

Strategic Decisions Within Family Firms - Understanding the Controlling Family's Receptivity to Internationalization

— Daniel T. Holt

Recent research studies show that family businesses are likely to internationalize their operations if external members are involved as owners or board members. Extending further, Daniel Holt explores in this paper the conditions under which the controlling family may be receptive to strategic initiatives of internationalization when external owners present those. The author also discusses the factors that might explain how the external owners and board members may successfully persuade the family owners to internationalize the business.

According to the author, the key factors that influence the family's receptivity to suggestions for internationalization are the following :

Controlling Family's Receptivity Toward Internationalization - The author suggests that the receptivity of the controlling family is of core importance while being persuaded to internationalize. Receptivity is the extent to which the controlling family is inclined to adopt the plan to internationalize the business. This receptivity is reflected in the family's beliefs and attitudes towards internationalization and value that it perceives in this exercise.

Consistency with the Family's Goals and Aspirations - Family's receptivity to internationalize is also influenced by the family's goals and aspirations. The controlling family can have financial and non-financial goals and aspirations. The external owners and board members are more likely to succeed in persuading family members to internationalize the business if they can convince them that internationalization will help achieve the goals and aspirations of not only the business but also that of the family. For this the external owners or board members need to understand the complexities of the family dynamics and their values, goals and aspirations.

Social Norms – The author suggests that individuals look for social norms to gain an accurate understanding of and effectively respond to requests. Family receptivity may be influenced by the socially internalized norms of reciprocity. The authors states that if the external members make an extreme request to the family to enter into multiple markets, it is likely to be rejected but the subsequent round of persuasion to enter select markets is likely to succeed due to the reciprocity principle.

Liking – Based on the extant literature, the author argues that the external member's request to internationalize is likely to be accepted if it comes from the individual(s) who are liked by the family. 'Liking' may affect the perception of the family members about the credibility of the suggestion to internationalize.

The author concludes that if the external members understand the factors that influence the family's receptivity to the suggestion to internationalize the business, they can adapt their persuasion tactics. The external members also need to bear in mind the role of external factors such as, lifecycle stages, industry or succession, that may influence the family's receptivity to internationalize the business.

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