mass-produced furniture. This means that the company does not compete on price, but on quality and powerful designs. Just like the first generation, the company still focuses on office furnishings and more specifically on furniture that is used in public spaces such as boardroom furniture and reception desks. In addition to that, they have nowadays a home furniture line as well after the company reacquired a furniture factory in 2003. This factory was already acquired in 1976, but was sold again in 1985.

The main export country of this company is Belgium. In addition to that they do export the odd bit of furniture to for example the Dutch Caribbean, but the company rather focuses on their markets in The Netherlands and Belgium. In order to extent the Belgium market, the company is contemplating to employ a Belgium agent to establish new contacts and to maintain the current contacts.

Despite the expansions and developments of the company, it was never an option to move the factory to another part of The Netherlands or to for example Poland. The company is dedicated to the current, local area and they wanted to maintain their most important asset: knowledgeable and competent employees.
4.4.8. Daloplast

The grandfather of the current owner started a company in 1914, producing iron kitchen products. In the 70s plastic products became increasingly popular. In 1980 the father of the current owner and his brother, started Daloplast AB together with their 5 children. The current owner is one of those children and second generation of Daloplast owners. It turned out that 7 owners made things very complicated and therefore this current owner bought out all other owners, together with his father and his sister. Currently only this generation, his wife and his son own the business together for 100%. The owner-father is Managing Director, his wife does some administration and human resources and his son is mainly import manager. The owners’ daughter is not involved in the business. The board consists of the three owners and two external people which provide the owners with experience in running a business.

In the beginning Daloplast mainly produced plastic products through subcontracts, but after some time Daloplast began creating its own product assortment of plastic kitchen. Later the assortment was extended with imported bathroom products from China. Daloplast has 20 employees and a turnover of about 4,3M€ of which 55-60% export. Main export markets are UK, Japan, Netherlands and Scandinavia, but Daloplast exports to entire Europe and also the US. Two years after the foundation of the company, export to the Netherlands was initiated without particular reason. The Dutch customer ‘Blokker’ found Daloplast. However, to justify the purchase of new machinery larger markets where required. Therefore more export markets were sought. Throughout the years Daloplast had tried to start a sales division in Germany because this was an important market. However, after a lot of effort and money this was discontinued due to communication problems with the staff in Germany. In addition, the company successfully started a sales company in The Netherlands which, according to plan, was taken over by the Dutch partner. Finally, Daloplast rents distribution centers/Storages in the US and UK to provide these markets with a constant flow of goods. There are no future plans for internationalization. Daloplast does currently not have any long-term debts or external owners, but may consider this in the future. The company aims for constant and steady growth and mainly desires to produce high quality products with sophisticated machinery. Any other country may suite these requirements.

4.5. Empirical analysis approach

To conclude this chapter of Methods, we will shortly explain how we have approached the empirical analysis. From our theoretical analysis we have found several facilitating, constraining and uncertain family business features, which may influence the internationalization process. In addition, we have found some influences on the entry mode choices made by family firms. In appendix 4 one can find the interview questions which are related to each of these factors. Throughout the interviews we have found answers to almost all the questions in all companies. The result was around 60 pages of answers to analyze from all the 8 companies (see table 3) and some additional documents about the companies and the products.

Each thesis author engaged in analyzing either facilitating, constraining, uncertain or entry mode related questions. Throughout this process of analyzing, the researchers have had plentiful contact to discuss each of their findings. Additionally, all the findings of the empirical research in each feature have been displayed in a diagram (see Chapter Empirical Research) in order to facilitate the understanding of the analysis. Finally, we have drawn conclusions on each feature in a consistent way (see Chapter Conclusion), in order to facilitate comparison of each finding.
5. Empirical Analysis

In this paragraph we will empirically analyze the family business features which according to theory should influence the internationalization process. Personal interviews have provided in-depth information about what the influences were of each of the facilitating, constraining and uncertain features and what entry mode choices have been made. The chapter will end with additional empirical findings and an analysis of the practice of internationalization theories at the firms.

For every feature we will first briefly state what the theory would expect. Secondly, we will summarize the empirical findings in a diagram and subsequently discuss these findings. In the analysis of the empirical findings we will frequently use quotes of interviewees. Thirdly, we will draw conclusions on the discussions and point out whether the family-feature at hand is indeed for example facilitating. The conclusions will also be related to the internationalization theories in order to determine which internationalization theory is eventually most used or preferred by family firms.

The answers of the different companies will be summarized in diagrams which classify the different companies. This diagram also indicates whether the company is based in The Netherlands (NL) or in Sweden (SE). In some cases the countries show a clear difference, but we deem it outside the scope of this research to elaborate too much on the implications of this. Additionally, we will sometimes argue that the findings may be caused by the type of business or the size of the company. We will further explain these implications in the final paragraph of this chapter.

5.1. Facilitating features

5.1.1. Long-term orientation in strategy-making and investments

We stated in our theoretical analysis that family firms in particular have a long-term view regarding returns on investments of the internationalization process and strategy-making (e.g. Armario et al., 2008). This has been found facilitating for the willingness of these firms to internationalize their business, since internationalization is typically a strategy that requires a longer time before financial advantages are visible (e.g. Agarwal & Ramaswami, 1992). In addition, we mentioned that learning is essential within an internationalization strategy. A learning process also requires a long-term view and this is embedded in the culture of family businesses (e.g. Armario et al., 2008). In conclusion, based on our theoretical analysis we can say that the long-term orientation of family businesses in strategy-making works facilitating for the internationalization process of these firms.

Based on our empirical findings we can construct the following diagram:

![Diagram 1: Long-term orientation in strategy-making and investments](image)

Findings:

As one can see in diagram 1, two Swedish companies (BIM Kemi; LudvigSvensson) have clearly pointed out the facilitating power of their long-term orientation in strategy making. These two
companies related the family nature of the business with their long-term view in international investments.

'We are aware that it may take some time before a new technology creates large profits, but we keep on spending 6% of our turnover on research and development in order to remain a global expanding family owned company. We believe that this focus is only possible because of the fact that we are a family business, without demands from external owners.' (Manager Communications BIM Kemi)

'We can take a long-term approach to our investments, because we are a family business. A long-term view is even one of our family values and therefore one of the core company values as well. We aspire to grow step-by-step, which means that we do not need huge sums of capital of external owners who are aiming for short-term profits.' (CEO LudvigSvensson)

In addition to the above stated quotes, we would like to emphasize the fact that these two companies have clearly stated that being a family business and, in line with this, the absence of external owners facilitates their internationalization process. They believe that external owners will be less committed to the business, through which it will be more difficult to focus on the long-term.

Then there are three Dutch companies (FA Bisschops; De Vries; Go-Tan) that have mentioned the importance of a long-term strategy, but they see their type of business as the main reason for their long-term orientation. This means that a long-term strategy is necessary for a successful execution of their operations, but that they do not see it specifically as a facilitating power regarding their internationalization process.

'A long-term orientation is very important for us, but that is mainly because of the nature of our products. Narcissuses for example need four years to grow, which indicates that we have to define now what we expect to sell in about four years.' (CEO FA Bisschops)

'In our business it takes typically a long time before you can penetrate into a foreign market. That means that you need to start small and flexible and that you have to take a long-term approach towards a certain market-share in a foreign market.' (CEO Go-Tan)

Then there is one Swedish company (Hästens) that identified advantages of having a long-term orientation, but only concerning stable relationships with partners, customers, suppliers and the like (see next section). In addition to that, they stated that they do not focus in particular on long-term strategy-making. This indicates that they do not specifically recognize the facilitating power of a long-term orientation regarding internationalization.

Finally, the last two companies (Castelijn; Daloplast) stated that they do not have a long-term orientation at all, but they could not name any disadvantages of a long-term approach in strategy-making either. This means that according to them a long-term orientation does not influence the internationalization process of family businesses.

'We definitely do not have a long-term orientation in terms of how we would like to develop the company the next ten years. We are more focused on the short-term results of the company' (CEO Castelijn)

Conclusions:
It is found that the companies that have identified a facilitating influence of long-term strategy making on their internationalization, perceive the long-term orientation as one of their core values of the family culture. In addition to that, these companies have clearly stated the big influence of the family (culture) on their businesses. One of the core family values of BIM Kemi is ‘lifelong learning’, which implies that they focus on the long run in terms of development of both the company and the
family members. A long-term approach is one of the core family values of Ludvig Svensson, which is completely integrated into the whole organization. This implies for example that they do not require fast growth and that they try to select employees based on this value as well.

Another important reason for companies to have a long-term strategy-making is the nature of their business. It has been found that this can be seen as the main reason for De Vries, FA Bisschops and Go-Tan to execute a long-term orientation. This indicates that a long-term orientation is more a necessity for these companies in order to keep a ‘healthy business’, than that they have consciously taken this approach because of their family culture. These are indications that these companies follow the Uppsala model in their internationalization strategy (Johanson & Vahlne, 1977). The companies do not require fast growth, but intent to exploit their current operations first.

Despite the fact that two companies (Castelijn; Daloplast) have indicated that they do not have a long-term orientation in strategy-making at all they did not provide us with remarks that a long-term orientation can work constraining for internationalization.

In conclusion, one can say that a long-term orientation in strategy-making can indeed work facilitating for internationalization. In addition to that, an important finding is that the type of business can be the main reason for a family firm for their long-term orientation in strategy-making.

5.1.2. Long-term relations with stakeholders
We have found that family firms do typically have long-term relationships with stakeholders and that they are willing to invest in their international contacts and network relations in order to exploit and sustain these relations. As mentioned in the theoretical analysis these relations enhance the possibilities to access the required resources and knowledge for a successful internationalization strategy (Johanson & Mattsson, 1988), which indicates that long-term relations with stakeholders is a facilitating feature of family businesses in terms of internationalization.

Based on our empirical findings we can construct the following diagram:

```
<table>
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<tr>
<th>NL</th>
<th>SE</th>
<th>SE</th>
<th>NL</th>
<th>SE</th>
<th>SE</th>
<th>NL</th>
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</tr>
</thead>
<tbody>
<tr>
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<td>No influence</td>
<td>Constraining</td>
<td></td>
<td></td>
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</tbody>
</table>
```

*Diagram 2: Long-term relations with stakeholders*

**Findings:**
First of all, as is demonstrated in diagram 2, the results of the interviews showed us that all interviewees of the eight different companies have stated that long-term relationships with stakeholders are important for their organizations. This indicates that family firms do typically have long-term relationships with (international) stakeholders and that they are willing to invest in these contacts and networks. In addition to that, most of the interviewees have clearly identified those long-term relations as a facilitating factor of their internationalization process. The following statements of interviewees give an idea about the importance of long-term relations within family businesses and the positive implications for international trade.

‘The most dealers we co-operate with, have started a relationship with my father and our employees do work almost their whole life in our company. The reason for this is, that we believe that strong, long-term relations with for example employees, suppliers and dealers lead to a situation in which people and companies are more committed to each other. This has already given us many
advantages, such as the possibility to export furniture to the Caribbean and Qatar through long-term relations.’ (CEO Castelijn)

‘It is important for us to have long-term, strong relationships with our suppliers, because they ensure the high quality of our products. One can think about our wood suppliers and horsehair suppliers. We know that they supply a very high quality and that is why we have invested in these relationships over time.’ (CEO Hästens)

‘Long-term relations are important, especially in Asia since networking is so important there. Asian people appreciate when they see the same face (employee) all the time, through which they will trust you more and take you more serious. In this way, long-term relations facilitate our internationalization.’ (Manager R & D LudvigSvensson)

‘Long-term relations with customers are very important for us as well, which can be supported by the fact that 1/3 of the orders we get are from repeated customers’ (CEO De Vries)

As is stated above all companies involved in our empirical research have raised the importance of long-term relations with stakeholders and have identified the facilitating influence of this factor on their international operations. However, remarkable is that almost half of the interviewees have said that the business world becomes more harsh, through which long-term relations are getting less helpful and important. This is the reason why two Dutch and one Swedish company (Daloplast; FA Bisschops; Go-Tan) are classified a little bit more towards ‘no influence’ in diagram 2.

‘Long-term relations are very important for our company. However, unfortunately this is changing at the moment. One of the results of internet is that people are less socially connected, through which people even do not want to meet-up anymore. Email has taken over the personal contact, whereas we would like to show our factory and company in order to develop a stable, long-term relationship.’ (Managing Director Daloplast)

‘International relationships with suppliers and customers are very important for us, but I have noticed that it gets more difficult to sustain these relationships. The main reason for this is that nowadays the salesmen and purchasing agents in partner businesses do only work there for a couple of years, through which it is more difficult to develop a long-term relationship with those people’ (CEO, Go-Tan)

‘Long-term relations with export companies are important for us, but our business area has become more concise the last couple of years. Purchasing agents of export companies are mainly judged on margins these days, through which long-term relations are not as important as before anymore.’ (CEO FA Bisschops).

Another interesting point that we would like to share is that three companies have clearly stated that the fact that they are a private family owned business have supported them in the realization of their (foreign) relations.

‘The fact that we are a family business generates a lot of confidence, especially with regards to foreign contacts.’ (CEO Castelijn)

**Conclusions:**
We can indeed conclude that long-term relationships with stakeholders are very important for family businesses and that this can be seen as a facilitating feature of family businesses in terms of internationalization. These findings are very much in line with the Network approach, which suggests that firms are connected to different types of networks at different organizational levels, which
provides opportunities for growth (Johanson & Mattsson, 1988). Furthermore, we have not identified a clear difference between the family businesses in the Netherlands and Sweden.

In general, one can say that long-term relationships are still important for the internationalization of family businesses, but that there are strong indications that the influence of this factor will decline in the future. In this context, especially the smaller firms in our sample have stated the strongest concerns in terms of importance of long-term relationships in the future. We believe that relatively smaller companies rely more on networks and relationships than bigger companies, through which the difficulties to sustain those relationships are more visible for the smaller firms in our sample (e.g. FA Bisschops; Daloplast).

**5.1.3. Aim for internalizing critical resources**

We have recognized that family businesses are found to have a strong preference for privacy and control in terms of market knowledge, technologies, human capital and financial resources (e.g. Graves & Thomas, 2008). This implies that family firms in general do have control and independence over those critical resources by internalizing as much resources as they can. As mentioned in the theoretical analysis this lowers risks and increases efficiency of international expansion (Ahokangas, 1998). In other words, from our theoretical analysis we can conclude that the aim for internalizing critical resources works as a facilitating feature for the internationalization of family firms.

Based on our empirical findings we can construct the following diagram:

![Diagram 3: Aim for internalizing critical resources](image)

Findings:

All interviewees have clearly mentioned the importance of keeping control and independence over critical resources within their companies. Nevertheless, one of those companies (Hästens) did not name any advantages or disadvantages of this factor in terms of internationalization. That is why we have positioned this company in the middle of diagram 3; no influence.

The other seven companies clearly stated how their aim for internalizing critical resources does facilitate the internationalization of these companies. In this perspective, we have identified two different type of arguments used by the interviewees: (1) it lowers risks of loosing exclusivity of product, (2) it increases the efficiency of the organization.

‘We have got two very exclusive products which are difficult to produce. The knowledge of producing those products has developed itself within the family and we would like to keep that knowledge within the family. This is the only way to maintain exclusive for the international market.’ (CEO FA Bisschops)

‘The Internet is very important nowadays, so we also have a website and sell over the Internet. The threat with Internet is that Chinese firms find your product information and start producing cheap copies. In order to avoid that, it is essential for us keep strict control over our product information.’ (Managing Director Daloplast)
Conclusions:

From our empirical research we can conclude that internalizing and in line with this having control and independence over critical resources is important for family businesses. The question is if the strong preference towards control and privacy over critical resources is a specific characteristic of family businesses, or that it is just a characteristic of firms in general. We believe that non-family businesses would probably have the same aim concerning control over critical resources, since they need to stay competitive in the international market as well in terms of uniqueness (product) and efficiency (operations). Nevertheless, this question is out of the scope of this thesis, so for now we assume that family businesses in particular have a strong preference for control over critical resources.

Almost all companies in this sample have argued that their preference of internalizing critical resources facilitates their internationalization. Only Hästens has not stated clearly that this works either facilitating or constraining for their internationalization. One reason for this can be that Hästens believes that they have developed an unbeatable quality and customer value through 150 years of craftsmanship. This indicates that they believe that even if other companies try to copy their beds, those companies will not be compatible in terms of quality and customer value.

Then there were two companies (De Vries; LudvigSvensson) in particular who said that the internalizing of critical resources is important in order to increase the efficiency of the business. This is no coincidence since these two companies are the biggest companies in our sample in terms of employees. This implies that they need to focus the most on efficiency strategies within their organizations, such as the internalizing and integration of critical resources.

The other companies in our sample are smaller, through which it is easier to maintain a high level of efficiency in the business. Those companies have stated that the internalizing of critical resources in particular lowers the risks of loosing product exclusivity in the international market and therefore it facilitates their internationalization. The findings are therefore mostly corresponding with the resource-based view which finds that companies must possess sustainable and difficult-to-copy attributes, which contribute to competitive advantages in international markets (Ruzzier et al, 2006). This is an interesting finding because the theoretical analysis suggests that the main motivation should be to internalize the critical resources in order to create efficiency (OLI paradigm; Dunning, 1979), as suggested by De Vries and LudvigSvensson. Therefore we can say that for SMEs (a focus of this research), the main motivation originates from the resource-based view instead.

Finally, one can conclude that family businesses do have a preference for privacy and control in terms of critical resources and that they perceive this as a facilitating factor for their internationalization.
5.1.4. Favor control through ownership

In line with the preference of family businesses to keep control over critical resources, we have also found that family firms will strive for control and therefore ownership in foreign subsidiaries. We have concluded from our theoretical analysis that this feature positively influences the internationalization process of family firms, because it increases the likelihood to obtain technical, economic, personnel and information resources (Olivares-Mesa & Cabrera-Suárez, 2006) and it has the advantage of less sharing with other parties (Dimitratos, 2004).

Based on our empirical findings we can construct the following diagram:

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*Diagram 4: Favor control through ownership*

**Findings:**
The reason that only five companies are characterized in diagram 4 is that the interviewees of three other companies did not have an opinion about ownership in foreign subsidiaries. They stated that they could not give a good opinion about this subject, due to the fact that they do not have foreign subsidiaries (Dalolplast; FA Bisschops) or just a small one with three employees (De Vries).

The interviewees that have given their opinion about ownership in foreign subsidiaries came up with different views regarding this subject. There were two companies (BIM Kemi; Castelijn) who stated that a wholly owned foreign subsidiary works facilitating for a successful internationalization process.

‘We prefer 100% ownership in order to ensure the coherence within the company. We would like to avoid that one subsidiary grows or declines significantly compared to the others or that one of the subsidiaries is completely different.’ (Manager Communications BIM Kemi)

‘I would prefer complete ownership in a foreign subsidiary in order to apply your own working methods, values and habits. I think that if you share a foreign subsidiary with other parties, tensions and conflicts will arise because of different working methods etcetera. Obviously, that will not contribute to a successful subsidiary’ (CEO Castelijn)

It is clear that these two firms see a completely owned subsidiary as an advantage for a successful execution of their internationalization strategies, because of the reason that they do not have to share with other parties.

Then, there is a Swedish company (LudvigSvensson) that prefers wholly owned subsidiaries, but that decides from case to case what to do.

‘In general we prefer wholly owned subsidiaries, but this does not mean that we do not start joint-ventures. First of all, in some cases you have to start a joint-venture because of legal reasons, for example in China. Secondly, sometimes it is better to start a joint-venture because the other owners do have a solid network to develop the business. In any case, trust is the most important issue.’ (Manager R & D LudvigSvensson)

This quote implies that in certain cases the decision to start a wholly owned subsidiary can work constraining for the internationalization process of family firms. Nevertheless, this interviewee has added that in case of two family firms, it is pretty much impossible to start a joint-venture, because
of the clash of different cultures. This indicates again that according to this company, family businesses should decide from case to case what to do with the ownership in foreign subsidiaries.

Finally, there are two family businesses (Hästens; Go-Tan), who have identified more disadvantages than advantages of having complete ownership in a foreign subsidiary.

‘We have a joint-venture with a local company in Colombia, where we produce our chilli sauces. We own both 50% of that factory. I see this as a big advantage, since with this construction I have the certainty that someone else is taking care of that factory. In case of a wholly owned subsidiary it would have been really hard to monitor the situation in Colombia.’ (CEO, Go-Tan)

‘We believe in the freedom of our employees and partners abroad, that is why our sales subsidiaries are not owned by us. We just educate those people.’ (CEO, Hästens)

Conclusions:
As is visualized in diagram 4, the interviewees who have given their opinion about the ownership in foreign subsidiaries, do not agree with each other in terms of the facilitating power of having complete ownership.

There are two companies (BIM Kemi; Castelijn) that consider wholly owned subsidiaries as a facilitating factor for their internationalization. Remarkable is that Castelijn does not have foreign subsidiaries, but that they have a clear opinion about this. We have found that the strong focus on the family in both BIM Kemi and Castelijn are the reason for their strong preference for wholly owned subsidiaries. BIM Kemi has a family council where all family members are involved (even the ones who are not involved in the business) in order to decide upon all family and ownership related issues. Castelijn is a company with only family members in the management team and the interviewee of this company has clearly stated that he cannot think about sharing ownership with a non-family member. We believe that due to the strong family character of these firms, they will not be able to cooperate successfully with a partner (different values, ideas, habits and the like) in a foreign subsidiary, through which they see complete ownership as a facilitating factor for their internationalization.

LudvigSvensson is the Swedish company that has stated that family businesses should decide from case to case what to do with the ownership in foreign subsidiaries. According to us, this is a professional approach, because they are aware of both the facilitating and the constraining influence of wholly owned subsidiaries in different situations. This professional approach towards this subject, can be related to the fact that LudvigSvensson has an extensive international network with already a couple of well-developed subsidiaries abroad.

An interesting point made by LudvigSvensson was that sometimes it is obligatory to start a wholly owned subsidiary. This was confirmed by the CEO of Hästens, which means that occasionally companies do not have the choice to weigh possible facilitating or constraining factors in terms of ownership in foreign subsidiaries.

Finally, two companies (Go-Tan; Hästens) have identified a more constraining influence of wholly owned subsidiaries on internationalization. For Go-Tan, we believe that the fact that they only have a joint-venture in Colombia, have played an influential role in their opinion. It is really difficult to completely monitor a subsidiary in Colombia from your home ground in the Netherlands, because of cultural differences and the long distance. According to us, this is the reason why Go-Tan prefers joint-ventures, so that they have more security in terms of someone who is taking truly care of their business abroad. The situation around Hästens is a little different. This company has experienced that independent, native people are better able to understand a specific market, through which
those people are more successful in selling products in a foreign market. One can say, that this is the reason for Hästens to not fully own foreign subsidiaries, but instead of that giving subsidiaries the freedom to adapt the product and culture of Hästens to the local wishes. Clearly the companies have indicated that besides having control over the resources, knowledge and experience in the market also play an important role between the choice of a wholly or joint-venture. These motivations originate therefore from the knowledge-based view, which suggests that companies should create an administrative body which can facilitate the acquisition and integration of new market knowledge (Penrose, 1995).

In conclusion, our empirical research has not clearly confirmed the facilitating influence of wholly owned subsidiaries abroad for the internationalization process of family businesses.

5.1.5. Moments of reflection and learning from current operations

We have discovered that family businesses are characterized by an enduring exchange of knowledge and experiences among family members, due to the family involvement in the business (James 1999, cited in Zahra, 2003). From our theoretical analysis, one can conclude that this is a facilitating feature of family businesses in terms of internationalization, because it promotes risk taking strategic moves that require a longer payoff period, such as internationalization (James 1999, cited in Zahra, 2003) and it stimulates the process of integrating knowledge within the company and subsequently new growth periods (e.g. Penrose, 1995).

Based on our empirical findings we can construct the following diagram:

![Diagram 5: Moments of reflection and learning from current operations](image)

**Findings:**
As is visualized in diagram 5, only seven companies have answered the question regarding the enduring exchange of knowledge and experiences among family members. Four out of these seven companies have clearly stated that their businesses are characterized by an enduring exchange of knowledge and experiences among family members (De Vries; FA Bisschops; LudvigSvensson; Castelijn). The reason that they are not classified more towards the ‘facilitating’ side of the diagram is that none of those interviewees have clearly identified the facilitating influence of this feature in terms of internationalization.

‘The family reflects continuously on their current operations. One of the most important reflection moments are the meetings with the board of directors.’ (Group controller De Vries)

‘The reflection on our current operations takes almost 24 hours a day place, especially when I was still living at home. We reflect around the dinner table and in our spare time.’ (CEO FA Bisschops)

‘We work in teams and the progress of those teams is discussed within the family continuously. When something goes wrong in one of these teams we all need to know about it.’ (Manager R & D LudvigSvensson)

Again, as one can refer from the above stated quotes none of the interviewees clearly states that the enduring moments of reflection and learning among family members does facilitate the internationalization of their businesses. The only referable point is that these companies
continuously reflect upon their current operations in order to stimulate the process of integrating knowledge. From the theory, we know that this stimulates new growth periods.

Then, there are three companies which do not reflect continuously on their current operations (Daloplast; Go-Tan; BIM Kemi). They choose to reflect mainly during board meetings and/or management meetings. Nevertheless, they have not provided us with solid arguments why they have chosen this approach. Only the interviewee of Daloplast gave us an idea why his family mainly reflects during board meetings.

‘My dad passed away when I was really young. At that stage, I got all the responsibility and I believe that the family can only reflect successfully on its current operations with the assistance of the two very experienced, external board members. This is the reason why we try to reflect only during board meetings.’ (Managing Director Daloplast)

Conclusions:
The difficulty of this feature is that none of the interviewees have given a clear explanation of their decision to reflect continuously on their current operations or just mainly during board meetings and/or management meetings. That is the reason why it is hard to derive conclusions, in terms of the facilitating or constraining influence of this factor on the internationalization of family firms.

Fact is that four companies have stated that the family reflects continuously on the current operations (FA Bisschops; De Vries; Castelijn; LudvigSvensson) by exchanging information and knowledge, whereas three other companies mainly do this during board meetings and/or management meetings (Daloplast; Go-Tan; BIM Kemi). This means that the family firms in our sample do all reflect to a certain extent on their current operations. These actions can be related to the knowledge based view, which suggests that international growth is eventually a gradual process of learning from current operations (Penrose, 1995).

The fact that all family firms in our sample reflect upon their current operations, we think indicates that they do perceive it as facilitating for their (international) operations. However, the interviewees have not directly pointed out this facilitating power, we can derive from the answers that they reflect upon their current operations in order to stimulate the process of integrating knowledge. As mentioned before, this stimulates growth periods which might trigger internationalization.

5.1.6. Family business culture facilitates foreign family firm relations
We stated in the theoretical analysis that many of the culturally related characteristics of family businesses are the same all over the world (Gallo & Sveen, 1991). Therefore, we found that culture can facilitate international contacts and network relations among family firms worldwide. This has been discovered as a facilitating factor for family businesses in terms of internationalization, because international contacts create opportunities and play an essential role in internationalization (e.g. Löfgren et al., 2008).

Based on our empirical findings we can construct the following diagram:
Findings:
As is visualized in diagram 6, five companies from our sample have mentioned the facilitating influence of being a family firm in terms of the development of international contacts with foreign family businesses. From these five companies, the two Swedish companies (LudvigSvensson; BIM Kemi) involved the positive influence of similar, cultural characteristics among family firms worldwide, whereas the three Dutch companies focused (De Vries; Go-Tan; Castelijn) on the confidential aspect in their answers.

‘We do a lot of business with family firms abroad. These relationships are often strong, because we understand each other’ business. A similar cultural characteristic of family firms worldwide is for example the long-term orientation, which implies that family firms do often aim for the development of loyal, long-term relationships with each other.’ (Managing director LudvigSvensson)

‘My experience is that the fact that we are a family owned business generates trust among international relations. They know that we operate with own money, which means that we will do everything to supply the best quality yachts’. (CEO De Vries)

‘International contacts know what they can expect from Go-Tan because our brand name implies continuity and loyalty. This has led to the situation in which our name provides trust to international contacts, which has made it easier to start and develop partnerships with foreign (family) firms.’ (CEO Go-Tan)

Then there were two companies who clearly stated that they see no influence of the family character of the business regarding the development of international contacts and relations worldwide (Daloplast; FA Bisschops). In addition to that, the interviewees of one Swedish company (Hästens) have not answered the questions related to this topic.

Conclusions:
From our empirical research we can conclude that being a family business facilitates relationships with other family firms abroad. The reason for this can be twofold; (1) family firms worldwide share culturally related characteristics (LudvigSvensson; BIM Kemi), (2) the family character of the business creates trust (Castelijn; De Vries; Go-Tan). Remarkable is that the first reason is just identified by Swedish family firms, whereas the second reason was just named by Dutch businesses. Despite this difference, we have not found cultural differences between these countries that can be seen as the reason for this difference. The facilitating cultural resemblances between family businesses over the world can be related to the network approach. The family networks and good relations may facilitate penetration in a new market or development of new contacts (Johanson & Mattsson, 1988)

As mentioned in the findings, there were two companies (Daloplast; FA Bisschops) that did not recognize a facilitating or constraining influence of the family character of their businesses in terms of international relationships. Their view can be explained by the fact that these companies distinguished themselves from the other companies in our sample, by stating that the family character is not that influential in the business. Both interviewees told us that there are no family values involved in their businesses. In other words, an influence of the family character/culture in the business is an important condition for family firms in order to identify the facilitating power of the family character of the business in terms of international contacts.
5.1.7. Informal communications

We discovered that strategizing within family businesses is not featured by many rules, procedures and bureaucracy (Hall et al., 2006) and that the governance structure and control systems of family firms are informal (Fernández & Nieto, 2006). An implication of these findings is that family businesses do have easy, informal communication channels (Hall et al., 2006). We found that informal communication channels stimulate innovation, which will make it easier for family firms to adjust their products to other cultures (e.g. Pangarker, 2008). In addition to that, we found that informal communications are associated to an effective and efficient multinational organization structure. In conclusion, based on our theoretical analysis, we suggest that the informal communication channels within family businesses facilitate the internationalization of those firms.

Based on our empirical findings we can construct the following diagram:

![Diagram 7: Informal communications](image)

Findings:
All the companies in our sample have confirmed the theoretical finding that family businesses do have easy, informal communication channels. In addition to that, we found that this can be related to either the informal governance structure and control systems of family firms or the typical strategizing process of family businesses which is not featured by many rules, procedures and bureaucracy.

‘We have a very informal governance structure, through which the whole organization is encouraged to use informal communication as well.’ (CEO Castelijn).

‘One of the advantages of being a family business is that we do not need long procedures for approval. There are no reports and the like required, so we have a fast decision-making. One of the implications of this is that our communication should be informal, otherwise you will never be able to make fast-decisions.’ (Managing Director Daloplast)

Despite the fact that all companies characterize the communication within their firms as informal, there were two Swedish family businesses that could not recognize the facilitating power from this type of communication. The other six companies recognized that informal communication has improved the efficiency and effectively of their organizations, which can be positively related to a better execution of the international activities.

‘I would describe the communication within the organization as informal. We strive to reduce the sum of meetings and in addition to that we aim at reducing the amount of internal e-mails with 90%. In the context of a more efficient organization, especially the last objective is important. As for now, employees mainly communicate by sending e-mails to each other, whereas one phone call can directly lead to an answer for their question(s).’ (CEO, De Vries)

‘Our communication can be characterized as very open. Most of our employees have been working for us for a long time now and we would like to present ourselves as a team. All employees are willing to help each other, which improves the efficiency of the company.’ (CEO Hästens)
'We believe that our informal way of communicating with employees positively influences the atmosphere within our organization and therefore the results of our (international) operations.' (CEO Go-Tan)

There was just one interviewee (LudvigSvensson) who stated how informal communication can work constraining for a family business as well, when the control systems are too loose.

‘Informal communication is good for an organization, but one should always consider the negative implications as well. Employees can abuse the freedom of informal communications, by taking over responsibilities of other employees for example. This can have negative implications for the efficiency of the company’. (CEO, LudvigSvensson)

Conclusions:
From our empirical research we can conclude that family businesses are characterized by informal communication. Besides that it is found that an informal governance structure and/or a strategizing process which is not featured by many rules, procedures and bureaucracy can indeed be the reasons for the informal communication within family firms. This structure may result in fast decision-making and fast communications, which facilitates internationalization. This is related to the resource-based view (e.g. Barney, 1991; Dicken, 2007). In saying that, our research has demonstrated that the more developed family firms in terms of employees (De Vries; LudvigSvensson), do have/require more formal governance structures and strategizing processes in order to keep control over their businesses. In this context it is not strange that LudvigSvensson takes the most critical approach towards the positive influence of informal communication for family businesses.

Nevertheless, the empirical research has made obvious that informal communication channels indeed facilitate the internationalization process of family firms. Remarkable is that all companies referred informal communication to a more effective and efficient organization, whereas the stimulation of innovation was not directly mentioned.
5.2. Constraining features

5.2.1. Rigidity of Family culture

From our theoretical analysis we found that the family culture and the national culture may influence the internationalization process of companies (e.g. Shane, 1994; Erramilli, 1996). It was also found that in family business the strategy making is largely influenced by the family culture (e.g. Hall et al., 2001), therefore influencing the internationalization process. Since family businesses desire to maintain their current culture (Schein, 1995; Gallo & Sveen, 1991), this may influence the internationalization process in a negative way. For example, the family culture may limit the options of country choices for internationalization, thus limiting the possibilities for international growth. Or the family culture may limit the options for the appointment of external managers, thus limiting the possibilities for acquiring important external knowledge and experience.

Based on our empirical findings we can construct the following diagram:

![Diagram 8: Rigidity of Family culture]

Findings:
Some of our companies (BIM Kemi; LudvigSvensson) have clearly pointed out that there was an advantage to the involvement of their family culture in their international operations (see Diagram 8). Mainly the reasons can be related to the advantages of the family values in performing international activities, such as maintaining good relations, good marketing orientation, entrepreneurial spirit and product development:

‘There is a strong influence of our family values. Beside our business mission we also have a well written family vision. The influence is positive because our values are focused on entrepreneurship, innovation and diligence, which stimulates management to quickly implement new technologies. Additionally, our family values create good employee relationships.’ (Manager Communications BIM Kemi)

‘Our family values (long-term, honesty, dynamic) are very influential in our business and we also integrate them into our activities abroad. We select countries on market potential, but the more South you go the more they try to trick you; we want to work with trust worthy partners and don’t take bribes for example. Also, countries like China and the US cannot adapt so well to foreign suppliers; they want everything in ‘their’ way. We as Swedes (and Dutch as well) easily adapt. Our family values facilitate us in internationalizing.’ (President LudvigSvensson)

Then there are some companies (De Vries; Hästens) where the influence of family values is mostly positive, but in some way can be a little bit constraining (two companies between ‘facilitating’ and ‘no influence’ in Diagram 8). De Vries for example points out that exercising their family values towards employees facilitates in developing good craftsmanship. Nevertheless, the company limits their suppliers to local companies:

‘For our company, perfect craftsmanship and high quality products are very important. As a family we think it is important to take good care of our employees and in return we expect the employees to be loyal and motivated. This contributes to producing high quality products.’ (CEO De Vries Shipyard)
‘The family desires to be socially responsible in the surrounding area. Therefore the company will first seek local suppliers instead of suppliers in other regions.’ (Group controller De Vries)

Then there are three companies (Daloplast; Go-Tan; FA Bisschops) which have indicated that there is no particular influence of the family culture in the business. Some have never thought about it and one deliberately separates the family values from the business values. These businesses perform all their international activities through and base their choices on marketing and business related values or advantages:

‘We deliberately separate the company issues from our family lives. Company matters are discussed in the board and we only have business values and objectives in our board meetings. Additionally, we internationalize to countries with the right market demands. Our objective is to grow our business and to make good capital investments, not to integrate our family values in the business.’ (CEO Daloplast)

Finally, there was only one company from our sample from which the answers indeed point out that the family culture limits the international growth:

‘We initially started exporting to Belgium, partly because the culture is similar to the Dutch culture and they speak Dutch as well. Our family values also comprise of quality (on-sight installation service) and being economically thrifty. This is not possible when we for example export to Sweden, because then this service would become too expensive.’ (CEO Castelijn)

‘If we would hire external top managers then this would only lead to irritations because we want to run our business in our own way.’ (CEO Castelijn)

Conclusions:
If the family culture facilitates the internationalization, then the values are clearly communicated throughout the company (BIM Kemi; LudvigSvensson) and the values are either market oriented (BIM Kemi), increase the value of the product (De Vries; Hästens) or facilitate in building relations (De Vries Shipyard; LudvigSvensson). This is related to the resource-based view because the internationalization will depend on how the firm can reconfigure its resources (the cultural values) in international advantages (Olivares-Mesa & Cabrera-Suarez, 2006).

Most of the companies where there is no influence of family values on international operations also do not have any subsidiaries abroad (Daloplast; FA Bisschops). Perhaps the communication of their values has not yet been important. We know from Daloplast that a foreign subsidiary in Germany failed due to communication problems and differences in business objectives and management ideas. Perhaps better selection on some family values could have decreased the possibility for such miscommunications.

The family culture may indeed constrain the internationalization process when the company selects (and thereby limits) the countries for international operations based on their national or family culture (Castelijn). It is also interesting to see that Castelijn is a company which truly dislikes hiring external managers. This leads us to conclude that external managers can indeed facilitate, in either focusing the company on market orientation (Go-Tan; Daloplast) or exploiting the positive family values (BIM Kemi).

A final conclusion can be that the Dutch companies from our sample seem to manage the company less from a family culture perspective then our Swedish companies. Although we have no empirical or theoretical prove for this, one may conclude that our Dutch companies tend to manage their
companies in a more ‘professional’ manner, whereas our Swedish companies also try to use their family values. However, according to our findings, the influence of this is mostly facilitating. Overall conclusion is that based on our empirical study we cannot say that the family culture necessarily constrains the company from performing international activities. Rather, the family values often either facilitate the internationalization process or there is no particular influence of the family values at all.

5.2.2. Preference for family members

From our theoretical analysis we know that appropriate experience and knowledge and international relations are necessary to create a globally competitive strategy (e.g. Barney, 1991; Ruzzier et al, 2006). Nevertheless, we also know that family businesses are reluctant to hire external managers and board members, thus limiting the business and managerial resources (e.g. Naldi & Nordqvist) and possibilities for international growth.

Based on our empirical findings we can construct the following diagram:

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*Diagram 9: Preference for family members*

**Findings:**

From our empirical analysis we have found that most companies have clearly pointed out that the presence of external people will facilitate in internationalization. Some clearly point out the advantage of external people (Hästens; Daloplast; BIM Kemi; De Vries) and some more emphasis the necessity of external people (LudvigSvensson; De Vries), due to the size of the company. Then there is one company (Go-Tan) which indeed pointed out the advantage of external people, but found no relation to the internationalization of the business. Therefore, the latter companies (excluding De Vries) are positioned in the constraining area, but a little towards ‘no influence’ since they mostly point out the necessity of external people. The first three companies are found the preference for family members a direct constraining factor for internationalization (See Diagram 9).

‘My external board members are very important for me. They provide me with crucial knowledge and experience in running the business.’ (Managing Director Daloplast)

‘Our external managers provide us with more experience in the culture and business networks in foreign countries to which we export. We select our employees/managers on these capabilities. Additionally I hire a lot of external consultants which provide me with specialized knowledge (legislative, marketing or financial).’ (CEO Hästens)

‘External managers can provide the family business with additional expertise and I think that the family has the same opinion. This is also why I was hired in this company.’ (Group controller De Vries)

‘Since we have grown a lot, the company had more need for external people and more professionalization. External people tend to look at problems from another perspective. Therefore our external chairman of the board plays an important role in our strategy process.’ (CEO De Vries)

‘When a company is smaller the management tends to be more of ‘one man’s show’. We are in the fourth generation and have now grown to a large company. The owners of medium sized companies cannot possibly do everything on their own. You need external managers.’ (President LudvigSvensson)
Then there is one company which has indicated that external people (management or board) have not yet been necessary. This company was the smallest of our sample (FA Bisschops).

Finally there is one company that has clearly indicated to prefer the absence of external top managers. They also point out that this has been a good decision:

‘Hiring external top managers will absolutely not happen in our company. We run the company in our own way and hiring external people will only cause friction. Right now, we as family members understand each other very well. This makes communication easy and internationalization more efficient.’ (CEO Castelijn)

Conclusions:
We have found two main factors of influence on the preference for family members. First of all we have found that the need for additional external knowledge and experience in internationalization is the main reason for companies to hire external managers (Hästens; Daloplast; De Vries; BIM Kemi; LudvigSvensson). Secondly, there are some companies which hire external people not only because of external knowledge, but also due to the size of the company or due to other reason which are not necessarily related to internationalization (LudvigSvensson; De Vries; Go-Tan). Also we have found that our smallest company does not require external people yet (FA Bisschops), however, this company is internationally active, thus confirming the previous finding.

Finally, we have found that one company points out the facilitating influence of preference for family members (Castelijn), even though this company is not very small (40 employees). Nevertheless, we can also see that this company has the lowest percentage of sales due to international activities (5%), compared to larger percentages of sales due to internationalization in other companies (e.g. 55% in Daloplast; 40% in Go-Tan). Therefore we can say that if this company could find a way to integrate external managers into the family business and culture, the international growth may be positively influenced. For this reason we can say that the international growth is limited by the available knowledge in the firm, as suggested by the knowledge-based view (Penrose, 1995).

Overall, we can confirm that the preference for family members as top managers and board members would indeed constrain the internationalization of the business. However, we must also recognize that in our sample this constraining factor is not relevant, since most of the family businesses in our sample (small and medium ones) have hired external managers due to either the need for external knowledge and experience or due to the company size.
5.2.3. Lack of education and experience of family managers

Although the exclusion of external managers or board members may limit the managerial resources, this does not necessarily have to be the case if the family members are well educated and experienced. The succession in family business ensures that the knowledge of the family is retained within the family business (e.g. Okoroafu, 1999) and it ensures that there is no cultural clash between the family business and the CEO (e.g. Lansberg, 2007). We will focus on these implications of succession later on, but here we will see if the family managers lack managerial competences, international experience and business knowledge, thus creating a limitation for internationalization (e.g. Zahra et al, 2001).

Based on our empirical findings we can construct the following diagram:

![Diagram 10: Lack of education and experience of family managers](image)

**Findings:**

We can see that many of the family business owners in our sample have indicated that they have taken a specific education or have worked abroad. For one company this has facilitated in internationalizing the business (Daloplast) and others in managing the business (BIM Kemi; LudvigSvensson; De Vries). Therefore we classify their opinion in the constraining part of the diagram, since there are indications that their education and experience has facilitated the internationalization. This confirms the theoretical findings, since consequently; lacking this education or experience will constrain the internationalization or managing the international business (see Diagram 10).

‘I learned the art of plastic injection molding, which helps me to make the right capital investments, product developments and innovations. Also I have studied in the UK for 4 months which has given me the experience of working with foreigners.’ (Managing Director Daloplast)

‘I have worked as a business consultant and I have a Master of Business education. Because of this, I know how you should not run a business and how the company should be structured.’ (CEO De Vries)

Then two companies have pointed out that they have indeed had an education, but they do not see any direct advantage for internationalization or running the business. Nevertheless, we can find some facilitating factors from their education and previous employments. Håstens’s CEO for example indicates that he has learned analytical and problem solving skills from his education. Additionally, when we analyze the answers of the CEO of Go-Tan, we can clearly recognize his marketing education:

‘Every country in Europe is very different in their taste-profile and the labels which a consumer appreciates. Our small-scale production has always been our advantage due to the niche market which we serve. Nowadays, it is important to understand these characteristics of the retail market in order to survive in the business world.’ (CEO Go-Tan)

Finally, there are two companies which have indicated that they cannot find any specific contribution of their education or previous occupation (neither one of them had worked in any other company before) in either running their business or internationalizing the business. One owner has taken a
vocational education in horticulture (FA Bisschops) and the other owner a vocational education in retail business (Castelijn).

**Conclusions:**
As we can see from our empirical study, there are only few indications that the education and previous working experience of the family members has lead to facilitate the internationalization process. Nevertheless, many companies of our sample have indicated that it has facilitated in running the business or in some other way, but not directly related to internationalization.

It is interesting to see that the owners which have indicated that there are no specific advantages from their education are also the owners which have no other working experience beside the family business (FA Bisschops; Castelijn) and they are the only companies from our sample which have not hired external employees. As a result, these companies are also either the smallest of our sample (FA Bisschops) or the least international (Castelijn). Of course these conclusions are quite radical, but nevertheless we can make a short comparison with Daloplast. This company is younger than both FA Bisschops and Castelijn, but nevertheless has more international activities than Castelijn and has grown larger than FA Bisschops in terms of turnover and employees (see company description). The owner of Daloplast indicates the advantage from studying in the UK in doing international business and has hired several external top managers to complement his knowledge and experience. This action is also taken by all other companies of our sample (see previous discussion).

These findings have led us to the conclusion that a lack of education and working experience of the family members in top positions may indeed constrain the international growth. Nevertheless, this does not have to be the case if the company complements the lack of knowledge and experience, by hiring external managers. Therefore, the companies do not need to be constrained by their owners’ previous education and experience, thus rejecting this part of the resource-based view. In relation to this, we must again recognize that in our sample this constraining factor is not relevant, since most of the family businesses in our sample (small and medium ones) have either an education or previous working experience or have complemented these by hiring external managers.

**5.2.4. Inward oriented strategy and lack of market orientation**

From theory we know that family firms are expected to focus on some customer needs in local markets (e.g. Gallo & Garcia-Pont, 1996) and, as discussed in the first constraining factors, on family values. This inwards and narrowly oriented focus will according to theory constrain international growth for family firms, because international companies should try new markets (e.g. Johanson & Vahlne, 1977) and study markets and competitors in order to possess good information about new markets.

Based on our empirical findings we can construct the following diagram:

1. **Facilitating**
2. **No influence**
3. **Constraining**

**Diagram 11: Inward oriented strategy and lack of market orientation**

**Findings:**
Most companies seem to agree that performing market and competitor analysis will facilitate international growth (see Diagram 11) There were four companies (De Vries; FA Bisschops; LudvigSvensson; Go-Tan) which have clearly stressed the importance of market and competitors analyses and information in order to make an international strategy. For some of them the main
reason was clearly to determine future plans (FA Bisschops; De Vries; LudvigSvenssson), whereas one company (Go-Tan) more seems to check its decisions and use the information as a marketing tool:

‘This is very important. We have an exceptional clear picture of the market and our competitors in order to successfully exploit market opportunities.’ (CEO De Vries)

‘We are a professional company and our decisions are made on analyses.’ (Group Controller De Vries)

‘Every year we spend some tens of thousands of Euros on market statistics in order to support and justify our (sometimes intuitive) decisions. We also use the data to show retailers how shop lay-outs can increase the turnover.’ (CEO Go-Tan)

Then there is one company which indicated that it is indeed important, but that experience and intuition also play an important role (Daloplast).

‘I think this is important, although we do not always do it on paper. It is important to adjust the product and strategy to the market demands and to what competitors do. However, in general you can say that of the 4 new products you create, only 1 will be a success, 1 will be a complete disaster and 2 are just satisfactory. You can calculate and research what you want, but at a certain moment you just got to try some four products and see.’ (Managing Director Daloplast)

Then there are two companies (Hästens; BIM Kemi) which are very international and of medium size, but yet point out that either market or competitor analysis is not very important. However, instead they focus on high quality products and customer service.

‘I like to use a quote of Steve Jobs (CEO and co-founder of Apple): ‘We do no market research. We just want to make great products’. Of course there are types of market research necessary in terms of customer service and product changes. Therefore we also have a market and a communications manager. But our strategy is based on our mission of making high quality beds.’ (CEO Hästens)

Finally, there is on company (Castelijn) which also indicates that they base their strategy on their capabilities (likewise to for example Hästens), but clearly point out that market research is not desired in their company. Intriguingly, this is also the company with the least international activities.

Conclusions:
Some (mostly Swedish) companies indicate marketing and competitor analysis in some cases is not the deciding factors. First of all, producing a high quality product is more important, since those products are also easy to sell (Hästens). Secondly, there are sometimes hardly competitors due to the niche nature of the market which they serve (BIM Kemi). Finally, (Daloplast) pointed out that eventually a company requires taking the risk and try the new product launch, instead of spending too much time on market and competitor analysis.

Nevertheless, those companies have also pointed out that some degree of marketing or competitor analysis is required. Based on these findings we believe that it is safe to say that also family firms require market and competitor information in order to create an internationally competitive strategy. Just like the previous three constraining factors, most of our sample companies do perform market and/or competitor analyses. Therefore this indicates the use of the stage approach (Johanson & Vahla, 1977) and the knowledge-based view (Penrose, 1995), since the companies do study their current market and competitors in order to determine whether there are actions required or opportunities to be recognized.
Finally, there is a small indication that our Dutch firms tend to make more or better use of market and competitor analyses than the Swedish in our sample. However, we have no additional theoretical explanation for this.

5.2.5. Strategic focus on culture and values, not on economic benefits

The theoretical analysis also shows that family businesses mainly focus on their local markets, due to the local roots of their culture and the important value of taking responsibility for the local community (Gallo & Garcia-Pont, 1996; Hall et al., 2006). Major internationalization theories on the other hand show that firms need to base internationalization strategies on economic benefits, such as transaction costs, internalization and low labor costs (Dunning, 1979). Additionally, Rabobank (2004) finds that firms should pro-actively develop a good internationalization strategy in order to internationalize successfully. Due to the local focus of family businesses we may expect that this will constrain their international growth.

To determine the influence of this constraining factor we have analyzed two main components: the orientation on local markets or culture (i.e. not economic focus) and whether the owners develop their strategy in an ad-hoc way (i.e. not pro-active and opportunity oriented).

Based on our empirical findings we can construct the following diagram:

![Diagram 12: Strategy focus on culture and values, not on economic benefits](image)

**Findings (cultural focus):**
Practically all the family businesses in our sample have pointed out that they internationalize due to economic benefits. Two companies (furthest to ‘Constraining’, see Diagram 13) have clearly pointed out that the economic focus was decisive in the choice for internationalization (BIM Kemi; Daloplast):

‘We started with only producing plastic cutting boards. The Swedish market is too small to justify good capital investments and we therefore needed a larger market to create economy of scale.’ (Managing Director Daloplast)

The remainder of the companies have pointed out that they internationalize in order to grow the company and seek potential markets (FA Bisschops; De Vries; LudvigSvensson; Go-Tan; Castlijn; Hästens):

‘Because of the colonization, some countries are already familiar with Eastern food traditions. Other countries, like Greece, Italy and France are not. Those are the countries in which we seek to grow.’ (CEO Go-Tan)

Two of the previously mentioned companies (Castelijn; Hästens) have indicated that there is also some cultural focus (therefore placed a little bit towards ‘Facilitating’, see Diagram 12). Nevertheless, they have also pointed out that they intend to increase market presence with this cultural focus. Therefore the cultural focus is merely a part of the process of growing internationally and increasing market presence, which is more an economical focus.
‘We were looking for new markets and the choice for Belgium was logic. It is culturally close to the Netherlands, but we also want to deliver good on-sight service and do this at low costs. If we would export to other countries, like Sweden, this would not be economical anymore.’ (CEO Castelijn)

Conclusions (cultural focus):
Although they have not directly indicated that a focus on family values would constrain the internationalization, they have indicated the importance of the economic focus. This indicates that the family businesses in our sample have used the imperfections in the market as suggested by Hymer (1976; Cited in Dicken, 2007). Thus, we may conclude that not having this focus would indeed also constrain a family business in internationalization.

Findings (Ad-hoc internationalization):
Basically all the companies have indicated that they have made plans to internationalize, to which countries they intend to internationalize and why. For example:

‘Right now we have a project in South-America. However, we can only internationalize to countries where the horticulture industry is well developed because our products are of high quality and require some capital investments.’ (President Ludvig Svensson)

It is interesting to see that both companies which indicate that cultural values do influence the international pathway (Hästens, Castelijn) both also take measures to deal with this.

‘We aim to continue to spread our values of high quality craftsmanship over the world. In order to do so we hire people who are natives from the country to which we intend to export. Nevertheless, they need to have lived here in Sweden as well, because they are required to understand our family and country values.’ (CEO Hästens)

Conclusions (Ad-hoc internationalization):
All family businesses have indicated that it is important to create a pro-active plan, thus confirming the theory. The reasons are mostly product or market oriented and also some were related to cultural aspects.

For both parts of this constraining feature (cultural focus and ad-hoc internationalization) we can also conclude that all our family businesses are in fact not constrained by this, since they again, conduct the opposite activities from what the theory would have expected.

5.2.6. No involvement of non-family members in the strategy process
It is found in theory that family businesses may be constrained in performing international growth, because the owners do not want to include other people in determining the overall strategy of the company (e.g. Hess, 2006). This will result in a lack of autonomous behavior and entrepreneurial spirit among employees and managers (e.g. Armario et al., 2008; Zahra et al., 2001) and thereby constraining the international growth.

Based on our empirical findings we can construct the following diagram:

![Diagram 13: No involvement of non-family members in the strategy process](image-url)
Findings:
There are three family owners which construct the strategy together with non-family members and let themselves also be advised by non-family members (De Vries; Daloplast; BIM Kemi).

‘The family has the main role, but the (external) chairman of the board definitely advices in determining the strategy.’ (Group Controller De Vries)

‘We as a family are the leading factor in determining the strategy, but external people are certainly involved. They can bring another perspective on the issues. Additionally, our chairman of the board plays an important role in determining the strategy.’ (CEO De Vries)

‘Main strategic plans, such as proportion of loan, amount of capital investments and new product marketing are made by the board. The board consists of the 3 owners and 2 external board members. They provide a lot of extra knowledge and experience.’ (CEO Daloplast)

Then there are two family owners which let themselves be advised by non-family members, but construct the strategic plan themselves (LudvigSvensson; Hästens) (see Diagram 13).

‘I have much more experience with doing business in China and therefore I can definitely contribute in determining future activities with eastern countries.’ (External R&D Manager LudvigSvensson)

‘Our employees and managers possess certain skills, knowledge and experience. We as family owners intend to make good use of this in our strategy. Eventually, we do discuss our strategic plans, but we make the strategic plans and decisions ourselves.’ (President LudvigSvensson)

Then there are two family owners which neither let themselves be advised nor involve other, non-family members, in constructing the strategy. However, they do not see any advantage or disadvantage to this.

‘The two owners (directors) construct the overall strategy, although there is not really a very specific strategy. Our two external board members actually only give some advice, but not really related to internationalization. We just take on the jobs that we deem interesting.’ (CEO Go-Tan)

‘We as family members are absolutely decisive in determining the strategy. I don’t see any advantages of disadvantages in this.’ (Castelijn)

One company (FA Bisschops) has indicated that it is an advantage not to involve external people in the strategy process, because then the owners would lose control over the company. This company rejects the positions of the other company’s owners and also answers the opposite of the theoretical findings.

Conclusions:
Since FA Bisschops, with 95% export, has indicated that involving external people in the strategy process is not desirable, one might draw the conclusion that this has not constrained the international growth of the company. Nevertheless, one could argue that the company is still very small and that the nature of the business (Dutch flower production) pretty much invites performing export. Also the President of LudvigSvensson and the CEO of Hästens have pointed out that larger companies are perhaps in more need to involve other people in the strategy, if they want to understand and fully comprehend the foreign market.

The companies in our selection have clearly pointed out that either involving non-family members or taking advices from non-family members is indeed crucial to develop a competitive international strategy. Not doing so, may constrain the business from growing internationally. This is in correspondence with the knowledge-based view (Penrose, 1995) since the companies’ strategy will
be limited by the knowledge of the available personnel. Again, we recognize that our family businesses are in reality not constrained by this, since most of them do involve or take advice from non-family members. Therefore this factor may once again not be relevant for family business, unlike the theory points out, since the family businesses of our sample practice the opposite.

5.2.7. No information sharing with non-family employees

From our theoretical analysis we have found that the continuous sharing of information (e.g. Zahra, 2003) and the development of good information structures (Day, 1994; Cited in Armario et al., 2008) will facilitate for example the autonomous behavior and innovation of the employees, managers and different departments (e.g. Dess & Lumpkin, 2005). These factors will facilitate adapting to other cultures and adjusting products. Additionally, Penrose (1995) found that new knowledge must first be integrated in the organization, before new growth can be initiated. However, we discussed that family owners may be reluctant to share information with employees and as a result constraining the international growth.

Based on our empirical findings we can construct the following diagram:

![Diagram 14: No information sharing with non-family employees](image)

Findings:
All of the companies of our sample have indicated that the employees (family or non-family) can receive any information required in order to work efficiently or to make the right decisions. It was also interesting that concerning financial information there are different opinions. There were three companies which have indicated to share financial information as well (De Vries; Go-Tan; Daloplast).

‘In this company very much information is shared and I think that this is a good thing. I for example know exactly what the financial situation of the company is.’ (Group Controller De Vries)

Some companies (Castelijn; FA Bisschops) have indicated that financial information is kept strictly in the family. All other information is shared with employees. Some companies have also indicated that sharing information is a trustworthy process (Hästens; LudvigSvensson). Nevertheless, all these companies deem it necessary to share all types of information with employees.

‘What gets measured gets done. We decide with the managers what needs to be done. Sharing information has the advantage that employees know what was good and bad, so they can make the right decisions in the future.’ (President LudvigSvensson)

‘We gladly share information with employees because we hope that this will create a coherent team spirit. This will in the end contribute to the productivity of the company.’ (CEO FA Bisschops)

Conclusions
All companies agree that sharing operational, but sometimes also strategic and financial information with managers and employees outside the family is necessary and will otherwise constrain the internationalization process. This informational structure is regarded as a resource for the company (Day, 1994; Cited in Armario et al., 2008; Barney, 1991), thus supporting the resource-based view. Nevertheless, our sample, again, does share information and is therefore not constrained. Main reasons are to make sure that employees and managers can work efficiently and make good
decisions (Daloplast; BIM Kemi; Hästens; De Vries; LudvigSvensson; Go-Tan) and to create coherence and an effective team (Hästens; Castelijn; FA Bisschops).

5.2.8. Centralized decision-making

Another theoretically constraining feature is that family firms are expected to have centralized decision-making (e.g. Fernández & Nieto, 2006). Related to this is the dominant role of family members in determining the culture and strategy in family businesses, which will decrease the autonomous behavior (Zahra et al., 2004). It is found by for example Dicken (2007), that a lack of decentralized decision-making and autonomous behavior will increase bureaucracy and rigidity and decrease innovation and efficiency. Therefore we expect that in the fast-changing international business environment, this will create a constraining factor for family businesses.

Based on our empirical findings we can construct the following diagram:

[Diagram 15: Centralized decision-making]

Findings:

For the owners of the family businesses in our sample there are different authorities in operational and strategic decision-making. Almost all the companies in our sample have pointed out that the major decisions or strategic decisions are eventually made by the owners, with or without some influence of the board. However, only the Swedish companies have explicitly pointed out that they deem it necessary to discuss, reach consensus with or use the expertise of their employees and managers. They separate: strategic (owners), tactical (managers) and operational (employees). Additionally, all the companies have pointed out that the employees and managers possess freedom to make operational decisions, but all the Dutch companies in our sample have pointed that the employees and managers always need to report to the owner. Nevertheless, they do not point out any advantages or disadvantages (thus resulting in ‘No influence’, see Diagram15).

First some responses from the Swedish companies:

‘We are a customer intimate company, thus many decisions are made by our employees and close to our customer. It is also not the family’s intention to get to much involved in the management of BIM and Hagman. The top managers have some autonomy.’ (Manager Communications BIM Kemi)

‘We discuss a lot with our employees and with the board; otherwise I would not use their knowledge. If we for example need to purchase a machine, I give the employees 3 options. The employees/managers need to tell me which one is the best, since they know the best.’ (Managing Director Daloplast)

‘The owners make the strategic decisions (in discussion with the employees) and the managers do the tactical planning. Our employees are in principle free to make the operational decisions. I think it is also influenced by the size of the company and generation. We simply cannot take all the decisions anymore, that would be too much!’ (President LudvigSvensson)

‘I hire my employees and managers because they are educated for something. I point out the overall direction, but they need to come up with the plans and make the tactical decisions. My influence should be minor.’ (CEO Hästens)
Then some responses from Dutch companies:
‘I have reasonable autonomy in taking decisions. I need to report to the owners, but I have enough freedom to work.’ (Group Controller, De Vries)

‘We try to give everybody some decision-making authorities, but the two brothers (owners) need to be informed.’ (CEO Go-Tan)

‘The production managers may make some small decisions, but they always have to report to us.’ (CEO Castelijn)

Conclusions:
Small conclusions are again that Swedish companies and Dutch companies tend to show some different preferences. Swedish owners have articulated the ‘consensus’, whereas Dutch owner have more articulated the ‘reporting or informing’ aspects. Additionally, there is again small prove that larger companies tend to be more decentralized, however there is no quantitative prove for this.

Overall, we can say that major decisions in family businesses are eventually made by the owners. Nevertheless, there are some examples of owners which clearly point out that they also intend to discuss or distribute these major decisions to employees and managers or board members (Daloplast; LudvigSvensson; Hästens; BIM Kemi). The main reason for this is to use their knowledge and experience as well. It is suggested that the use of the resources of market knowledge of employees will result in a better business strategy (e.g. Hunt & Lambe, 2000), thus supporting the resource-based view.

Our findings with this constraining factor (concerning strategic decisions) are somewhat in line with the study of ‘the involvement of others in determining the strategy’. The companies which have indicated that they intend to involve non-family members in the strategy making as well, also indicate that employees and managers should make tactical and operational decisions and should have constructive input in the major, strategic decisions. Only exception is De Vries. Nevertheless, the Group Controller from De Vries has clearly indicated that he deems the decision autonomy sufficient.

Concerning the operational decisions we can say that all family business owners intend to let their employees and managers make operational decisions because they deem it necessary for their activities (BIM Kemi; Hästens; De Vries). Nevertheless, there is no clear line in the answers concerning this. Furthermore, although some companies have indicated that the employees need to report to the owners, we do not have any empirical prove whether this leads to bureaucracy or not.
5.2.9. Maintaining all ownership in the family

It is found by researchers that financial resources are required to perform successful international operations (e.g. Dunning, 1979). However, family firms prefer privacy and control, thus excluding external owners and the additional funding from external investors (Graves & Thomas, 2008). Additionally, including external owners may increase the access to other financial resources, strategic partners and external knowledge (Fernández & Nieto, 2006). Therefore, we expected that family firms are constrained to perform international growth, by maintaining all ownership in the family.

Based on our empirical findings we can construct the following diagram:

![Diagram 16: Maintaining all ownership in the family](image)

Findings:
There is a clear opinion about this among owners of family businesses in our sample. Also the non-family members whom we have interviewed agreed with this. In general, all companies have pointed out many disadvantages towards involving external owners in the business. Out of those, there were three companies which recognized that involving external owners would indeed be an easy solution for extra capital, but anyhow deem the disadvantages too great (De Vries; Go-Tan; Daloplast; Hästens). For this reason we have placed them slightly towards constraining (see Diagram 16).

‘When you need external capital from external investors, there is either a great opportunity or something is terribly wrong. In the latter case, throwing money at it is not going to help. We don’t need to do that, because we focus on supreme product development and delivering customer value. It helps us to focus on what is really important. Besides, satisfying external owners will cost a lot of time and effort.’ (CEO Hästens)

The remainder of the companies have pointed out that the external owners are absolutely not desired in the business only due to the disadvantages. Additionally, there are some companies which have also explained that there is no need for such external capital (BIM Kemi; LudvigSvensson; FA Bisschops; Castlijn).

‘I cannot imagine such a situation. In a view weeks I would have disputes with the external owners because they probably have different business ideas and objectives.’ (CEO Castlijn)

‘In our company there is plenty of cash and capital intensity is low. Besides, most public companies disappear because of the change of culture and lose of entrepreneurial spirit. We of course don’t want this to happen to our company.’ (Manager Communications BIM Kemi)

Conclusions:
The answers of the companies on this and the next feature, reject the International New Venture theory. In family businesses there is some acknowledgement that external owners could be a good source of additional funding. Nevertheless, all the companies have pointed out the following disadvantages: change of culture (BIM Kemi; LudvigSvensson), other business objectives and lose of control (Castlijn; Daloplast; Hästens; FA Bisschops), public companies usually disappear (BIM Kemi; Daloplast; Hästens) or costly and time consuming (Daloplast; Hästens) and have therefore explained that they will not involve external owners.
5.2.10. **Exclusion of external financial resources**

Additional to the previous subject, we have found that family firms usually favor internally generated equity over long-term debts as well (e.g. Graves & Thomas, 2008). Since internationalization can be a risky and costly endeavor we may expect that family firms are constrained by this preference.

Based on our empirical findings we can construct the following diagram:

![Diagram 17: Exclusion of external financial resources](image)

**Findings:**

There is no clear line in the answers from the family companies in our sample. First of all, some companies have indeed pointed out that not taking debts would constrain the companies in financing activities (De Vries; LudvigSvensson; FA Bisschops; Go-Tan). De Vries and LudvigSvensson (mostly towards ‘Constraining’, see Diagram 17), find some additional advantages in assuming debts:

‘We have a shipyard which is partly financed by debts from the bank. An advantage is that the bank will put some pressure on the local management to demand healthy results.’ (Group Controller De Vries)

‘If you have a solid financial history and have sound knowledge about the market, then taking debts is not so expensive. Then it is only more efficient to work with debts.’ (President LudvigSvensson)

The other companies (BIM Kemi, Castelijn; Daloplast; Hästens) have clearly indicated to avoid taking debts because if the company is healthy it can be self-financed. Daloplast and Hästens (mostly towards ‘Facilitating’, see Diagram 18) find some additional advantages in not assuming debts:

‘In principle we are self-financed and pay all investments in cash. There are two advantages. First of all, may we ever require debts for an opportunity then this is no problem since we don’t have any debts yet. Additionally, it gives us flexibility in bad times. Low sales does not mean that we cannot repay our debts. We take debts to overcome bad periods instead of going bankrupt or reorganizing the company.’ (CEO Daloplast)

**Conclusions:**

First we can say that, without additional prove, Dutch family firms seem to be less reluctant to assume debts than Swedish firms. Furthermore, based on our empirical research we cannot say that not assuming debts would necessarily constrain the family business in performing international activities. There is only a constraining factor if the company would otherwise lack the cash and be refrained from performing the investment (De Vries; LudvigSvensson; FA Bisschops; Go-Tan).

Not assuming debts can on the other hand either be not influential because of plentiful cash or facilitating. Main reason for facilitating internationalization is the ease of taking debts when you do not yet have debts and the advantage of taking debts to overcome difficult periods. Since we know that internationalization can be a risky undertaking, this may indeed work facilitating for the company.
5.3. Uncertain features

5.3.1. Selection and requirements of external managers

As discussed in the theoretical analysis, the lack of an adequate supply of internationally experienced managers can be one of the limiting factors for family firms in terms of internationalization (Loane et al., 2004). This constraining factor is already empirically confirmed in section 5.2.2. Nevertheless, we found that if family businesses are willing to appoint a non-family manager, they will use strict recruitment and selection procedures (Loane et al., 2004). The reason for this is that besides the fact that a manager should be competent, he should fit in the culture of the family firm as well (Hall & Nordqvist, 2008). In conclusion, due to the strict recruitment and selection procedures of family businesses, we believe that if family firms are willing to appoint a non-family manager they most likely hire the most capable one. This will obviously have a positive influence on the (international) operations of the company.

Based on our empirical findings we can construct the following Diagram:

![Diagram 18: Selection and requirements of external managers]

**Findings:**
First of all, it is important to mention that most of the family businesses in our sample do hire external managers due to either the need for external knowledge and experience or due to the company size (see section 5.2.2). In this context it will be interesting to discover if those companies have used strict recruitment and selection procedures and in addition to that, if they perceive their taken approach as facilitating or constraining for the (international) operations of their firms.

As one can see in Diagram 18 only seven companies have answered the questions in relation to this subject. Two Swedish companies have clearly stated that they have a strict selection and recruitment procedure, that they involve cultural aspects in this procedure as well and that it facilitates their (international) operations (BIM Kemi; Hästens).

‘We select and recruit our external managers very carefully, because it costs a lot when you recruit the wrong people. Initially, we hired an external CEO, but he did not function well, because of a cultural clash. Then the founder returned as a CEO in order to make the company profitable again. Nowadays, we give seminars about the history of the company and the most important family values in order to avoid that situation for the future.’ (Manager Communications BIM Kemi)

‘When we started looking for foreign managers to start sales departments abroad we received 300 applications. After a strict selection procedure based on sales skills and cultural characteristics, we appointed two managers (one Dutch person). These two have contributed enormously to the internationalization of our company and they are still working here.’ (CEO Hästens)

Then, the other five companies mentioned that they have either pretty strict selection procedures for non-family managers (De Vries), pretty strict procedures in terms of cultural characteristics of the candidate (LudvigSvensson) or no strict selection and recruitment procedures at all (Go-Tan; FA Bisschops; Castelijn). Despite these differences, those companies are typified together, because none
of the interviewees recognized a clear influence of their taken approach on their (international) operations.

‘Our goal is to employ people from this community, because we believe that these people share our cultural values. However, if we cannot find the right employee in the community, we will start looking for better candidates outside the local area.’ (CEO Ludvig Svensson)

‘We do not have particular strict selection and recruitment procedures and we do not really judge a candidate on the question if he/she will fit in our family culture. The most important is that we have a good feeling with a certain candidate.’ (CEO Go-Tan)

Conclusions:
From our empirical research we cannot conclude that family firms in particular use strict recruitment and selection procedures. We believe that the two companies who have indicated to use strict procedures, do have clear reasons for this. BIM Kemi has already experienced the negative implications of hiring a CEO who did not fit in the family culture of the company, which indicates that they try to avoid this situation in the future by using more strict recruitment and selection procedures. Hästens on the other hand, has to rely on external, foreign salespeople like no other company in our sample. The foreign salespeople are the key to the international success for Hästens, so it is not strange that this company wants to recruit their foreign salespeople very carefully.

The other companies in our sample do not use strict recruitment and selection procedures in particular. In addition to that, they could not specify the influence of their approach on their (international) operations. This means that the recruitment and selection procedures of external managers in family businesses are not specifically strict in terms of the cultural match of a candidate and does not have an empirically proven influence on the (international) operations of family firms.

5.3.2. Use of intuition and gut-feeling in strategic decision-making

As is stated in the theoretical analysis, it is found by Penrose (1995) and Etemad (2004) that not all internationalization decisions are purely based on facts and rational thinking, but often on intuition, gut-feeling and experience. We believe that family managers do take more decisions based on their intuition, gut-feeling and experience within the business, which can lead to good international decision-making as well (Penrose, 1995; Etemad; 2004), despite their lack of international experience and knowledge.

Based on our empirical findings we can construct the following Diagram:

Based on our empirical findings we can construct the following Diagram:

Diagram 19: Use of intuition and gut-feeling in strategic decision-making

Findings:
First of all, it is important to mention that our empirical research has already demonstrated that the family managers in our sample do not face a particular lack of international experience and knowledge (see section 5.2.3). Nevertheless, it will be interesting to see which influence the use of intuition and gut-feeling has within these family businesses.
Three companies have mentioned the big influence of intuition on their international decision-making (FA Bisschops; Castelijn; Daloplast). In addition to that, they hinted that this has been facilitating for their (international) operations.

‘We make almost all decisions based on our intuition, so decisions regarding internationalization as well. A certain decision must feel good, otherwise we do not do it.’ (CEO Castelijn)

‘I would say that there is a lot of feeling involved in making good decisions concerning our products for example. Customer analyses provide some information, but you will never know for sure what will happen with the market, so at the end it is all gut-feeling.’ (Managing Director, Daloplast)

Then there were four companies that recognized the importance of intuitive decision-making, but found that international experience and knowledge and in line with this a more rational decision-making approach are equally important (Go-Tan; Hästens; BIM Kemi; LudvigSvensson). This indicates that they believe that an international decision-making strategy which is purely based on intuition and gut-feeling might work constraining for the internationalization of family firms.

‘In the end, all decisions are made on the basis of your intuition, but I believe that this is the result from experience. All international experience and knowledge together will create the right decision.’ (CEO LudvigSvensson)

‘Intuition is important within our family business, but a requirement for this type of decision-making is a solid background in terms of knowledge and experience.’ (CEO Go-Tan)

Only the interviewees of De Vries have clearly stated that intuition and gut-feeling are not very important in their international decision-making. Despite very small decisions, all choices are made based on analyses. They see this as a requirement in order to lead their business professionally and successfully.

**Conclusions:**

We found that the influence of intuition and gut-feeling on the (international) decision-making is more important in smaller family firms than in bigger family firms. The interviewees of the three smallest family businesses in our sample (FA Bisschops; Castelijn; Daloplast), have stressed the importance of intuition and gut-feeling the most and hinted the importance of this type of decision-making for their (international) operations. De Vries on the contrary, by far the biggest company in our sample in terms of employees and turnover, stated that a professional and successful organization requires decent analyses before decisions are taken.

Finally, we can conclude that there is no empirical evidence that family managers do take more decisions on intuition and gut-feeling, but that this is more related to the ‘growth stage’ of the business. In addition to that, there is no clear confirmation that a more intuitive decision-making approach influences the internationalization of family businesses either facilitating or constraining. Based on all the answers, one can say that there must be a good interaction between intuition and gut-feeling on the one hand and knowledge and experience on the other hand in order to make good decisions.
5.3.3. Involve the whole organization in moments of reflection and learning

From the internationalization theory, we know that an organization must have moments of reflection and learning during the internationalization process (Penrose, 1995). We found that family businesses are characterized by many moments of reflection and learning, but especially among family members (James 1999, cited in Zahra, 2003). Family firms do have particularly a skeptical attitude towards sharing thoughts with non-family members (Hess, 2006). The question is if family businesses do indeed not involve the complete organization in their moments of reflection and learning and if this influences their abilities to identify opportunities and threats regarding their current operations.

Based on our empirical findings we can construct the following Diagram:

![Diagram 20: Involve the whole organization in moments of reflection and learning]

Findings:

We can conclude from our previous empirical analyses that the family businesses in our sample are not specifically characterized by an enduring exchange of knowledge and experiences among family members (see section 5.1.5). This implies that these family businesses do not specifically reflect continuously on their current operations. In addition to that, we found that all companies in our sample believe that sharing operational, but sometimes also strategic and financial information with managers and employees outside the family is necessary for a successful, efficient internationalization process (see section 5.2.7). This means that we can expect that the family businesses in our sample do involve the complete organization during their rare moments of reflection and learning.

This expectation is not directly confirmed by the empirical results we obtained in relation to this subject. First of all, two companies did not answer this question; Go-Tan, because they stated that they do not really reflect that much on their international operations at all and Hästens. Then there were three family businesses that stated that they actually involve the whole organization in their moments of reflection and learning (Daloplast; De Vries; LudvigSvensson). Nevertheless, they did not really mention the facilitating influence of this approach on their (international) operations.

‘The family involves non-family members in their moments of reflection and learning. I am involved in all the meetings with for example the board of directors.’ (Group Controller De Vries)

The Swedish and Dutch company in the middle of Diagram 20, stated that they involve non-family members in their moments of reflection and learning, but just the external board members and/or managers (BIM Kemi; Castelijn). Just like the three companies before, these companies did not mention the facilitating or constraining power of this working method. That is the reason why, we have positioned them around ‘no influence’.

‘We involve the two external operational managers in the most of our reflection and learning moments. Besides that, we keep everything between the four siblings.’ (CEO Castelijn)

There was just one interviewee who clearly stated that he does not see the reasons for involving non-family members in the reflection on the current operations (FA Bisschops).
‘I do not really see the necessity of involving non-family members in our moments of reflection and learning. In this way, we would share too much (product) information with people from outside the family. On the contrary, I do not have any problems with involving external experts in our reflection moments. We have used an expert in law during our succession period for example.’ (CEO FA Bisschops)

Conclusions:
One can conclude that if family firms reflect on their current operations they involve most likely some non-family members in this process. Therefore there is some support for the knowledge-based view, since growth is then essentially an evolutionary process and based on the collective knowledge accumulation in the context of a firm (Penrose, 1995). Nevertheless, we cannot argue that family firms do typically involve the whole organization in their moments of reflection and learning.

We believe that the extent to which family firms involve the whole organization in those moments, depends on the amount of external knowledge and experience within the organization. De Vries, LudvigSvensson and Daloplast are typically three family businesses that are characterized by a lot of external knowledge and experience within their businesses. The interviewee of Daloplast has clearly mentioned the importance of the two external board members in the strategy-making and De Vries and LudvigSvensson do have employed many external managers with decent knowledge and experience. The interviewees of these three companies have all identified the importance of the non-family employees in their organizations. That is why it is explicable that these family firms do involve the whole organization in their moments of reflection and learning. In this way, the expertise, experience and knowledge of the non-family employees can provide the business with valid feedback.

From this point of view, it is understandable that FA Bisschops does not see the necessity of involving non-family employees in their moments of reflection and learning. The non-family employees are mainly active in the production, do have simple jobs (without educational requirements) and most of them work only temporary for the business due to the seasonal character of the business. These people would most likely not contribute to an identification of opportunities and threats regarding the current operations.

5.3.4. Possibilities for re-investment of profits

We know from the family business theory that family firms prefer internally generated equity over long-term debt and outside equity (Graves & Thomas, 2008). This might imply that family firms face a lack of financial resources in order to enhance the ability to reach foreign markets. On the other hand, due to their preference for control, family firms do not have the obligation to pay dividends to external stakeholders. Additionally, through the reluctance to assume debts, there is also no need to pay high interest rates. This will make it easier to re-invest profits into the business, which can influence the likelihood of international investments (Svetlicic, Jaklic & Burger, 2007). Obviously, this will work facilitating for the internationalization of family firms.

Based on our empirical findings we can construct the following Diagram:

Diagram 21: Possibilities for re-investment of profits
Findings:
First of all, we can conclude from our previous empirical analyses that some family businesses in our sample do acknowledge that external owners could be a good source of additional funding (see section 5.2.9). Nevertheless, none of the family firms in our sample have involved external owners in their businesses, which indicates that they indeed prefer internally generated equity. It will be interesting to see if the family firms in our sample perceive this as an advantage in terms of possibilities to re-invest profits into the business.

As one can see in Diagram 21, the four Swedish companies in our sample have clearly stated that the absence of outside equity in their business, makes it easier for them to re-invest profits into the business. As stated in the introduction this facilitates the likelihood of international investments for these firms.

‘The owners do not distribute much of the wealth of the firm to the family. Profits are for at least 60% re-invested, which is possible because we are fully-owned family business.’ (Manager Communications BIM Kemi)

‘Of course we are profit oriented, but we do not take out so much profit ourselves. Most of it goes back into the company.’ (Managing Director Daloplast)

Then, there were two Dutch companies that identified both advantages and disadvantages of the absence of external owners (De Vries; Go-Tan). Nevertheless, they found the advantages more important than the disadvantages and they hinted that the absence of external owners makes it easier for them to re-invest profits into the business.

‘The absence of external owners limits the business in terms of available capital to make (international) investments. On the other hand, we can run the business in our own way and have control over our financial resources. At the end, that is more important for us.’ (CEO Go-Tan)

Finally, the interviewees of the two last Dutch companies stated that they only see disadvantages of having external owners in the business, but they just related these disadvantages to the way their business is run (Castelijn; FA Bisschops). They did not mention anything about the financial implications, through which we positioned them in this context around ‘no influence’.

‘We would never involve external owners in our business, because in this situation we will lose the control over our business. I expect that external owners focus more on the short-term results, whereas we want to run the business in the long run in our own way.’ (CEO FA Bisschops)

Conclusions:
The companies in our sample have not involved external owners in their businesses. Different disadvantages of external owners have already been pointed out in section 5.2.9. This section has again demonstrated why the family firms in our sample are reluctant to involve external owners in their businesses. The most important conclusion is that it is indeed important for family firms to re-invest most of their profits into the business and that they might feel restrained to do this in the case of external ownership. As said before, we believe that re-investments into the business facilitates internationalization. Therefore, these findings support the OLI paradigm, that firms may be facilitated by their ability to access capital at a low cost (Dicken, 2007). In this case the company produces that capital itself.

Another observation is that family firms have a strong preference for running their businesses in their own way, which is found to be more difficult in the situation of external owners. Finally, we can say, without additional prove, that it is more important for Swedish family firms to re-invest a certain
amount of their profits into the business. This conclusion is in line with our findings in section 5.2.10, where we stated that Dutch family firms are less reluctant to assume debts.

5.3.5. Local focus of family firms

We know from our theoretical research that contacts with local producers or marketers increase the odds of developing an appropriate product for the area in question (Vernon, 1966). The question is if family businesses in particular have an advantage in this context, because of their focus on local environments (Gallo & Sveen, 1991).

Based on our empirical findings we can construct the following Diagram:

![Diagram 22: Local focus of family firms](image)

**Findings:**
As is demonstrated in Diagram 22, two Swedish firms have clearly distinguished themselves from the other companies in our sample. The interviewees of BIM Kemi and LudvigSvensson have stated that they co-operate often with local, foreign producers, suppliers and employees, because of the facilitating power of those relations for their international operations.

`'We co-operate a lot with local people, because they know the local market better and have a larger network. We perceive this as an advantage for our (international) operations.' (R&D Manager LudvigSvensson)`

`'Working together with local, foreign people has a positive influence on our company, because those people know the local laws, regulations, business climate, etcetera much better than we do.' (Manager Communications BIM Kemi)`

The other companies in our sample either do not have any specific experience with co-operating with local, foreign stakeholders (FA Bisschops) or do not specifically work together with local, foreign stakeholders. The family firms of the last category are all categorized around ‘no influence’ in Diagram 22, because they for example do not see a specific advantage or disadvantage of co-operating with local, foreign producers.

`'Despite the fact that we have a local orientation, we do not specifically co-operate with local partners abroad. I do not see the surplus value of this.' (CEO Castelijn)`

`'We have to employ people for our facilities abroad, but we do not specifically co-operate with local people. We just need to hire people from a certain country, because it is impossible to travel all the time.' (Managing Director Daloplast)`

**Conclusions:**
We can conclude that the two companies that have identified the facilitating power of co-operating with local producers, suppliers and employees are the most niche-market oriented firms in our sample. BIM Kemi produces chemical for the worldwide pulp and paper industry and LudvigSvensson develops and manufactures (1) interior textiles for the furnishing industry, (2) terry cloths (towel cloth) for exclusive retailers and (3) technical textiles for horticulture (indoor agriculture) industry. This indicates that companies that focus more on a niche market will find it more helpful to co-
operate with local, foreign stakeholders in order to get more specific knowledge about a certain niche market.

Another conclusion is that the empirical research has not proven that family businesses do specifically work together with local, foreign producers and the like, due to their local orientation. Therefore, we can say that family firms do not use the OLI paradigms’ (Dunning, 1979) motivations to create a localization advantage. In addition to that, the influence of co-operating with local, foreign producers and the like for family firms on their international operations seems to be little.

5.3.6. Managerial succession of family or non-family CEOs

Succession is the most fundamental strategic decision within family businesses (Neubauer & Lank, 1998). A new generation of leadership from the family or a new external CEO can supply new attitudes, behaviors, management styles, objectives and strategic ideas regarding internationalization (Swinth & Vinton, 1993; Okorofo, 1999; Ward, 1998). This can work either limiting or enhancing for the international operations in a family firm. In addition to that, the possible underlying psychological, family-related, emotionally charged dilemmas might even influence the viability of a family firm.

Based on our empirical findings we can construct the following Diagram:

![Diagram 23: Managerial succession of family or non-family CEOs](image)

**Findings:**

As is visualized in Diagram 23, all firms from our sample are positioned around ‘no influence’. None of the interviewees have given reasons for either a facilitating or constraining influence of the managerial succession on the internationalization process. They have all stated that the implications for the business depend from case to case.

‘It is always possible that the managerial succession will lead to strategic changes in terms of internationalization. Nevertheless, we try to minimize that through involving the next generation in management meetings already. This does not mean that the next generation will not make strategic changes at all, but I do not really see it happening.’ (CEO De Vries)

‘The succession from the first generation to the current was really successful. We have not really made big strategic changes from the moment we have taken over the business. As for now, there are already seven potential successors and we realize that this can cause some troubles, but this does not mean that it will lead to big strategic changes.’ (CEO Go-Tan)

‘Well, I have changed the company a lot when I took over, but this does not mean that a next generation will do that as well. I just had the dream to provide everybody (people outside Sweden as well) with a comfortable bed in order to sleep better and being more effective during the day.’ (CEO Hästens)

‘We do not have a plan for succession. My son can take over the business if he wants, but my wife is afraid that this will influence the family relations. I have no idea if this will lead to strategic changes in terms of internationalization. It is a possibility, but we will see how it develops.’ (Managing Director Daloplast)
Conclusions:
We can conclude that the family businesses in our sample do agree on the importance of managerial succession within family firms and the potential difficulties related to this issue. A specific pattern in terms of the limiting or enhancing influence of managerial succession on the internationalization has not been recognized. It has been found that this will depend from case to case.

5.4. Entry modes choices

In this paragraph we will analyze the family business features which influence the entry mode choices of the family business in terms of internationalization. As will be clear, the influences on the choice of entry mode and internationalization development depend on several factors which have already been discussed in previous paragraphs as either facilitating or constraining. In this paragraph we are increasingly interested in the motivations of the choices in order to either confirm, reject or adjust the theoretical model of how family firms are expected to internationalize.

5.4.1. Preference to start with exporting

In our theoretical analysis it has become clear that we would expect family businesses to internationalization through exporting and wholly owned subsidiaries. Main reasons to start the internationalization process with exporting are the preferences related to centralized decision-making, risk adversity and lacking resources (e.g. Claver et al, 2007; Olivares-Mesa & Cabrera-Suarez, 2006). On the contrary, it is also found that by Fliess and Busquets (2006) that risk adverse firms should share costs in order to spread out the risks associated with internationalization, indicating that family firms should actually perform joint-ventures. Nevertheless, we expect that family firms will prefer wholly owned subsidiaries because of their preference for control and privacy (Graves & Thomas, 2008) and the reluctance to share knowledge and adjust the strategy to another party (Lam & Whie, 1999). Beside the influence of family preferences, also control and coordination over the supply chain and unique assets may influence these decisions (Kutschker & Bäurle, 1997).

Based on our empirical findings we can construct the following diagram concerning the choices of entry modes of family firms in our sample:

Diagram 24: Preference to start with exporting

Findings of entry mode choices:
All of the companies in our sample have indicated that they have started the internationalization process with exporting, thus confirming our theoretical expectation that family firms would start internationalization with export.

We are in this case not only interested in why the owners have chosen to internationalize, but in particular why they have chosen for this type of entry mode, exporting, as the start of the internationalization. We are interested in this because in our theoretical analysis we suggest that family business have based this choice on family-like motivations, such as ‘preferences for centralized decision-making’, ‘ownership preferences’ and ‘cultural differences’, whereas
internationalization theory suggest to base this decision on more economical or business-like motivations.

Findings of motivations:
Unfortunately, we have no clear direct answers to the question why the company has started with exporting as an entry mode. The interviewees have not indicated clear reasons why to choose for exporting in particular, but nevertheless almost all companies have indicated that they internationalized the business due to the desire to seek more market potential. This could be a result of the small domestic market (Netherlands and Sweden) and the type of product which is sold. We have no additional empirical prove which is directly related to this choice.

However, we can relate many of our other findings (from the facilitating and constraining features) to the choice of exporting as an entry mode.

Most companies have for example indicated that long-term orientation in strategy-making and in relationships is important for them in internationalization (section 5.1.1 and 5.1.2). One can interpret that family firms do not aim for aggressive (and more risky) strategies such as in the case of acquisitions, starting wholly owned subsidiaries or joint-ventures. For example:

‘In our business it takes typically a long time before you can penetrate into a foreign market. That means that you need to start small and flexible and that you have to take a long-term approach towards a certain market-share in a foreign market.’ (CEO Go-Tan)

The family businesses in our sample also have a clear preference for internalizing critical resources, thus excluding strategic alliances and joint-ventures with foreign partners (section 5.1.3.)

The threat with Internet is that for example Chinese firms find your product information and start producing cheap copies. In order to avoid that, it is essential for us keep strict control over our product information.’ (Managing Director Daloplast)

Furthermore, all the companies have pointed out the preference towards maintaining ownership in the company and that many companies try to exclude debt (section 5.2.9 and 5.2.10). This can be related to the choice of entry mode as well because the export entry mode does not require large investments such as in the case of acquisitions, starting wholly owned subsidiaries or joint-ventures.

We aspire to grow step-by-step, which means that we do not need huge sums of capital of external owners who are aiming for short-term profits.’ (CEO LudvigSvensson)

‘We do not want to involve external owners in our business. One disadvantage is of course that we have to do business with our own money. If a large project of let’s say 2 M€ is not profitable then this will have great consequences for the financial situation of the company.’ (CEO Go-Tan)

Finally, we can reject some of the theory, namely that centralized decision-making would result in exporting behavior. Although this may be true, decentralized decision-making can apparently also result in exporting behavior. Therefore, centralized decision-making may result in exporting behavior, but having decentralized decision-making does not exclude the use of exporting. The influence of other factors, such as lacking resources, risk adversity and reluctance to lose control over critical resources are instead, as discussed before, confirmed.

Findings of approach to export:
An additional finding is that none of the companies have started exporting independently. In order to start the internationalization process, all companies (apart from LudvigSvensson, because it was
unknown) have made use of a third party that could provide knowledge, experience of a network in the host-country. The third party could be an agent (BIM Kemi; Castelijn; Daloplast), a distributor (FA Bissschops; Go-Tan), a newly recruited employee (Hästens) or an existing partner (De Vries; Daloplast).

‘An exhibition in Stockholm provided us with contacts to start exporting with agents to Germany, Norway and Finland.’ (Manager Communications BIM Kemi)

‘In the beginning we received an order from abroad through our partner (designer company). Ever since the export market has become more and more important.’ (De Vries)

These are clear indications pointing at the network approach (Johanson & Mattsson, 1988) which argues that companies internationalize by the use of resources which can only can get accessed through network relations. This finding is also in line with our previous finding that the ‘family character of the business facilitates the building of relationships (with other family businesses) worldwide’ and that family businesses ‘prefer long-term relationships’ in their international activities.

In the answers we could also find two main reasons for the use of contacts and networks in the internationalization process. First of all, some companies have indicated the need for good and trustworthy contacts (BIM Kemi; Daloplast; LudvigSvensson). Secondly, the use of contact would facilitate the management of cultural and business-like differences (Castelijn; Hästens). The other companies have not pointed out specific reasons for working with partners.

‘One of the most important things is to have the right partners in your internationalization. Our German partner was not trustworthy and he ‘did not do as he said’, whereas our partners in the UK, US and Netherlands give us great international growth opportunities.’ (Managing Director Daloplast)

‘We as Dutch people are often very straight-forward. Therefore it was good that we had a Belgium agent who would be better at approaching customers and building relations.’ (CEO Castelijn)

Conclusions:
This research therefore indicates that the theoretical findings are confirmed. All of the family businesses in our sample have indicated that they start the internationalization process with exporting. We can relate these findings to several family business features from the family business, such as ‘not involving external owners and external financing’, reluctance to lose control over critical resources’ and ‘long-term orientation in strategy and investments’. These relations show that there is empirical prove that family features may result in the use of exporting as an entry mode to internationalization.

Furthermore, we found that family businesses use the Network approach in order to start internationalization. This is also in line with previous findings that the ‘family character of the business facilitates the building of relationships (with other family businesses) worldwide’ and that family businesses ‘prefer long-term relationships’ in their international activities.

5.4.2. Preference for culturally close host-countries

In our theoretical analysis it became clear that we may expect family businesses to start their internationalization and develop the international activities through culturally close countries. It is for example found that this choice can be influenced by the host-country power distance and the home-country uncertainty avoidance (Shane, 1994; Erramilli, 1996). The family’s investments in the business may lead to high uncertainty avoidance. Additionally, since the strategy of family firms is
largely determined by the culture of the family (Sharma et al, 2007), we may expect that a family firm would appreciate culturally close countries in the start and during the development. In our classification we try to estimate whether the culture is close to the Dutch or Swedish, based on the cultural dimensions of Hofstede (1980).

Based on our empirical findings we can construct the following diagram concerning the choices of host-country of family firms in our sample:

![Diagram 25: Preference for culturally close countries](image)

**Findings of host-country choices:**
The sample in this study points out that most of the family businesses have started or developed their international activities through culturally close countries. Dutch companies have also chosen for countries which are culturally not closely related.

‘We have started exporting to Norway, Finland and then Germany. Initially we did business in Scandinavia and then later the rest of Europe. In 1993 we started the first wholly owned subsidiary in Germany. Through acquisitions we expanded to other European countries like France, Portugal and Czech.’ (Manager Communications BIM Kemi)

Both other countries and culturally close:
‘We initially started exporting to the Netherlands, 2 years after the company was founded. Later we developed export markets in the UK, US and Japan.’ (CEO Daloplast)

‘The internationalization started by export to France. The rest of the developments have mainly been in Europe.’ (CEO Go-Tan)

‘Our first international assignment came from a partner who got orders from Greece. However, the internationalization has mainly developed through the US market.’ (CEO De Vries)

Although most countries have indeed indicated that they started and have developed their international activities through culturally close countries, we cannot confirm the theoretical analysis with this. When we take a closer look at the answers of the interviewees we can see that reasons for the choice of these countries only sometimes originate from ‘family-like motivations’, which could be related to the culture. Other reasons we could classify as ‘business-like motivations’.

Based on our empirical findings we can construct the following diagram concerning the motivations behind the choice of host-country:

![Diagram 26: Host-country choice motivations](image)

**Findings of motivations:**
We can classify the answers into three types: the answers which directly indicated that the choice was based on cultural differences, the answers which can partly be related to family-like motivation
and the answers which mostly reflect business-like motivations. There was only one company which directly indicated that they started their international strategy in a culturally close country, due to the cultural similarities. Nevertheless this company also exported to Curacao and Qatar, but those were more coincidental.

‘The export markets Curacao and Qatar actually just appeared to us. We intentionally started exporting to Belgium because the culture is similar and they speak Dutch.’ (CEO Castelijn)

Then there was one company (BIM Kemi) which indicated that they started with the neighboring countries because they wanted to develop the company ‘step-by-step’ and keep the company in the family. Additionally, the CEO of Hästens indicates the following, which can be related to culture-like motivations:

‘We do business with a country when we have found a native person from that country which has some background in Sweden. He or she then understands both our culture and the foreign market culture and methods of business.’ (CEO Hästens)

The remaining companies in this sample have only indicated ‘business-like motivations’.

‘Our main export market is The Netherlands because it is the horticulture center of the world. Other countries are interesting for us when the market is developed enough because our products require some investments for the farmer.’ (President LudvigSvensson)

‘The European market for Eastern cuisine has grown over the last 40 years. Beside this obvious reason to choose for Europe, other countries with sales potential (like the US) are not interesting to export to, since the distance would deteriorate the profits.’ (CEO Go-Tan)

Conclusions:
Overall we can say that the theoretical findings are rejected in such a way that the national and company culture does not have the decisive influence in the decision to choose for a country for international activities. The companies have mostly indicated that there are business-like motivations or that it is more convenient to do business with neighboring countries. Perhaps we should chance the ‘range of Diagram 2’ from ‘culturally close countries’ to ‘physically close countries’.

Main business-like reasons where the purchasing power of the country (Hästens; LudvigSvensson) and the market potential in terms of size (Daloplast; De Vries; Go-Tan; FA Bisschops). These findings are exactly in line with previous findings in section 5.2.4: ‘Inwards oriented strategy and lack of marketing orientation’, which indicates consistency in the answers. The only company which has here indicated to base the country choice on cultural motivations is also the only company that does not do any market or competitor analysis. Furthermore, the companies of which we can relate the answers to culture-like motivations (Hästens; BIM Kemi) are also the companies which pointed out that market and competitor analysis is only a small part of their strategy. They only perform the most necessary activities in market and/or competitor and focus their strategy on their family or history core values.

Finally, some companies have also indicated that some of their foreign customers in other countries have been contacted on a more ‘coincidental’ base (Castelijn; Daloplast). Due to all these reasons, we think it is safe to say that the family firms in our sample did not base their country choices on cultural related motivations and if they did, than they are more related to family-values and strategies, such as in the case of Hästens and BIM Kemi. Otherwise, the family business is lead by business-like motivations in choosing the host-country for international activities.
5.4.3. Preference for the Stage approach

Partly as a result of the previous aspects (such as: exporting behavior, wholly owned subsidiaries and culturally close countries) is the assumption that family firms will internationalize in a gradual process. From our theoretical analysis, we expected companies to develop the internationalization according to the Uppsala model. This implies learning from current operations, investing in successful markets and growing the business step by step (Johanson & Vahlne, 1977). These conclusions are for example related to the fact that family firms tend to exclude external owners (e.g. Graves & Thomas, 2008) and that family firms are more risk adverse (e.g. Mason, 2008). So far, the empirical analysis has also confirmed other aspects, suggesting that family firms also use different aspects of internationalization theory in their strategy (such as Resource-based view, Network approach and Knowledge-based view). As a result of our theoretical analysis related to the entry modes, we expected family businesses to follow the pathway as described by the Uppsala model and not for example the International New venture theory (INV; Oviatt & McDougall, 1994).

Based on our empirical findings we can construct the following diagram:

- **Diagram 27: Preference for the Stage approach**

  - **Findings:**
  - Two of the companies in the sample (Castelijn; FA Bisschops) have not developed the internationalization to a comprehensive degree (i.e. only exporting). Nevertheless this may be an indication that they are starting a stage approach towards internationalization. Therefore they are for now classified under ‘no preference’.
  - ‘We don’t really have an intended pattern in our international sales. We just expand our export markets based on the success of our export partners.’ (FA Bisschops)

  - Of the remaining companies, we have classified two companies (BIM Kemi; LudvigSvensson) as the companies who followed, deliberate, the stage approach. Then there are three companies (De Vries; Daloplast; Hästens) of which the process is clearly related to a stage approach, but which have not articulated this preference. Finally there was one company (Go-Tan) who initially followed a stage approach in their export behavior, but then suddenly started a joint-venture in Colombia.

  - **Stage approach (BIM Kemi; LudvigSvensson):**
    - ‘We have developed step-by-step and gradually increased our international presence. This is for example also the reason why we don’t need external owners. Additionally, starting small gives the advantage that you can test the market, make good contacts and develop a first-mover-advantage. This is also our approach in a new project in South-America; anticipating on larger future demands.’ (President LudvigSvensson)

  - Related to a stage approach-like process (De Vries; Daloplast; Hästens):
    - ‘In the 30s the export markets developed more and more and spread out over the whole world. In the 60s we started an alliance with another shipyard in order to serve the American market. In the 90s we also developed contacts in South America and started a sales subsidiary in the Middle East.’ (CEO De Vries)

    - ‘Our internationalization started with export to the Netherlands. Later also other countries were involved, for example Japan. We have also expanded our own products assortment through an
import/export trade construction with companies in China. Throughout the years we have developed sort of distribution centers in our important UK and US markets. This was done with cooperation of a foreign partner. We also tried to start our own sales subsidiary in Germany because this was an important market, but this failed.’ (Managing Director Daloplast)

If we take a closer look at the methods which are used to internationalize the business in a more advanced way (i.e. beside export), then we can see that different kinds of approaches have been used. We only classified six companies, because two (FA Bisschops; Castelijn) only use export.

Conclusions:
As we can see in the results of the analysis about the stage-approach choices, most of the companies have shown a stage-wise growth pattern in their international growth. Directly or indirectly several answers are provided for this strategy. As discussed in section 5.4.1 where we looked at motivations for the chosen start of internationalization, several answers can also be directly or indirectly related to the chosen approach to develop the internationalization. For example the ‘importance of the long-term orientation’ (section 5.1.1 and 5.1.2) the ‘aim for internalizing critical resources’ (section 5.1.3) and the ‘preference towards excluding external financial resources’ (section 5.2.9 and 5.2.10).

We will not go too much into detail about why the companies have chosen for a joint-venture or wholly owned venture, because this was done in section 5.1.4. However, we will look at some additional motivations which were directly given in relation to the development of the international activities.

Only one of our companies has started a joint-venture in a relatively early stage of the process (Go-Tan). The other companies, although they might have started international activities through joint-venture-like operations (Daloplast; LudvigSvensson) they have all shown stage-like approaches towards the internationalization. The main motivations were:
- First increase presence in current markets (BIM Kemi; LudvigSvensson; Castelijn; Go-Tan)
- There was no aim for fast growth (Daloplast; Hästens; De Vries)
- First integrate current operations (De Vries; BIM Kemi)
- Develop new markets gradually: (LudvigSvensson)

As to the methods of developing the internationalization, we can see that the answers are equally dispersed as the answers in preference for wholly or jointly owned subsidiaries (section 5.1.4). This indicates that although the companies usually start the internationalization with export and although they may have preferences towards some types of internationalization methods, they do eventually make use of all types of methods. Nevertheless, the methods were used in a sequence from ‘little collaboration’ towards ‘more collaboration’, as in the example of LudvigSvensson and De Vries.

Overall, we can say that family businesses indeed follow a stage approach towards internationalization. However, they also make use of the network approach, the knowledge-based and resource-based view. In addition, we can reject the preference for culturally close countries based on family-like motivations, but confirm the preference to start the process with export and develop the international presence in a step-wise approach.
5.5. Additional findings

5.5.1. Main learning points of interviewees
The interviews with the companies have indicated some ‘main learning points’ of the business owner in internationalizing the business. Some of these main learning points were in line with (thus more confirming) the findings from the theoretical research, such as:

- Taking a step-wise approach (BIM Kemi; LudvigSvensson)
  ‘Do the internationalization process step by step. We have had to do some restructuring in 2005 because we were not profitable anymore. The company had grown a lot in a short period and the main focus on our specialty chemical treatments and entrepreneurial spirit was deteriorating.’ (Manager Communications BIM Kemi)

- Having good market knowledge (LudvigSvensson; FA Bisschops; Go-Tan)
  ‘Every country is different, even in Europe. This means that there are different ‘taste-profiles’. Because we are a relatively small company, we have the ability to react on those niche demands in different countries.’ (CEO Go-Tan)

Other answers gave us insight in new aspects of influence on successful internationalization.

- Working with the right people (A1) (Daloplast; Castelijn; De Vries)
  ‘If you start the business from zero I would say that meeting the right people is the most important. Our partner in Germany has only cost us money and time, whereas out partners in The Netherlands, UK and US have given us great opportunities.’ (CEO Daloplast)

The ‘working with the right people’ could for example be related to the ‘recruitment and selection procedure’ (section 5.3.1), where the company has the opportunity to make sure that they do work with the right people. However, this may also be related to the network approach (Johanson & Mattsson, 1988), suggesting that the right contacts are needed in order to internationalize. Thus this can be another interesting finding, although it may be argued that this is not specifically relevant for family businesses alone.

- Integrated and coherent organization (A2) (De Vries; Hästens; Castelijn)
  ‘It is important to create an integrated organization in order to maintain efficient control in managing the business. This means that we integrate the business processes of our acquired companies.’ (CEO De Vries)

The aspect of having an ‘integrated and coherent organization’ is related to the ‘aim of internalizing resources’ (section 5.1.3), since this will require organizations to build a framework where these resources can be used and controlled, thus creating an integrated and coherent organization. These assumptions originate from the OLI paradigm (Dunning, 1979). However, we also recognize that these companies are the largest of the sample. This may indicate that the larger the company becomes, the more important it becomes to create a coherent and integrated organizational body. It was also suggested by Ruzzier at al. (2006) that the OLI paradigm is more applicable for MNEs.

- Focus on core competences (A3) (Hästens; BIM Kemi)
  ‘Do what works and leave what doesn’t work. You need to focus on your core strengths because otherwise you will have difficulties selling your products. For us this means that we focus on high quality craftsmanship and our business mission.’ (CEO Hästens)
The ‘focus on core competences’, one could argue, is not very much related to a family business feature but is required for companies in general. This can be related to the OLI paradigm and the resource-based view which suggest that organizations must exploit their uniqueness in order to out-compete the international competition (Ruzzier et al., 2006). Nevertheless, this can also be related to the knowledge-based view, since the internationalization is built around the initial core of specialization and then further developed in an international context (Naldi, 2008). Although on might argue that this is also important for non-family businesses, the companies have indicated this mostly in the light of excluding external finances, which is a typical family business feature. As a consequence, there is need for more focus on the core competences.

In conclusion we can say that the degree in which these latter three aspects are fulfilled may also be of influence on successful internationalization. There are arguments that these aspects are already covered by this research to some degree. Nevertheless, they have given some new insights into the internationalization in the family business, as discussed above.

5.5.2. Other influential factors

Besides the influence of the family business features, we have also observed other influences on the findings. The research intended to only compare the answers of the Swedish and Dutch family businesses from the sample in order to filter out the influence of country cultural differences. For this reason the Diagrams have indicated the Swedish and Dutch companies. Nevertheless, throughout the research it has been observed that beside family business features also legal aspects, company size and type of business can in some cases explain the results of this research. These influences have already been observed during the analysis and will therefore be summarized.

Country (A4)
- C1: Rigidity of family culture; the Swedish companies in the sample tend to recognize the facilitating effect of family values in running the business, whereas the Dutch companies mostly recognize the constraining effect.
- C4: Inward oriented strategy and lack of market orientation; in line with the previously mentioned feature, that Dutch firms have made more use of market and competitor analysis in their strategic process and decision-making.
- C8: Centralized decision-making; the Swedish firm mostly recognize the constraining effect of centralized decision-making in their business. This could indicate that Swedish firms make more decisions based on ‘consensuses’.
- C10: Exclusion of external financial resources (debt); the Dutch firms in the samples seem less reluctant to assume debts in order to finance international activities
- U4: Possibilities for re-investment of profits; the Swedish companies have mostly pointed out the advantage of re-investing profits. This is in line with their reluctance to assume debts (section 5.2.10), because that would mean that the profits decline due to interest payments. The Swedish companies have also indicated to have more reluctance towards debts.

Legal aspects
- F4: Favor control through ownership; some companies have pointed out that they do not have a choice in preferring wholly owned subsidiaries, due to legal reasons. This may then push the family business to involve some external owners in the subsidiaries, instead of maintaining their initial family preference.

Company size (A5)
- F2: Long-term relations with stakeholders; the smallest firms in our sample have stated the strongest concerns in terms of the sustainability of their networks and relationships.
- **F3: Aim for internalizing critical resources;** the two largest companies have indicated that it is important to internalize the critical resources in order to create an efficient management. This could indicate smaller companies may need this behavior less and could work through collaborations in order to access critical resources.

- **F7: Informal communications;** again the two largest companies have indicated that there is a need for some formalization in order to create efficiency. Some processes in the firm demand formal control. Nevertheless, usually communication is informal.

- **C2: Preference for family members;** many companies have indicated that there is a necessity for external people due to the workload. This could mean that smaller companies have less need for external people, if there are enough family members to do the job.

- **C6: No involvement of non-family members in the strategy process;** larger companies have indicated the need for specific external knowledge in order to determine the strategy.

- **U2: Use of intuition and gut-feeling in strategic decision-making;** smaller companies have indicated to eventually base some decisions on intuition, whereas larger companies have pronounced the need for analyses. We may for example conclude that larger firms have more specialized people and more financial resources to conduct these analysis. However, there seems to be a disagreement about this between the larger companies as well.

- **A2: Integrated and coherent organization;** this was suggested by the largest companies of our sample which could indicate that the larger the company becomes, the larger the need for an integrated and coherent organizational structure.

### Type of Business

- **F1: Long-term orientation in strategy-making and investments;** some of the companies in the sample have indicated that they required a long-term view in their strategy due to the nature of the business.

- **U5: Local focus of family firms;** some of the companies have indicated that the niche market that they serve explain the need for a local focus. Those companies are required to work with local people in order to identify the niche customer needs and demands.

These are interesting findings because we had initially already tried to eliminate these influences. The research had delimitations (Paragraph 1.4) on Swedish and Dutch companies, SMEs and the manufacturing industry. Apparently there are even differences between culturally close countries (like Sweden and The Netherlands), Small and Medium size companies and manufacturing companies. The most significant influences come from the country differences (A4) and the influence of company size (A5), which we also deemed influential due to findings of our previous research (as explained in the Delimitations, Chapter 1.4). Therefore, we conclude that the research has indicated that these may be regarded as additional findings.
5.5.3. Internationalization theories

In the previous paragraphs of the empirical analysis we have frequently made the connections between the answers of the companies and the corresponding internationalization theory. Based on these findings we can construct the following table:

<table>
<thead>
<tr>
<th>Theory*:</th>
<th>Recognized in features***:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic approach</td>
<td>C5 / U4 / A2</td>
</tr>
<tr>
<td>Stage approach</td>
<td>F1 / C4 / U3 / E1 / E3</td>
</tr>
<tr>
<td>Network approach</td>
<td>F2 / F6 / E1 / A1</td>
</tr>
<tr>
<td>Resource-based view</td>
<td>F3 / F7 / C1 / C6 / C7 / C8</td>
</tr>
<tr>
<td>International New Venture</td>
<td></td>
</tr>
</tbody>
</table>

Table 4: Findings of internationalization theories

* For explanation of the theory see Chapter 2.2  
** The answers of the firm cannot be related to a specific theory  
*** The abbreviations are related to the following features:

F1: Long-term orientation in strategy-making and investments  
F2: Long-term relations with stakeholders  
F3: Aim for internalizing critical resources  
F4: Favor control through ownership  
F5: Moments of reflection and learning from current operations  
F6: Family business culture facilitates foreign family firm relations  
F7: Informal communications  
C1: Rigidity in family culture  
C2: Preference for family members  
C3: Lack of education and experience of family managers  
C4: Inward oriented strategy and lack of market orientation  
C5: Strategic focus on culture and values, not on economic benefits  
C6: No involvement of non-family members in the strategy process  
C7: No information sharing with non-family employees  
C8: Centralized decision-making  
E1: Preference to start with export  
E2: Preference for culturally close country  
E3: Preference for stage approach  
A1: Working with the right people  
A2: Integrated and coherent organization  
A3: Focus on core competences  
A4: Country differences  
A5: Company size

Findings:
In the theoretical analysis, several facilitating and constraining factors for the family business have been found, which originated from different internationalization theories and special family firm features. The empirical analysis has shown that it was hard to draw one line through the answers and often the facilitating or constraining influence was conditional to certain criteria. As a result, many of the answers could also be related to different internationalization theories, depending on the criteria mentioned earlier.

In the analysis of the application of internationalization theories in the family businesses, we can see some patterns. Overall, we can say that there is a tendency to relate the facilitating and constraining features of the family to the resource-based view (RBV) and the knowledge-based view (KBV) (see table 4). Nevertheless, there are also motivations for choices made by family firms related to the economic approach, such as in the case of C5, where family firms have indicated to mostly base their internationalization strategy on economic motivations. Furthermore, the companies have also indicated the importance of the network approach, such as in the case of F2, where the companies explain the importance of long-term relationships.

In our theoretical analysis we have also determined that family firms were mostly expected to follow the pathway of the Uppsala model. The empirical analysis of the pathways taken by the family firms...
has confirmed that the stage approach is used towards developing the international activities. Additionally, it has shown that the network approach is very much valued in starting the internationalization.

As shown, the International New Venture theory is mostly rejected by the family business in the sample. This was also found by the theoretical analysis and is hereby confirmed. This means that family firms, as indicated in the empirical analysis, are unlikely to change their governance structure in order to access abundant financial resources, as suggested by the INV theory.

Conclusions:
This empirical study has shown that the family businesses in this sample internationalize mostly in correspondence with: Stage approach, Network approach, Resource-based view and Knowledge-based view (see table 4). More specifically, (1) the start of the process of internationalization is very much influenced by the Network approach. (2) Family firms are indeed expected to follow the stage approach (in particular the Uppsala model) in determining the pathway for internationalization. Subsequently, the facilitating and constraining influence of the family business features are mostly in line with the (3) Resource-based view and the (4) Knowledge-based view. On the other hand, the International New Venture theory does not apply to family businesses and the Economic approaches only apply to a lesser extent.
6. Conclusions

This chapter will provide an overview of the findings from the empirical analysis and the following conclusions which can be made for each feature which is studied in this final thesis. Secondly, the empirical model about the internationalization process of family firms will be presented, which is the theoretical model adjusted to the findings of the empirical research.

We have summarized the output from our empirical and theoretical analysis in table 5. This table demonstrates how specific family business features influence the internationalization process of these firms and under which conditions. In addition to that, it reveals how family businesses do generally internationalize their organizations and which internationalization theories are influential in this process. All over, this table contributes to an increased academic understanding of the so far underdeveloped area of academic research in internationalization of family businesses. In this way the conclusion fulfills the primary purpose of our thesis.

More specifically, our research questions and secondary purposes are clearly linked to the conclusion as well. First of all, we have determined the current state of academic knowledge about general internationalization theory, family business theory and previous research in family business internationalization in chapter 2 ‘Frame of Reference’ (secondary purpose 1). From this information, we have theoretically determined which and how specific features/factors of family firms might influence the internationalization abilities of this type of businesses in chapter 3 ‘Theoretical Analysis’ (secondary purpose 2). These theoretical proposals are integrated in table 5 as the ‘theoretical features’. The next column shows what the source of a certain feature is (previous research, theoretical research or empirical research).

Subsequently, we have empirically studied those theoretical findings in order to see if those features or factors are truly facilitating or constraining for the internationalization of family firms and under which conditions (secondary purpose 3). Those findings are integrated in the last three columns of table 5. We have classified our empirical findings as either confirmed, conditionally confirmed, partly confirmed, rejected, conditionally rejected, partly rejected or not applicable. Different conclusions have been derived from these findings and the reasons for those conclusions and/or the conditions under which those conclusions apply are stated in the last column (secondary purpose 4). Finally, the research questions regarding theoretical contributions and managerial implications will be discussed in the next chapter ‘Discussion’.

Overall, we can say that there are now 11 facilitating features, 7 constraining features and 4 uncertain features (see table 5, column: Conclusions). However, all these features are depending on some conditions (see table 5, column: Condition or reason). The conclusion of this study is that family businesses may be expected to start their internationalization process by using the network approach and further develop it in accordance to the stage approaches and in particular the Uppsala model (as described in the empirical model, Figure 8). The family firms support the internationalization process by mostly taking a resource-based view and a knowledge-based view to internationalization (accompanied by the implications as described in the Frame of Reference). Throughout making these choices, the family business features (as described in the Analysis) will facilitate or constrain the process of internationalization, following the conditions suggested in the table on the next page.
<table>
<thead>
<tr>
<th>Theoretical feature*:</th>
<th>Source**:</th>
<th>Finding:</th>
<th>Conclusion:</th>
<th>Condition or reason:</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1 Long-term orientation in strategy-making and investments</td>
<td>PR + TR</td>
<td>Conditionally confirmed</td>
<td>Facilitating</td>
<td>If the long-term orientation is integrated in the business as a core value of the family culture</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Facilitating</td>
<td>If the nature of the business requires a long-term strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No influence</td>
<td>If neither of the previous criteria are met</td>
</tr>
<tr>
<td>F2 Long-term relationships with stakeholders</td>
<td>TR</td>
<td>Confirmed</td>
<td>Facilitating</td>
<td>Because the relations lead to increased commitment and good contacts in international activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No influence</td>
<td>If the communication with stakeholders becomes increasingly impersonal and short-term oriented</td>
</tr>
<tr>
<td>F3 Aim for internalizing critical resources</td>
<td>TR</td>
<td>Confirmed</td>
<td>Facilitating</td>
<td>Because the internalization creates more efficiency in the organization and ensures exclusiveness of product information</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No influence</td>
<td>If a family business believes that copies of their products will not be competitive in terms of quality and customer value</td>
</tr>
<tr>
<td>F4 Favor for control through ownership</td>
<td>TR</td>
<td>Partly confirmed</td>
<td>Facilitating</td>
<td>If the family culture is very influential in the business</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Constraining</td>
<td>If national cultural differences and/or a long distance actually make it too difficult to monitor and manage a wholly owned foreign subsidiary</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Constraining</td>
<td>If a family business believes that native people are more successful in selling their products in a particular market</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No influence</td>
<td>If neither of the previous criteria are met and it therefore depends from case to case what the best option is (wholly owned or joint venture)</td>
</tr>
<tr>
<td>F5 Moments of reflection and learning from current operations</td>
<td>TR</td>
<td>Conditionally confirmed</td>
<td>Facilitating</td>
<td>If family firms do reflect upon their current operations in order to stimulate the process of integrating new knowledge</td>
</tr>
<tr>
<td>F6 Family business culture facilitates foreign family firm relations</td>
<td>TR</td>
<td>Conditionally confirmed</td>
<td>Facilitating</td>
<td>If the culture of the family business is influential and shows similarities with partner family companies abroad</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Facilitating</td>
<td>If the character of the business (family) instigates confidence abroad</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No influence</td>
<td>If the family character is not that influential in the business</td>
</tr>
<tr>
<td>F7 Informal Communication enhances efficiency and innovativeness</td>
<td>TR</td>
<td>Partly confirmed</td>
<td>Facilitating</td>
<td>Because it enhances efficiency or it lowers bureaucracy in terms of procedures and documents</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Constraining</td>
<td>If the family business is more developed in terms of employees (requires a more formal governance structure and strategizing process)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No influence</td>
<td>If the family character is not that influential in the business</td>
</tr>
<tr>
<td>C1 Rigidity in family culture</td>
<td>TR</td>
<td>Conditionally rejected</td>
<td>Facilitating</td>
<td>If family values are business or market oriented</td>
</tr>
</tbody>
</table>
| C2 | Preference for family members | PR + TR | Confirmed | Constraining | If there are no family values involved in managing the business  
Constraining | If the family values limit the options in country or external people choices
Constraining | If external people are necessary for additional knowledge and experience
Constraining | If the company has grown too large for the family to manage alone
| C3 | Lack of education and experience of family managers | PR+TR | Conditionally confirmed | Constraining | If the education/previous working experience is not business or market related and there are also no external managers in the firm
No influence | If the education or previous working experience led to management skills
| C4 | Inward oriented strategy and lack of market orientation | PR+TR | Confirmed | Constraining | If the market and competitor information is required to make an internationally competitive strategy
No influence | If there are external managers in the firm
| C5 | Strategy focus on culture and values, not on economic benefits | TR | Partly confirmed | Constraining | If the type of business demands economy of scale
Constraining | If the type of products or market demands pro-active strategies
| C6 | No involvement of non-family members in the strategy process | PR+TR | Confirmed | Constraining | If the non-family members can provide the business with additional perspectives, knowledge and experience
Less constraining | If only advices of non-family managers are taken into consideration
| C7 | No information sharing with non-family employees | TR | Confirmed | Constraining | If operational and tactical information is not shared with non-family employees and they can therefore not learn or work efficiently
No influence | If the employees are not trustworthy
| C8 | Centralized decision-making | TR | Partly confirmed | Constraining | If the knowledge and experience from managers and employees is not used in making strategic and tactical decisions
Constraining | If the family business grows to large for the family to take all decisions
No influence | If operational decision-making is decentralized with a reporting obligation to the family
| C9 | Maintaining all ownership in the family | PR+TR | Conditionally rejected | Facilitating | If there is enough capital to fund the current operations and growth of the business
Facilitating | If there would be (strong) disagreements about business ideas and objectives between external owner(s) and family
Constraining | If there is not enough capital to fund current operations (and growth)
| C10 | Exclusion of external financial resources | PR+TR | Conditionally confirmed | Constraining | If the company is refrained from performing investments (and growing) because of the reluctance to take debts
No influence | If the company has enough cash to perform investments
Facilitating | If the company besides having enough cash, only takes debts as a buffer to overcome difficult periods

| U1 | Selection and requirements of external managers | TR | Not applicable | Facilitating | If family firms have negative experiences with former external CEO's due to cultural clashes and different business objectives |
| U2 | Use of intuition and gut-feeling in strategic decision-making | TR | Not applicable | Facilitating | If business relies to a great extent on foreign salespeople |
| U3 | Involve the whole organization in moments of reflection and learning | TR | Not applicable | Facilitating | If family businesses does not have any particular preference |
| U4 | Possibilities for re-investments of profits | TR | Not applicable | Facilitating | If the family business is still small |
| U5 | Local focus of family firms | TR | Not applicable | Facilitating | If a more rational decision-making approach, based on knowledge and experience, is completely ignored |
| U6 | Managerial succession of family or non-family CEO’s | PR+TR | Rejected | No influence | If there is a lot of external knowledge and experience within the business |
| E1 | Preference to start with export | TR | Confirmed | Start with exporting | Because the family business aims to exclude external owners and therefore grows the business over time and starts with exporting |
| E2 | Preference for culturally close countries | TR | Rejected | Country choice is | In our sample mostly based on market potential |
| | | | | Country choice is | Or, based on competences and knowledge present in the company |
| | | | | Country choice is | Or finally, the choice is not based on any particular reason but more coincidental or opportunity seeking |
| E3 | Preference for stage approach | TR | Confirmed | Stage approach | If the company is mostly aiming on strengthening the position in current markets first, before expanding international operations |
| A1 | Working with the right people | ER | Not applicable | Constraining | If the company does not possess a good and solid network to rely on and thus works with the wrong people (otherwise facilitate) |
| A2 | Integrated and coherent organization | ER | Not applicable | Constraining | If the company has reached a certain size and there is no integrated and coherent organization (otherwise facilitate) |
| A3 | Focus on core competences | ER | Not applicable | Facilitating | If the company can exploit their core strengths when internationalizing the business (otherwise no influence) |
### Table 5: Overview of Conclusions

<table>
<thead>
<tr>
<th>A4 Country influence</th>
<th>ER Not applicable</th>
<th>Partly observed</th>
<th>Country differences influential in cases: C1, C4, C8, C10, Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>A5 Company size influence</td>
<td>ER Not applicable</td>
<td>Partly observed</td>
<td>Company size influential in cases: F3, F7, C2, C6, U2, A2</td>
</tr>
<tr>
<td>T1 Economic approach</td>
<td>ER Not applicable</td>
<td>Partly observed</td>
<td>Recognized in: C5, U4, A2</td>
</tr>
<tr>
<td>T2 Stage approach</td>
<td>TR Confirmed</td>
<td>Mostly observed</td>
<td>Recognized in: F1, C4, U3, E1, E3</td>
</tr>
<tr>
<td>T3 Network approach</td>
<td>ER Not applicable</td>
<td>Partly observed</td>
<td>Recognized in: F2, F6, E1, A1</td>
</tr>
<tr>
<td>T4 Resource-based view</td>
<td>ER Not applicable</td>
<td>Mostly observed</td>
<td>Recognized in: F3, F7, C1, C6, C7, C8</td>
</tr>
<tr>
<td>T5 Knowledge-based view</td>
<td>ER Not applicable</td>
<td>Mostly observed</td>
<td>Recognized in: F4, F5, C2, C4, U3, A3</td>
</tr>
<tr>
<td>T6 International New Venture</td>
<td>TR Rejected</td>
<td>Not observed</td>
<td>Recognized in: -</td>
</tr>
</tbody>
</table>

*The features and aspects which have been studied in the empirical analysis. (F1, Facilitating feature / C1, Constraining feature / U1, Uncertain feature / E1, Entry mode features / A1, Additional findings / T1, findings related to internationalization Theories)

**The source of the Theoretical features. (PR, found in Previous Research / TR, proposed by the Theoretical Research of this study / ER, observed in the Empirical Research of this study)
Following these conclusions (as stated in table 5), we have attempted to adjust theoretical model to the empirical findings. We will now explain what these adjustments comprise of:

- The theoretical model (figure 7, p.45) assumed that there were slightly more constraining features than facilitating features. The empirical model is adjusted to having slightly more facilitating features (see figure 8 below). As a result, the line of the ‘actual process line’ of internationalization has moved more towards possible success.
- Nevertheless, many features remain conditional and therefore there is also the possibility for failure, represented by the ‘possible process line’ towards failure. Again, similar to the theoretical mode, the moment of occurrence of facilitating or constraining features is not bound to the timeline. We may however say that the influence can change over time.
- The internationalization steps (left axis) have been adjusted to the findings of the empirical research (Export through networks, possible distribution centre through collaborations, usually wholly owned sales subsidiaries, strategic alliances and finally foreign production.
- The ‘clouds’ show the important considerations of the family businesses to based their internationalization on network connections, knowledge accumulation and firm resources.

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Figure 8: Empirical Family Firm Internationalization Model (Source: Compiled by authors)

- = trend line of the internationalization process (in terms of vertical axis left or right)
- = actual process (in terms of vertical axis left or right)
\ = possible process, towards failure, if constraining factors outweigh the facilitating factors
7. Discussion

This chapter discusses the theoretical contributions and the managerial implications of this study, which will be explained with some examples. Additionally, the limitations which can be associated with this research will be addressed and some suggestions for further research will be made.

7.1. Theoretical contributions

As already mentioned in section 2.1.1, there have been a couple of studies in the past (such as Davis & Harinston, 2000; Mason, 2008; Olivares-Mesa & Cabrera-Suárez, 2006; Gallo & Garcia-Pont, 1996; Gallo & Sveen, 1991; Graves & Thomas, 2008; Naldi & Nordqvist) which have empirically researched the impact of some specific features of family businesses on their internationalization process. Nevertheless, as pointed out in the problem statement and the previous research paragraphs, none of those studies have attempted to give an overview of the influence of the unique features and factors of family businesses on the internationalization process of those firms. In addition to that, the former studies were all survey based, whereas we took a more qualitative approach in order to get a better understanding of a so far underdeveloped area of interest. We have contributed to the academic understanding of the internationalization of family firms by providing an overview of the facilitating and constraining factors, the way family firms tend to internationalize and the internationalization theories that can be linked to this process (see conclusions). Finally, the existing research regarding internationalization of family firms does not deal with the process of internationalization. This means that we can say that most of the study consists of new knowledge and that will provide a theoretical contribution. We will elaborate on several aspects more in-depth.

One of the most surprising theoretical contributions of this thesis is that our empirical research has led us to question the validity of some of the specific characteristics of family firms, derived from our theoretical research. For example, the family business theory states that ‘family firms are generally reluctant to hire external managers and board members’ (e.g. Olivares-Mesa & Cabrera-Suárez, 2006 and Naldi & Nordqvist). Our empirical research on the contrary, has recognized that the most family businesses in our sample (small and medium ones) do hire external managers due to either the need for external knowledge and experience or due to the company size. Many other family business features which we have used in our research have shown to be not valid in the family companies of our sample (as indicated in the Empirical Analysis), such as ‘the reluctance of family business owners to include other people in determining the overall strategy’ (e.g. Hess, 2006) and ‘the inwards orientation of the family culture’ (Gudmundson et al., 1999) which results in a ‘lacking market orientation’ (Hunt & Lambe, 2000). Our empirical analysis indicates that the family businesses do involve other (non-family or external) people in designing the strategy and that families do perform market and competitor analyses in order to create a market focus. Thus, we can ask ourselves whether the current literature on family business is suitable for international family businesses.

Another important contribution to the existing theory is that we have looked at the overall picture of family businesses in terms of size, type of business, influence of the family culture on the business, financial situation, the involvement of external managers etcetera in order to determine if a certain feature has a facilitating, constraining or no influence on the internationalization of a family firm. Most of the previous literature has threaten all family businesses in the same way and deemed the influence of a specific characteristic of family businesses on their internationalization for all family
firms the same. We believe that this is not the case, because each family is different from another. This will be explained by a good example related to the family ownership of the business. Fernández and Nieto (2005) found a negative relationship between family ownership and international involvement. The reason for this negative relationship is the difficulty that family firms face in accessing the essential, external financial and human resources to build competitive advantages internationally (e.g. Fernández & Nieto, 2005; Gallo & García-Pont, 1996; Gallo & Sveen, 1991; Graves & Thomas, 2008), due to the nature of family businesses to ‘protect’ the firm from outsiders. As is demonstrated in our conclusion, we have conditionally rejected this finding. The reason for this is that we found that most of the family firms in our sample do have enough own capital to fund the international activities and that the ‘protective’ attitude of family firms towards external owners can be caused by their fear to lose managerial control over their businesses as well. So, we say that the absence of external owners will only work constraining for family businesses that face problems in accessing the essential financial resources to build competitive advantages internationally. In all other cases, the absence of external owners might even work facilitating for family businesses, because it avoids possible disagreements between external owners and family members about the objectives of the business.

Related to the previous point, the study indicates that for almost all theoretical features, certain conditions will determine the either facilitating or constraining influence on family firm internationalization. This means that family businesses are not threaten all the same, but that the influence of a specific characteristic on the internationalization depends from firm to firm. Concluding on these findings, we have attempted to identify these conditions and summarize them in general terms (see table 5) in order to create the optimal theoretical contribution. The managerial implications of this will be discussed in the next paragraph. For now we can conclude that this conditional approach may be considered another theoretical contribution to our understanding of family business internationalization.

In addition to the family business features, company size has been identified as an influential condition. There are a couple of studies that have recognized the important influence of the size of the family business as well. Olivares-Mesa and Cabrera-Suárez (2006) for example have stated that especially smaller family firms are characterized by resource (financial and human) scarcity. Nevertheless, we have pointed out how the size of the business can influence other theoretical features as well, such as the communication within family firms. We found that the more developed family firms are in terms of employees, the more it will require formal governance structures and strategic processes, and in line with this, more formal communication channels. Beside the influence of company size, the type of business has a similar influence on the facilitating or constraining effect of family business features on internationalization (see Additional findings, paragraph 5.5). These findings therefore form a theoretical contribution as well.

In relation to the size of family businesses, we have also looked at the differences between Swedish and Dutch family firms. Although we have not aimed at further explaining those differences from a national culture point of view, the fact that we have identified some differences in the way family firm characteristics do influence the internationalization of family businesses in the two countries contributes already to the existing theoretical knowledge. There have been no previous studies that have tried to identify differences between Swedish and Dutch family firms regarding internationalization, whereas we have for example found that Dutch family firms make more use of market- and competitor analysis in their strategic process and decision-making than their Swedish counterparts.

Furthermore, no or little previous research has intended to identify the internationalization process of family firms. We just have found a couple of studies that have intended to discover the internationalization process of SMEs (Agarwal & Ramaswami, 1992; Oviatt and McDougall, 1994).
We have asked ourselves the question, how do family firms in general internationalize their businesses? Based on the theoretical findings, we have visualized this process in figure 7 in paragraph 3.6. The empirical results have demonstrated that figure 7 does not completely reflect the reality, so we adjusted this figure a little. The result of this adjusting is figure 8 in the ‘Conclusions’. The most important theoretical contributions in this context are that (1) family businesses tend to export by using their networks, instead of exporting to culturally close countries, (2) use a foreign distribution centre (possibly in co-operation), before they start a wholly owned sales subsidiary and (3) start strategic alliances with other (family) firms, before they start a wholly owned foreign production. These findings are new theoretical contributions. The study has shown that family businesses develop their internationalization process through a step-wise approach according to the Uppsala model. This was already suggested by our theoretical analysis and was confirmed by the empirical analysis. In addition, the family business features will facilitate or constrain the internationalization process through an explanation of a resource-based view and a knowledge-based view. These findings also contribute to our theoretical understanding of family business internationalization.

The purpose of this research was to increase the academic understanding of the internationalization of family firms. This area of knowledge was considered underdeveloped. Since this study was conducted by the use of academic approaches, research techniques and information sources, it contributes to the academic understanding of this phenomenon. Therefore we believe that through the previously discussed points and the overview of findings (as visualized in table 8 in the Conclusions) this study provides a thorough understanding of the influence of family business features on the internationalization process and a significant theoretical contribution.

### 7.2. Managerial implications

As explained in the introduction, not only the theoretical understanding of the phenomenon family business internationalization is important, but the practical managerial implications are evenly significant to us. This means that we should ask ourselves the question, how can family business managers or consultants use the findings of our thesis in order to facilitate the internationalization process of a certain family firm?

In order to answer that question we would like to refer to table 5 in our conclusions. This table has provided an overview of all our findings. The managerial implications are threefold:

1. The findings in relation to the ‘facilitating features’, ‘constraining features’ and ‘uncertain features’ are relevant for family firm managers or consultants, because they demonstrate how managers or consultants can influence the internationalization process within family businesses by creating different conditions and/or by adapting to the current conditions.

2. The internationalization process as suggested in figure 8 is recommendable for family firms, because this process is derived from our theoretical and empirical research as the most appropriate internationalization process for family firms, in relation to the influences of the family business features.

3. The influence of the related family firm theories regarding the advised internationalization process will be interesting for consultants to study. If they understand which theories influence certain stages of the internationalization process of family firms, they will be able to better counsel family businesses concerning internationalization.

According to us, the most significant managerial implication is the first mentioned one: our study provides a guide for managers and consultants to create the right conditions under which certain features can become facilitating or at least less constraining for the internationalization in family businesses. We would like to demonstrate the implications by providing three examples.
The first example is related to the theoretical feature ‘favor for control through ownership’ (F4). We have identified that this feature can have either a facilitating, constraining or no influence on the internationalization of family firms (see table 5). This means that managers or consultants have to adapt their internationalization strategies to the current conditions in ‘their’ family business or that they have to create the right conditions in order to benefit from the strategic plans regarding the ownership situation in foreign subsidiaries. The first thing managers or consultants should do is to study the current situation of a family business. If the family culture is very influential within the business, a wholly owned subsidiary is preferred. However, if the physical and national cultural distances are great or when it is difficult to conduct a business for a foreigner in a certain country, the advice may be to either lower the influence of the family culture in the business or to overlook the idea of complete ownership. In the case of a Dutch company that wants to enter the Kenyan market (long physical distance, many differences in national cultures and difficult to conduct a business in Kenya for a Dutch person) they should contemplate the possibility to recruit a Dutch person who lives or wants to live in Kenya in order to monitor the foreign subsidiary. Obviously this Dutch person must have knowledge about the Kenyan culture and it would be recommendable if this person understands the culture of the family business as well. Another option is to start a joint-venture with a trustworthy Kenyan company in order to overcome the constraining influence of the wholly-owned subsidiary. The most dramatic option is to leave the business opportunity in Kenya to another company and start focusing on opportunities in for example more culturally close countries.

The second example is related to the theoretical feature ‘rigidity in family culture’ (C1). Again, managers and consultants should study the current situation related to family culture first and ask themselves questions like: What are the most important cultural characteristics of the family? How is the family culture integrated into the business? How does the family culture influence the business? We have found that family culture can work facilitating for internationalization when the family values are business or market oriented. Hästens is an example of a family firm with a strong market oriented family value: ‘providing high customer value through high quality products’. This value has helped them to internationalize successfully. On the other hand, we have concluded that family culture can work constraining for internationalization when the family values are not market or business oriented and therefore limits for example the options of host-country or external people. Castelijn has stated that the second generation runs the business the way ‘dad’ did it. This means that this family firm will most likely not start exporting to other countries than Belgium, which limits their internationalization. Manager and consultants can in this case learn that the family should manage and focus on the family values. Then the family culture may facilitate the internationalization, especially because the family culture is very influential in the strategy making of family firms.

In the last example, we would like to discuss is the use of intuition and gut-feeling in strategic decision-making (U2). This example shows how the size of the business influences the way managers and consultants should approach the influence of some family firm features. We found that the use of intuition works facilitating for small family businesses. This means that small family firms are advised to use intuition and gut-feeling to a great extent in their internationalization strategy (see Empirical Analysis). On the other hand, as soon as the business starts to grow, a more rational decision-making approach (based on knowledge and experience) is required. Managers and consultants should be aware of this and must adapt the way strategic decisions are taken within a family business to the growth stage of the firm in order to facilitate internationalization.

From the given examples we can conclude that managers and consultants should try to create the right conditions within the business and/or adapt to the current situation of the family firm in order to benefit from the unique factors and features of family businesses in terms of internationalization. Table 5 provides an overview of those influences on internationalization and a tool for family business managers and consultants.
7.3. Limitations and further research

The delimitations, purpose and research questions have made the findings of the study more valuable in terms of focus and applicability. Nonetheless we have found some limitations to this study which we consider to be worth presenting.

Selected companies
A large number of aspects have been researched in this thesis. On average the study deals with the aspects quite in-depth and the study takes a qualitative approach to the problem ensuring that each aspect is dealt with in an appropriate manner. Nevertheless, each feature could only receive a limited amount of interview and analysis time. Since there are a wide variety of subjects in internationalization theory, the selected companies do not always practice all aspects. More specific study is required in some of the aspects as for example the ‘preference for control through ownership’. The sample only contained 5 companies with foreign subsidiaries. Therefore, if the study would have contained more companies with subsidiaries abroad, then this would give more meaningful information about the limiting relationship between family ownership preference and internationalization.

Suggestion for further research:
In order to grasp additional perspectives, influences or significance of each feature, more specific studies can be conducted about each feature in specific firms.

Uniqueness of the features
As described in the Delimitations (section 1.4.2) we have focused our study on family businesses and assumed that by using studies about family businesses we would capture the special features of family businesses. Subsequently, we have related these special features to the internationalization theory. Finally, we have only studied family businesses. This together should ensure that our results are applicable for family businesses. Although this may be true, it is not said that none of the findings may also be applicable to non-family firms.

Suggestion for further research:
In order to study which of the factors are exclusively facilitating or constraining for family businesses, a study could be carried out comparing these aspects between family and non-family businesses.

International businesses only
Additionally, the selected companies were only international businesses. The results have shown that the family businesses of this sample do recognize certain constraining features as limiting for their international growth. However, as presented in the empirical analysis and the theoretical contributions, these firms perform ‘the opposite’ of the constraining feature. For example, the companies in the sample perceive a preference for family members (section 5.2.2) as constraining for internationalization. But to counteract on this constraint they have hired external people. Therefore we cannot see a direct relation between the constraining effects of the ‘preference for family members’, but only that the hiring of external people has facilitated the internationalization of the companies.

Suggestion for further research:
In order to investigate whether the features are truly facilitating or constraining the internationalization of family firms, we suggest conducting a comparative study between international and not-international family firms.
Influence, not significance
This thesis project has studied which family business features are influencing the internationalization process, in what way (i.e. facilitating or constraining) and under what circumstances the feature would be facilitating or constraining. It was not intended to show which features have more influence than others. This may be interesting and useful for family business managers. Nevertheless, we believe that we should first identify which features are influential and consequently which are the most important ones. Although we have deemed this link to performance to be outside the scope of this research, one could say that this study does show some indications of which factor are more significant than the other, as displayed in the diagrams of each feature. When a diagram shows a clear preference towards either facilitating or constraining, then this features must be more important than one of which the preference is not clear and the opinions are many more in the area of ‘no influence’.

Suggestion for further research:
In order to intentionally further study the significance of each feature we suggest conducting a study about the influence of executing each feature on the following performance of the firm (for example the scope or scale of internationalization or the financial performance).

Influence of national culture
As described in the delimitations (section 1.4.4) there were several reasons to focus the study on a particular geographical area, in this case Swedish and Dutch family businesses. As discussed in the empirical analysis (section 5.5.2), some features seem to be differently influencing the internationalization process in Swedish or Dutch firms. Therefore the results may to some degree be influenced by national cultural differences. We have made these observations in our analysis, but cannot provide for supporting theoretical or empirical prove.

Suggestion for further research:
In order to draw meaningful conclusions on the influence of national culture, we believe that a qualitative study in the influence of cultural differences between Sweden and The Netherlands would be more appropriate.

Influence of company size
As indicated in the Empirical analysis (section 5.5.2), companies have indicated that some of the answers were based on motivations in relation to the company size. Therefore, despite the focus on SMEs (paragraph 1.4.3), the results may be influenced by the difference between Small and Medium enterprise management styles or features. We have made these observations in our analysis, but cannot provide for supporting theoretical or empirical prove.

Suggestion for further research:
In order to draw meaningful conclusions on the influence of company size on the findings of this study, we suggest for example conducting a quantitative study of the influence of company size on the decisions made regarding some of the family business features in this study.

Type of business and legal aspects
Finally, similar to the two previously described limitations, the type of business and legal aspects are also of influence on the answers of the family firms (as described in section 5.5.2). Additional research could be conducted in the decisiveness and significance of these aspects in determining the internationalization strategy.
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Appendix

Appendix 1: Criticism and support on Internationalization theories

Criticism and support: Economic approach
Some academics have criticized the Eclectic paradigm for indeed pointing out the advantages of internationalization, but not addressing the managerial problems that multinational firms face during the internationalization process (Melin, 1992). However, the Eclectic theory does provide some strategic and tactical knowledge. Foreign Direct Investments and foreign activities are for example more likely to happen when a firm has ownership specific advantages over a firm in the foreign market (Ruzzier et al, 2006). The greater the advantages the more likely that international activities are to happen. Hence, firms need to focus on their competitive advantages (Ruzzier et al, 2006). Secondly, in order to reduce transaction costs and inefficiencies, the firm needs to internalize them into the corporation. Additionally, the company has to decide where the exploitation of these ownership specific advantages must take place for the most effective transformation into products or services (Dunning, 1979; 1980; Naldi, 2008). Furthermore, research has shown that indeed the choice of entry mode (i.e. exporting, subsidiary, joint venture, etc.) appears to be explained with the ownership, location and internalization advantages from the Eclectic paradigm (Agarwal & Ramaswami, 1992).

Criticism and support: Stage models
Some criticism on the model is that it is argued that the model is only applicable on large corporations which have internationalized already for some time ago (Armario, Ruiz, & Armario, 2008). Also, the Uppsala model is criticized for being too deterministic and paying insufficient attention to a particular case (Anderson, 1993). According to some authors, the staged development of firm internationalization in general is described as an incremental, risk-averse and reluctant adjustment to change in a firm or its environment (Oviatt & McDougall, 1994). Modern SMEs in practice do not necessarily follow these stages (Oviatt & McDougall, 1994).

Despite these criticisms, the stage models remain attractive from an organizational point of view. Some authors have indeed shown that the most common pattern need not be decisive over all situations. A firm may learn from their current operations and decide to continue internationalizing in a more comprehensive way directly, skipping some steps (Dicken, 2007). The stage models, however, provide an alternative perspective to the eclectic paradigm and address the organization changes which can occur during internationalization (Melin, 1992; Buckley, 1988). In addition, there is also a great deal of evidence that market and technological know-how derived from international markets indeed contributes to SMEs competitive advantage in international markets (Naldi, 2008; Penrose, 1955). As a consequence, scarcity of information and knowledge leads to more careful approaches to internationalization, thus supporting learning sequence in the Uppsala model (Armario, Ruiz, & Armario, 2008). Also other research indeed point out that firms which are conservative and have a risk-adverse nature generally choose an international expansion which tends to follow a sequential process, as stated by the Uppsala model (Claver, Rienda, Quer, 2007).

Criticism and support: Network approach
Although the same criticism of rigidity and being deterministic from the Uppsala model could be proposed against the four stages from the network approach (early starter, late starter, lonely international, and international among others; Johanson & Mattsson, 1993) and against the three fields of networks (exertion, penetration and integration; Johanson & Mattsson, 1993), we have not found much of this solid criticism towards the network approach.
Dicken (2007) also describes that the global economy can be more easily understood in terms of networks and that this approach helps us to appreciate the interconnectedness of economic activities. In the global economy he distinguishes two main types of networks, which can be related to the micro and macro networks of Johanson and Mattsson (1988): organizational (in the form of transnational production circuits; micro) and geographical networks (in the form of localized clusters of economic activities; macro). Organizational networks constitute companies in different areas and fields of expertise, which together form one production circuit, whereas geographical networks constitute of companies in regionalized areas in the same field of expertise (Dicken, 2007). The networks have significant influence on the way business is conducted, the way resources are gained, how the supply-chain is organized and where organizations must be established (Dicken, 2007), thus relating the network approach to the OLI paradigm (Dunning, 1979;1980).

Numerous studies have indeed shown that networks can play an essential role for internationalizing SMEs (Löfgren et al, 2008). Since small companies are typically depending on external skills and resources, the network relationships with other firms can provide additional resources for internationalizing (Oviatt & McDougall, 1994). Of particular influence on the use of a network approach to internationalization is the size, knowledge intensity, environment and the entrepreneur of the (small) business (Welch & Luostarinen, 1988; Cited in Naldi, 2008; Prashantam & Berry, 2004). Where larger companies tend to more internalize the network, small firms only seek to use their network. And in fast changing business environments with knowledge intensive firms, the use of networks and collaborations can avoid large expenses in research and development.

**Criticism and support: Resource-based view**

We have not found any criticism on the resource-based views on internationalization. All sources which we have read and studied concluded that the resources as stated above can contribute to a successful internationalization.

In the growth theory of the firm (Penrose, 1995) it is also pointed out that there must be limits to the abilities of entrepreneurs to exploit opportunities for growth, partially due to the availability of knowledge, capabilities and systems which are available. Thus, the entrepreneurs’ knowledge and experience contributes to better international growth. Furthermore, the importance of adjusting the organizational capabilities is emphasized as well. Madhok (1997) describes that the competitive advantage of a firm needs to be maintained in today’s rapidly changing business environment, by acquiring, evaluating, integrating and exploiting new knowledge in the firm. The organizational capabilities are integrated into the processes and routines of the firm in order to create sales and therefore set limits to the firms’ internationalization.

It is also found that resources and capabilities can influence the decisions about whether the firm internalizes its exports or not. The mode of internationalization (explained in section 3.1.3 Entry Modes) chosen and the level of control over distribution channels abroad are influenced by the abilities of the firm to do so (Campa and Guillen, 1999). Finally, it is explained that companies who seek to internationalize operations need to foster entrepreneurship by doing so (Zahra et al, 2001). Corporate entrepreneurship can be explained by the use of the Entrepreneurial Orientation framework (Dess & Lumpkin, 2005), which emphasize the organizational and managerial capabilities for autonomic behavior, innovation, risk-taking, pro-activeness and competitive aggressiveness.

**Criticism and support: Knowledge-based view**

Again, we have not found criticism on the knowledge perspectives; instead, the other academic theories on internationalization put more emphasis on selected parts of the knowledge perspective (Naldi, 2008). We also come to this conclusion. The Economic approach stresses the firm technological knowledge as an ownership-advantage. The Uppsala model instead, puts more
emphasis on the acquired market knowledge from current operations, whereas the network approach takes the network resources as more critical for internationalization.

Also Buckley and Casson (1979) already found knowledge to be a critical element in some industries. According to Buckley and Casson (1979), internationalization is particularly important in industries where flows of technical and marketing knowledge are important. The knowledge is very costly; therefore a firm would prefer the internalization of the transaction costs of knowledge (likewise to Dunning, 1979). Access to these internalized knowledge resources enables companies to outcompete competition. It is pointed out that in particular proprietary knowledge (R&D), marketing knowledge and production knowledge (units, logistics, and delivery times).

The organizational capabilities framework and the resource-based view on internationalization are both assuming rationally thinking strategic actors and mobility of resources (Naldi, 2008). However, Penrose view (1995) is slightly different in this respect. Penrose (1995) assumes that international expansions are opportunities which the entrepreneur has to ‘see’. Therefore, the inherited resources or the firm and the subjective nature of productivity of opportunities become more important; like the experience, attitude and knowledge of the entrepreneur. Anderson (200) also points out that behaviorally oriented models (like the Uppsala models and the KBV) treat individual learning and top managers as important aspects in understanding a firm’s international behavior. Also Penrose (1995) points out that the limits of the small firms’ growth are very much associated with the limits of resources available, since most innovations are related to capabilities of the entrepreneur.

Criticism and support: International New Venture theory
Since the theory is relatively new, there is only little criticism. In the initial phases of developing the theory, the creators of the Uppsala model have dismissed the critics from the International New Venture theory by finding that minor adjustments to the Uppsala model will have the same result (Oviatt & McDougall, 1994). As the most crucial factor of the INV model is the possession of financial resources and a unique competitive advantage (technology or knowledge), there is much support for this theory from the RBV (e.g. Barney, 1991; Madhok, 1997) and the KBV (e.g. Penrose, 1995; Andersson, 2000).
Appendix 2: Requirements for Internationalization

Leadership

Knowledge
- Managers must have appropriate training, experience, judgment, relations and knowledge and the like, to create a globally competitive strategy (Barney, 1991; Ruzzer et al, 2006)
- Leaders must identify particular persons which are of great importance in the organization, due to a possible concentration of knowledge and networks into one person (Andersson, 2000; Miesenbock, 1988).

Experience
- Experience, attitude and knowledge of the entrepreneur is of particular importance since not all internationalization decisions are purely based on facts and rational thinking, but often on gut-feeling and experience (Penrose, 1995; Etemad, 2004)
- Experience is an essential factor to diminish the level of uncertainty and risks related to foreign-market decisions (Armario et al, 2008)

Competences
- Competent, open-minded and experienced manager for managing dualities (Zahra et al, 2001; Lam & White, 1999; Ruzzier et al, 2006) in cultures and firms objectives
- Management nearly always needs to be of higher quality in an international company (Gallo & Sveen, 1991)

Attitude
- The knowledge and experience from current operations must be integrated into the organization before new growth periods can be initiated (Penrose, 1995). Therefore they should for example create moments for learning, reflection and integration of knowledge and experience and must not rush the process or get overambitious
- Accepting external skills and resources through network relations (Oviatt & McDougall, 1994)
- Pro-active development of a good internationalization strategy is crucial (Rabobank, 2004)
- Proactive and committed managers are critical to the development of a market-oriented culture among employees that will identify international opportunities (Armario et al, 2008)

Strategy process

Pro-active strategy making
- Internationalization is usually initiated based upon the area of specialization of the firm (Naldi, 2008)
- Fostering an entrepreneurial orientation in managing the company can support internationalization (Zahra et al, 2001)
- Aggressively and pro-actively seek international sales opportunities (Oviatt & McDougall, 1994)
- Adequate supply of internationally experienced managers is important for the effective execution of a global strategy (Loane et al, 2004), therefore stressing the importance of recruitment, selection and compensation programs
- Monitoring of current operations in order to identify opportunities or threats (Johanson & Vahlne, 1977)

Internalizing
- Maintaining (and therefore focusing on) the competitive advantages of the firm by acquiring, evaluating, integrating and exploiting new knowledge (Madhok, 1997)
- Firms should internalize new knowledge (for example by acquisition) in order to avoid high transaction costs (Buckley & Casson, 1979), especially R&D, production and marketing knowledge
- Acquisition and integration of new knowledge (Johanson & Vahlne, 1977; Dunning, 1979; Madhok, 1997)

Localization
- Contact with local producers or marketers to increase the odds of developing an appropriate product for the area in question (Vernon, 1966), since local people know more about the demands and needs of the foreign market.
- Finding the location which provides the most competitive advantages (efficiency of transport, product costs, labor costs, etc.) (Vernon, 1966; Dunning, 1979)
- Establishment of a foreign location advantage (Dunning, 1979; Oviatt & McDougall, 1994) in order to efficiently serve the market

Networking
- Connections to business networks (Johanson & Mattsson, 1988) to create contacts and opportunities, through creating new network connections, deepening network relations and connecting different relations (Johanson & Mattsson, 1988)
- Involvement in international intra-organization relationships is important because it can facilitate foreign market entry (Oviatt & McDougall, 1994)
- Knowledge intensive firms rely more on network approaches to internationalization (Welch & Luostarinen, 1988; Prashantam & Berry, 2004)

Market orientation
- An appropriate market orientation is essential in the recognition of changing market conditions (Armario et al, 2008)
- Close monitoring of market demands and changes (Vernon, 1966)
- Market orientation to ensure the use of relevant market information about customers and competitors when designing strategies (Hunt & Lambe, 2000). This in turn, results in better offerings and targeted markets.
- Market oriented firms possess better information about market demands and can therefore better transform know-how, capabilities and resources into competitive outputs on the international market (Armario et al, 2008)
- Studying foreign markets is required for good decision-making (Calof, 1993). Involving reliable industry and market experts can accelerate this process
- Market research and information gathering are key activities for successful export expansion (Calof, 1993)

Governance and Ownership
General
- Risk adverse firms should follow a stage approach (Oviatt & McDougall, 1994), can choose markets which exhibit less uncertainty (Armario et al, 2008) and should share costs to spread out the risks associated with internationalization (Fliess & Busquets, 2006)
- Use of support programs and working closely with home governments can help SMEs to overcome trade barriers (Fliess & Busquets, 2006)

Long-term orientation
- Commitment to financial investments (Agarwal & Ramaswami, 1992) because results may require more time
- Long-term view on the returns on investments (Armario, Ruiz, & Armario, 2008; Johanson & Vahlne, 1977), because advantages of internationalization take time to produce
- Seek long-term profitability (Johanson & Vahlne, 1977) in order to follow the stage approach
- Resource commitment and coordination efforts in networks are required when developing relations (Ruzzer et al, 2006)

Control over assets
- Having control and independence over critical resources and unique assets will lower risks and increases efficiency of international expansions (Ahokangas, 1998; Oviatt & McDougall, 1994)
- Ownership in foreign companies increases the likelihood to obtain technical, economic, personnel and information resources, positively influencing the internationalization process (Olivares-Mesa & Cabrera-Suarez, 2006)

Access to capital
- Strong alliances or alternative governance structures to access abundant (financial) resources (Oviatt & McDougall, 1994)
- Financial resource lacking firms need to seek external funding to finance international expansion (Bridgewater et al, 2004)
- The use of international alliances can help SMEs overcome their constrains, especially with regards to their managerial and financial resources (Oviatt & McDougall, 1994)

Organizational structure

Structure
- Form a multinational organization (Dicken, 2007) to avoid bureaucracy and rigidity and enhance localization, innovation and efficiency, which requires:
  - decentralized decision-making
  - informal communications
  - independent units
  - simple financial control systems
- Formation of an organization which internalizes international transactions (Oviatt & McDougall, 1994)

Systems
- Appropriate formal and informal reporting systems, communication patterns, planning, control and coordination systems (Barney, 1991). This can influence the ability to internalize ownership specific advantages and the potential use of know-how (Madhok, 1997)
- The administrative body of the organization must support the exploitation of knowledge (Penrose, 1995). Therefore is cannot limit creativity, contain long procedures and rigid control
- Learning processes and opportunity recognition can only occur if the right information structures are in place, such as: widespread information distribution, open-minded inquiry of information, open-minded processing and interpretation of available information and accessible date for all employees (Day, 1994)
- Extensive use of internet technology to make the internationalization process and communication more efficient (Davis & Harveston, 2000)

Culture

General
- Accepting external skills and resources through network relations (Oviatt & McDougall, 1994)

Learning
- Interaction in the network (Johanson & Mattsson, 1993) to learn, develop and integrate market knowledge
- The organization must have moments of reflection and learning during the internationalization process (Penrose, 1995)

Experimenting
- Experimenting and trying new markets or international activities in order to learn from it and find the best international direction (Johanson & Vahlne, 1977; Naldi & Davidsson, 2008)
- Companies require an entrepreneurial mindset as they engage in risky international expansion (Oviatt & McDougall, 1994; Zahra et al, 2001)

Market oriented
- Market orientation to ensure the use of relevant market information about customers and competitors when designing strategies (Hunt & Lambe, 2000). This in turn, results in better offerings and targeted markets.
- Market oriented firms possess better information about market demands and can therefore better transform know-how, capabilities and resources into competitive outputs on the international market (Armario et al, 2008)

**Resources**

**General**
- Diversified product portfolio increases odds for success in internationalization (Olivares-Mesa and Cabrera-Suarez, 2006)
- A well developed marketing department can perform better market-sensing. This refers to learning about the market and anticipating on future events (Kohli and Jaworski, 1990)

**Unique asset or advantage**
- Possession of some (unique) assets which can undo the local competitors’ advantages, like better technology, cheaper capital or economies of scale (Hymer, 1976; Dunning, 1979)

**Organizational capabilities**
- Experience with or ability of licensing, transforming knowledge into products, marketing products abroad, etc. (Dunning, 1979)
- Ability to transform sustainable difficult-to-copy attributes of the firm into global competitive advantages (Barney, 1991) and reconfigure capabilities for use in the international context (Olivares-Mesa & Cabrera-Suarez, 2006; Barney, 1991)
- Innovativeness in new products or existing products plays a significant role in accelerating the entry process and timing into foreign markets, since products may require adjustment to foreign market demands (Olivares-Mesa & Cabrera-Suarez, 2006)

**Knowledge**
- Much knowledge and experience about a market (Johanson & Vahne, 1977; Naldi & Davidsson, 2008) because this leads to better strategic and marketing decisions
- Technological knowhow can be a major competitive advantage(Olivares-Mesa & Cabrera-Suarez, 2006) in for example export and production efficiency

**Financial strength**
- Firm size (in terms of sales and free cash flow) can affect the ability to conduct international expansion through the ability to absorb high costs and high risks (Buckley & Casson, 1976; Svetlicic et al, 2007)
- Investments in network connections are required to make them useful for internationalization (Ruzzier et al, 2006)
- Financial resources enhances the ability to reach foreign markets (Olivares-Mesa & Cabrera-Suarez, 2006)
- Financial strength is an increasingly important factor as internationalization often demands substantial investments (Solberg & Askeland, 2006)

**From entry modes:**

**General**
- Market knowledge and product adaptation is found to be crucial for effective exporting (Olivares-Mesa & Cabrera-Suarez, 2006)
- Decentralized decision making, a learning orientation and willingness to cooperate with other cultures usually result in eagerness for joint-ventures and alliances (Claver et al, 2007; Shane, 1994; Madhok, 1997)

**Cultural influences**
- High host-country power distance can instigate trust issues and communication mistake, and high host-country uncertainty avoidance can cause problems with implementing new policies or strategic changes (Shane, 1994; Erramilli, 1996; Brothers et al, 2004)
- High home-country uncertainty avoidance can create reluctance to some more comprehensive or risky international endeavors (Shane, 1994; Erramilli, 1996; Brothers et al, 2004)
Preferences in control and coordination
- Pursued level of local presence will require different entry modes, such as joint-ventures or other alliances (Kutschker & Bäurle, 1997)
- Preference for control and coordination over the supply chain and unique assets of the firm will result in wholly owned subsidiaries (Kutschker & Bäurle, 1997)

Preferences in information sharing
- Reluctance to knowledge sharing, adjustment of strategic objectives (to the partner) or cultural differences usually result in wholly owned subsidiaries and acquisitions (Lam & White, 1999; Shane, 1994)
- Lower reluctance to collaboration (or high reluctance to resource commitment) usually results in: strategic alliances or joint-ventures. Due to the high level collaboration, these also have the advantage of sharing costs and risks (Dimitratos, 2004)

Preferences in resource commitments
- Lower reluctance levels of resource commitment (or high reluctance to collaboration) usually results in: acquisitions, wholly owned subsidiaries and exporting. Due to the high level of resource commitment, these also have the advantage of less sharing with other parties (Dimitratos, 2004)
- Aggressive pursuing of objectives will require early entrance into foreign markets. Early entrance usually first export and set up subsidiaries later, whereas late entrance usually comes with joint-ventures or alliances (Loane, Morrow & Bell, 2004)
- Centralized decision making, risk adversity and lacking resources usually result in initial exporting behavior (Claver et al, 2007; Olivares-Mesa & Cabrera-Suarez, 2006)
Appendix 3: Family business features and characteristics

Family Involvement:
- Non-qualified family members do get favored over professional managers from outside the family (Olivares-Mesa & Cabrera-Suárez, 2006). Hiring human capital only from within the family may lead to skill deficiencies.
- Family members are committed to the business and provide the business with tacit knowledge (Sirmon & Hitt, 2003).
- Family members do encourage each other to obtain international knowledge by travelling, speaking other languages and working abroad for a couple of years (Gallo & Sveen, 1991).
- The enduring exchange of knowledge and experiences among family members creates trust that promotes risk taking and strategic moves that require a longer payoff period (James 1999, cited in Zahra, 2003).
- As family businesses become larger, family members loose the powerful family connection and start to shirk and free ride (Habbershon, 2006). This may lead to higher agency costs.
- Family businesses do normally have a long term orientation which indicates that they are not aiming at short term profitability, but try to increase the company its wealth in the long run (Sirmon & Hitt, 2003).

Culture:
- The organizational culture of family businesses does influence the achievements of the firm far more than any other factor (Ward, 1987).
- The organizational culture of family firms has its origin in the local environment and is very much influenced by particular family members or the founder (Gallo & Sveen, 1991).
- The cultures of family businesses are quite resistant to change (Schein, 1995).
- Due to the local roots of many family firm cultures, internationalization may not be seen as a logical strategy.
- People from outside the family may not get accepted by dominant family members, because of the fear of the family that those people develop/change the organizational culture (Hall, Melin & Nordqvist, 2001).
- The dominant role of family members in determining the culture might decrease autonomous behavior within the organization (Zahra et al., 2004).
- The culture of family businesses has an inward orientation, which is negatively related to pro-activeness (Gudmundson, Hartman & Tower, 1999).
- The culture of family firms enjoys long-term commitment and is positively associated with employee dedication (Gudmundson et al., 1999).
- It is very important for a non-family CEO to acknowledge the family culture and the related business goals (Hall & Nordqvist, 2008).
- A cultural vacuum arises when the values of the first generation remain static in the business, which might lead to disconnection, communication failures and conflicts within later generations (Leach, 2007)
- Culture can facilitate international contacts and network relations among family firms worldwide (Coviello & McAuley, 1999 cited in Olivares-Mesa & Cabrera-Suárez, 2006).

Control:
- The reluctance to lose control over the business can limit the sources of funding for large strategic movements, such as internationalization (Gallo, Tapies & Cappuyins, 2004).
- In their preference for privacy and control, family businesses favor internally generated equity over long-term debt and outside equity (Graves & Thomas, 2008).
- Family firms are characterized by high degrees of concentration of authority in the hands of the family in terms of decision-making (Gallo & Garcia-Pont, 1996).
- Higher qualified, external managers want most likely more responsibility within the business, which might lead to reluctance within the family to recruit these people in order to keep the decision-making control within the family.

**Succession:**
- Succession is the most fundamental strategic decision within family businesses (Neubauer & Lank, 1998).
- A majority of family firm leaders have been found to be desirous of keeping the leadership within the family (Astrachan, Allen & Spinelli, 2002).
- The underlying psychological, family-related, emotionally charged dilemmas during succession can have a negative influence on the continuation of the family business (Leach, 2007).
- The previous CEO might not be able to let go his role as a CEO, which may lead to a power struggle over the company and the identities of the former and the current CEO (Hall et al., 2006).
- The decision to recruit a non-family CEO is dramatic and as a rule very complex due to material and psychological aspects (Neubauer & Lank, 1998).
- Turning all stakeholders into followers is the greatest challenge any newly appointed, external CEO can face (Lansberg, 2007).
- A new generation of leadership can bring in new attitudes, behaviors, management styles, objectives and strategic ideas (Swinth & Vinton, 1993; Okoroafo, 1999; Ward, 1998).
- New generations will be better prepared to introduce and implement advanced strategies due to the expectation that they will be more qualified, better prepared and more international oriented (Fernández & Nieto, 2005; Gallo & Sveen, 1991).
- A family firm that hires a non-family CEO can benefit from the external resources that are brought in by the new CEO and his additional skills, perspectives and ideas (Naldi & Nordqvist).

**Strategy making:**
- The strategic planning and the resulting strategy of family firms do significantly differ conceptually from the processes and strategies of non-family firms (Gudmundson et al., 1999).
- Strategies in family firms are narrowly focused on consumer needs in local markets, which indicates that resources will seldom be allocated to areas other than closely related to the present local business (Gallo & Sveen, 1991; Gallo & García-Pont, 1996).
- Family firm leaders are often skeptical concerning sharing information with people from outside the family, especially when it comes to strategies (Hess, 2006).
- Family businesses tend to centralize their decision-making and strategizing (Zahra et al., 2004).
- The strategy of a family firm is mainly determined by the culture/values of the firm (Hall et al., 2006; Sharma et al., 2007), through which the strategy may become a source of rigidity (Gallo & Sveen, 1991).
- The strategizing within family businesses is not featured by many rules, procedures and bureaucracy, which can be positive for innovation (Hall et al., 2006).

**Corporate Governance:**
- Family members can have multiple roles within the business, such as owner, manager and/or board member (Neubauer & Lank, 1998). The overlap of these roles might create some negative dynamics within the company (Neubauer & Lank, 1998).
- Due to the family nature, the majority of business capital consists of family assets (Mason, 2008; Gallo & Sveen, 1991), which will make the CEO more conservative and risk averse (Mason, 2008).
- A conflict may arise between family owners who are involved in running the business and family owners who are not involved in running the business about the purpose of the profit (Gallo & Sveen, 1991).
- A power struggle among different owners can result in a crisis in the organizational structure of the company that may result in an obstacle to important decision making (Gallo & García-Pont, 1996).
- An entire board of directors which is composed by family members might limit the development of the business, especially when the board members are selected according to their status in the family and not because of their professional abilities (Gallo & Sveen, 1991).
- An open governance structure, with for example external board members will enrich the business with non-family resources, which can enhance the persuasion of certain strategic choices (Naldi & Nordqvist).
- The governance structure of family businesses in the first generation can be characterized by centralized decision-making, little formalization, informal systems of control and poorly developed information systems (Fernández & Nieto, 2006).
- As soon as the second generation is rising to management, family businesses do get more difficult to run, which requires a more formal governance structure (Mallin, 2004).
- A larger top management would most likely possess a greater diversity of resources and more various links to the environment (Naldi & Nordqvist).
Appendix 4: Questions for the interviews

Interviewee
- What is your role within the company?
- What is your relation to/in the family?
- How many years have you worked for this company already?
- What were your previous occupations?
- What kinds of education have you had?
- What are examples of experience or knowledge from these occupations or educations which contributed to the internationalization of this company?

Company overview
- Can you tell us something more about the origin and the history of the company?
- What are the main operations/activities of this company?
- In which way are the family members currently involved in the business, which family members are not involved and what are the reasons for these involvements?
- How is the governance and ownership in this company organized?
- How many employees does this company have and how is the organization structured?
- What are the financial performances of the company? (In terms of revenue, margin, etc.)
- What have the main financial results been from internationalizing the business?

Internationalization strategy
- What were the main reasons/motivations for internationalizing the business?
- How has the internationalization process developed?
- How would you explain the realization of your intended internationalization strategy?
- What are from your experience the main learning points from undertaking your international operations?
- What are the future plans of the company in terms of internationalization?

Strategy process
- What does a long-term orientation mean for your internationalization strategy?
- How does being a (private) family owned business facilitate or constrain you in performing international investments?
- How would you describe and characterize the influence of the family culture (values, beliefs, traditions, and the like) on your international business activities?
- What is from your experience the influence of intuition on international decision making?
- What is in your opinion the meaning and function of market and competitor analysis in an internationalization strategy?

Relationships
- What do long-term relations (with international contacts, suppliers, employees, and the like) mean for your international activities?
- How does being a family business influence the development of international contacts and network relations worldwide?
- What is from your experience the purpose of cooperating with local foreign producers, suppliers or employees?
Control and Ownership
- What does the family character of the business mean for your internationalization process (negative, positive, neutral)?
- What does is mean for you to keep control over critical resources (such as human capital, new knowledge or technologies) in your internationalization strategy?
- How would you describe your preference towards ownership in international subsidiaries (wholly owned or share owned) and what are the reasons for this preference?
- What is your opinion about involving external owners in your business in order to finance international activities?
- What is your opinion about assuming debts in order to finance international activities?
- What are from your experience the advantages and disadvantages of the absence of external owners/debt-holders?

Involvement of others and organizational structure
- What is your opinion about sharing information (strategic, financial and/or operational) with non-family employees or other stakeholders?
- How would you describe the decision-making authorities of manager and their departments in your organization and what are the reasons for this?
- How would you describe the communication in the whole organization (including with employees abroad)? What are from your experience the results from this type of communication?
- How and to what purpose does your family management reflect upon and learn from new knowledge and experience from your current international operations?
- What is in your opinion the point of involving non-family members in these reflections and learning moments?

External management/board/CEO
- How would you describe the role of the family members in determining the strategy? What do you think are the advantages and disadvantages of involving non-family managers/employees in the strategy development as well?
- What is your opinion about employing external top managers within the family business?
- How can, in your opinion, the managerial succession of a CEO result into major strategic changes in terms of internationalization? Can you give us examples from your own business?
- How would you describe your selection and recruitment procedures for hiring managers and employees from outside the family?
- What is in your opinion the role of external board members in the internationalization process?

Process of internationalization
- What was the motivation behind the chosen start of the international operations? (That is: the first international activity, like for example exporting, alliance, joint-venture, subsidiary)
- What are for you (or would be) the reasons for choosing between a wholly owned subsidiary or joint-venture abroad?
- What are the motivations to choose for the countries in which you currently have international activities?
- Finally, what are from your experience other important features of the family or business which facilitated or constrained your internationalization process?