Why Is Family Firms' Internationalization Unique? A Meta-Analysis

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Internationalization increases the complexity and challenges of business organisations. In case of family firms, internationalization is even more challenging as it increases pressure on family resources. However, there is no clarity on the uniqueness of internationalization of family firms. In this article, the authors conduct a meta-analysis of 76 primary studies of family firm internationalization, covering 41 countries. They examine the role of family control and home country's institutional context on family firm internationalization. This summary presents the framework of the study, its findings and implications.

Family Involvement and Internationalization

There are two perspectives on how family involvement in business influences the firm's internationalization. Some researchers argue that family constraints like, limited managerial capabilities, fear of losing control, unwillingness to accept non-family professionals and urge to protect socioemotional wealth (SEW), restrict family firm internationalization.

In contrast, other scholars argue that family involvement facilitates family firm internationalization. This view suggests that factors like, long-term orientation, steward leadership, willingness to take risks, strong social capital in family and trust facilitate family firm internationalization.

The authors evaluate these opposing views and argue that family-controlled firms uniquely exhibit non-financial, family-centered goals. Competing in international markets requires more resources and involves higher risks. It also requires more family managers, who are considered more desirable, compared to non-family managers. Family firms are averse to use external knowledge, financial and managerial resources for SEW protection and risk avoidance. Hence, family control is likely to have negative influence on family firm internationalization.

Scale and Scope of Internationalization

The scale of internationalization is measured by the number of overseas subsidiaries of the firm. A family firm can gain economies of scale and market share, and leverage domestic skills abroad by increasing the scale of international operations. However, that also increases the firm's governance and coordination costs, and failure risks.

The scope of internationalization indicates the diversity of the firm's international operations and is measured by the number of countries in which the firm operates. If a firm operates in a large number of countries then it is likely to have highly complex operations, especially if those countries have diverse institutional profiles.

Complex international operations are likely to put pressure on family firm's managerial capabilities and other family based resources. Therefore, authors suggest that a family firm is likely to have a negative effect on the scale and scope of its internationalization.

Country Level Institutional Context

The authors argue that the institutional context of the home country is likely influence family firm internationalization. This may occur on two counts:

1. **Minority shareholder protection norms:** Minority shareholders focus on short-term financial performance. They are likely to perceive internationalization decision as complex and risky. In countries where minority shareholder protection norms are strong, the firm's internationalization decisions may be blocked.

2. **Trust of other Nations:** The willingness to trust foreign partners may influence the firm's internationalization decisions. Trust is the basis of relational governance in family firms. If the family firm management belongs to a nation that trusts foreigners, then it is more likely to have international operations.

The Study and its Key Findings

The authors conducted a meta-analysis of 76 studies published on family firm internationalization. The key findings of the analysis were the following:

1) There is a negative association between family controlled firm and internationalization (due to family based asset restrictions, SEW protection etc.). When family controls both ownership and management, family firms are affected by family constraints. These constraints adversely affect their internationalization decision.
2) Family firms were found to be focused in less number of international markets than non-family firms are. This may be to keep the diversity and complexity of international operation under control.
3) No significant differences were found among family and non-family firms in terms of scale of international operations. Thus, it was not the size of operations but diversity of international business, which was the key challenge.
4) In line with authors' arguments, strong legal protection to minority shareholders was found to negatively affect family firm internationalization.
5) Home country's generalized trust of foreigners was found to positively influence internationalization.

Practical Implications

The article has significant implications for family business. Family firms are more likely to be successful in their internationalization efforts when they tap resources beyond family human capital. They can increase geographical footprint if they invest in building managerial capabilities. Setting up formal mechanisms for management and governance will help the family firm overcome the challenges posed by trust deficit and increased diversity and complexity due to wider geographical presence. Family firms are likely do well if they focus on select country markets.

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