eman ta zabal zazu

Universidad del País Vasco   Euskal Herriko Unibertsitatea

Internationalization of Family Firms: Analyzing the Influence of the Family in Management and Governance

Doctoral Thesis

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Esker onak / Acknowlegments

Duela bost urte ekin nion doktorego tesiaren erronkari. Prozesu hau luzea izan da, batzuetan nekeza baita, baina ezinezkoa izango litzateke tesi hau amaitzea bidean jasotako laguntzarik gabe. Horregatik, tarte hau tesia egiten ibili naizen bitartean lagundu didaten guztiak eskertzeko aprobetxatu nahiko nuke.

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CHAPTER 1

Introduction

1.1. Motivation of the thesis

Family firms are a unique type of organization as a consequence of the involvement of the family in the business, which is reflected in the ownership, governance and management of the firm, and create differences in behavior compared to non-family firms (Chrisman et al., 2005). Although a clear definition of family firms does not exist, academic literature agrees that a family should possess a significant stake in the ownership and that family members should participate in the business for a company to be considered a family firm. Further, family firms usually aspire to pass on the business to the subsequent generations, which justifies a long-term orientation in business strategies of such entities (Chrismas et al., 2005; Chua et al., 1999).

The importance of family firms in the global economy is unquestionable. The report of the European Parliament about family businesses in Europe (2015) indicates that 85% of European businesses are family firms, accounting for 60% of employment in the private sector. Similarly, the Spanish Family Business Institute (2019) highlights that family firms are the predominant form of business in Spain, representing 88.8% of all businesses and accounting for 66.7% of employment and 57.1% of the gross domestic product (GDP). In fact, family firms significantly contribute to the economy and represent the majority type of business worldwide (e.g., IFERA, 2003). Therefore, the great contribution of such businesses to the world economy, their specific characteristics caused by the involvement of the family and my personal link with a family firm are the main motivations to carry out this research. My grandfather, along with his brother, used to own and manage a family firm. Today, it is a fourth-generation family firm with more than 100 years of history, and even though the firm is currently managed by another family branch, we have always maintained a relationship with it.

Despite the undoubted importance of family firms, researchers largely overlooked these firms until research on the family firm began to gain strength in the 1980s (Bird, Welsch, Astrachan, & Pistrui, 2002). In recent years, research on family firms has increased significantly, indicating increasing interest in these organizations and their particular behaviors. Although initial research was focused on explaining the differences between family and non-family firms, the research has evolved and now focuses on understanding the reasons for and consequences of the differentiated behavior among family firms. Family firms cannot be considered homogeneous organizations (Chua et al., 2012) as strategic behaviors and performance differ between family firms with different characteristics (Arregle et al., 2012; Melin & Nordqvist, 2007).

Increasing globalization, fierce competition, rapid growth of new technologies and new growth prospects in foreign markets have pushed family firms to internationalize (Pukall & Calabrò, 2014) in order to gain competitive advantage and/or overcome economic downturns. Internationalization leads to a better exploitation of economies of scale, lower labor costs, lower commodity prices, diversification of business risk and access to qualified employees as well as know-how from foreign industries (Claver, Rienda, & Quer, 2009; Pukall & Calabrò, 2014). However, internationalization is the most complex strategy that a company can undertake because it entails higher uncertainty and complexity of tasks compared to local markets (Tsao & Lien, 2013). The internationalization process of family firms has also been found to be distinct compared to other organizational forms; hence, it is important to analyze family firms as unique entities and identify their specific characteristics and behaviors in this context (Kontinen & Ojala, 2010). Moreover, internationalization is an important entrepreneurial strategy that can help family firms to maintain an entrepreneurial attitude (Hernández-Perlines et al., 2016), thus contributing to their long-term aspirations.

Although research on how the distinct attributes of family firms may influence their strategic decisions has increased in recent years, the heterogeneity related to firm internationalization has not been tackled properly (De Massis, et al., 2018). Thus, no clear understanding exists of the uniqueness of the internationalization of family firms (Arregle et al., 2017). Till date, there have been inconclusive and mixed results about the role of the involvement of the family in the internationalization of family firms (Pukall & Calabrò, 2014). As Arregle et al. (2017) argue, there are two opposing views on the effect of family involvement on firms' internationalization. On the one hand, a 'restrictive' perspective underlines the lack of capital and resources, family conflicts, resistance to change, and families' fear of losing control in the international expansion (e.g., Fernández & Nieto, 2006; Gómez-Mejía et al., 2010). On the other hand, a 'facilitative' approach enhances the flexibility of family firms, their long-term orientation, stewardship of family members and decision-making speed that can contribute to the internationalization (e.g., Zahra, 2003). These mixed results, can arise as a consequence of analyzing the influence of the family at a single decision-making level.

Therefore, there is a need to study the influence of the family at different levels of the strategic decision-making processes (Lindow, Stubner, & Wulf, 2010) and improve the understanding of the heterogeneity of family firms in relation to internationalization. Moreover, research on the influence of the family is advancing not only from a demographic perspective but also from an essence approach based on behavioral perspectives (Basco, 2013). In this sense, family firms' specific behaviors can be identified by the specific bundle of resources and capabilities that family firms possess, also known as the 'familiness' (Habbershon & Williams, 1999), and by the motivation for pursuing non-financial goals in the context of the socioemotional wealth (SEW) of family firms (Gómez-Mejía et al., 2007, 2011). Thus, the potential causes of heterogeneity among family firms can be found in goals, governance structures and resources (Chua et al., 2012). This fact makes it necessary to keep advancing in the heterogeneity of family firms to gain a better understanding of the role of the family in shaping the strategic decisions related to internationalization.

1.2. Objectives

Considering the aforementioned arguments and the need for analyzing the behavioral differences and heterogeneity of these organizations, the main objective of this doctoral thesis is to determine the influence of the family in strategic decisions related to internationalization. To this end, the following specific objectives are established:

Observing that internationalization has garnered attention as a new field in family firms' research:

1. Identify the main research streams in family firms' internationalization field.

Observing that entrepreneurial orientation is a contrasted concept that influences firms' internationalization:

2. Determine the influence of heterogeneity generated by the presence of the family in the top management team (TMT) in the relationship between entrepreneurial orientation and internationalization.
3. Determine the effect of generational involvement in TMT positions shaping the relationship between entrepreneurial orientation and internationalization.

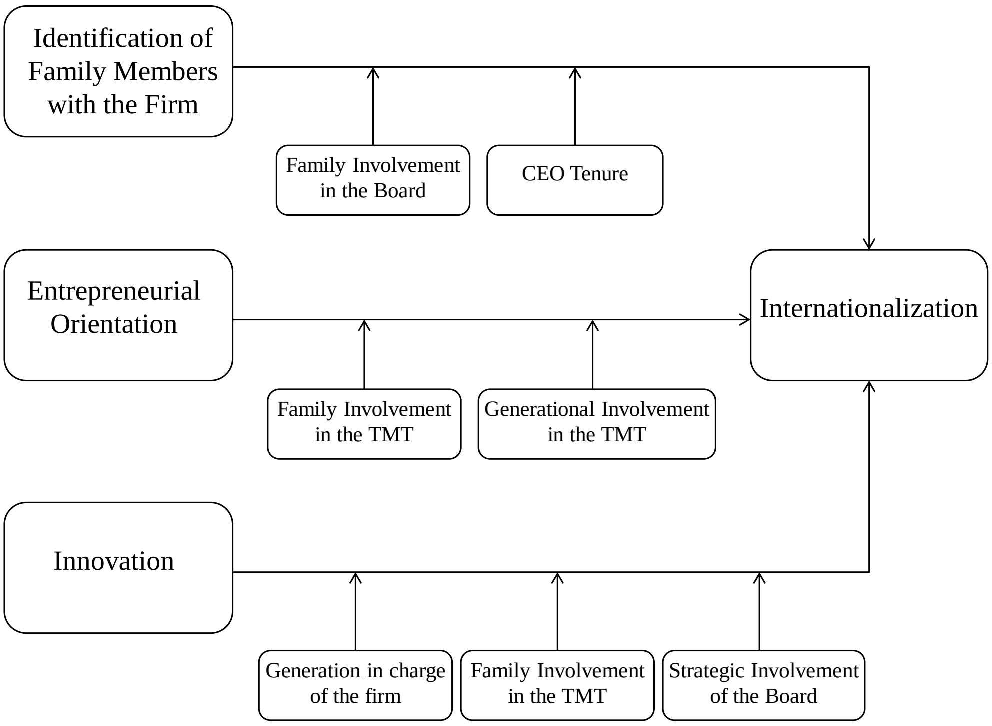
Given that innovation is an important source of competitive advantage:

4. Identify to what extent innovation influences internationalization of family firms.
5. Determine how the heterogeneity generated by the family involvement in the firm influences in the relationship between innovation and internationalization.
6. Determine if the board's involvement in strategy formulation influences the relationship between innovation and internationalization.

Given that non-financial goals are an important reference point while making strategic decisions in family firms:

7. Determine the effect of the identification of family members with the firm in the internationalization.
8. Identify how the presence of family members in governance can influence the relationship between the identification of family members with the firm and internationalization.
9. Identify how the CEO influences the relationship between the identification of family members with the firm and internationalization.

Figure 1.1. General model of the doctoral thesis



1.3. Methodology

Different methodologies have been used for achieving the proposed objectives. In relation to the first objective, we have conducted a literature review on family firms' internationalization to address the current state of the literature, applying bibliometric techniques together with a content analysis. Bibliometric techniques apply systematized and automated selection procedures in large databases, which permits grouping research elements and allows automating and replicating the process. Thus, bibliometric techniques offer more objectivity than other procedures and provide a particular view of the field. Specifically, we conduct a performance analysis and a science mapping analysis that allows identifying the major themes in the field. These bibliometric analyses are complemented with a comprehensive reading of selected articles identified in the mapping analysis. Thus, we obtain a complete and comprehensive overview of the literature on the internationalization of family firms.

For achieving the other objectives proposed, we apply a hypothetico-deductive method based on the approach of hypotheses from the theoretical justification. Data for conducting the hypotheses contrast was obtained from surveys directed exclusively to family firms and responded to by their CEOs. More specifically, data comes from two different sources. On the one hand, in two chapters, data was obtained from a questionnaire completed by Spanish family SMEs. On the other hand, in another chapter, data comes from a survey directed towards German family firms. This chapter emerged from the collaboration started during the three-and-a-half month research stay at the Witten Institute for Family Business (WIFU) at the Witten/Herdecke University in Germany.

The methodology used for conducting the three empirical analyses that permits the contrast of hypotheses is based on structural equation modeling (SEM). This methodology allows for testing causal relationships and moderating effects between different variables. The use of SEM in family firms' research is suggested by several researchers in the field (e.g., Debicki, Matherne, Kellermanns, & Chrisman, 2009; Dyer & Dyer, 2010).

1.4. Structure of the doctoral thesis

This thesis comprises six chapters. After this introductory chapter, the next chapter is the literature review that provides an overview of the current literature in the field and offers future research opportunities. In the subsequent three chapters, several hypotheses are proposed and contrasted. The three chapters rely on independent theoretical arguments and perform independent empirical analyses. However, these three chapters follow a common thread that allows us to achieve the objectives proposed in this thesis. Finally, the sixth chapter presents the concluding remarks. The bibliographic references used are included at the end of each chapter. We summarize the rest of the chapters as follows:

Chapter 2 is entitled *Mapping Family Firm Internationalization Research: A Bibliometric Review*. This review chapter is focused on academic research papers that analyze the internationalization of family firms. After an initial search of documents in the Web of Science (WoS), including all documents in the intersection of internationalization and family firm research, the final dataset of the review is based on 115 journal articles published between 2002 and 2018. In the review, different analyses are conducted applying bibliometric techniques, which enable us to obtain a complete picture of the current literature in the internationalization of family firms. Along with the bibliometric techniques, we conduct a comprehensive assessment of selected articles as the basis of content analysis. Thus, we are able to identify the main research paths covered so far and discover the main findings, the inconclusiveness and possible research trends for conducting future research.

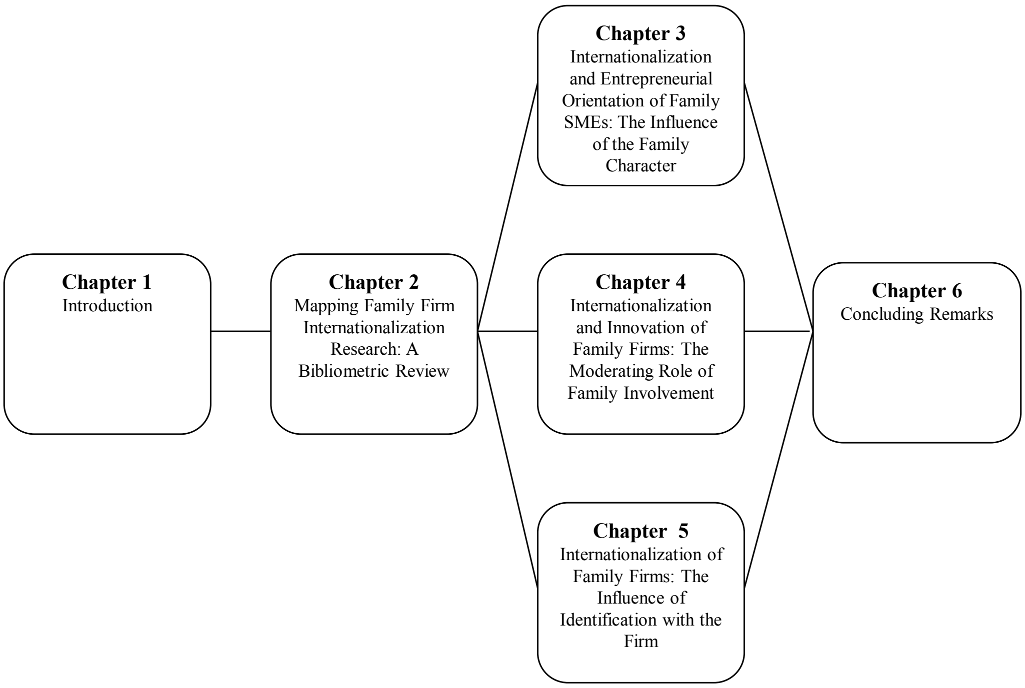
Chapter 3 is entitled *Internationalization and Entrepreneurial Orientation of Family SMEs: The Influence of the Family Character.* The entrepreneurial orientation (EO) can be understood as the attitude of the firm towards entrepreneurial actions. Although EO has been identified as an important driver of firms' internationalization, its influence specifically on family firms has not yet been properly addressed. Therefore, this study analyzes the effect of EO as an antecedent of internationalization of family firms. This chapter also addresses the heterogeneity of family firms and analyzes the role of the family in the TMT in terms of influencing the effect of EO on internationalization. Managers are responsible for carrying out entrepreneurial activities in the firm, so the involvement of the family in managerial positions can significantly shape the strategic decisions related to EO and internationalization. Heterogeneity in family firms' TMTs can be perceived in the involvement of family members or in generational differences in managerial positions. Therefore, the chapter examines the role of generational involvement in managerial positions and the proportion of family members in management.

Chapter 4 is entitled *Internationalization and Innovation of Family Firms: The Moderating Role of Family Involvement*. The fast-changing market environments make it necessary to innovate in order to adapt and compete in foreign markets. Innovation can be an essential strategy for overcoming all difficulties when operating abroad and can be a source of competitive advantage. Innovative strategic decisions that affect internationalization are made at different levels of the strategic decision-making processes. As such, in this chapter, we study the role of the generation currently running the firm, family involvement in the TMT and the role of the board in strategy formulation and implementation.

Chapter 5 is entitled *Internationalization of Family Firms: The Influence of Identification with the Firm*. This chapter focuses on analyzing the identification of family members with the firm and its impact on the internationalization of family firms. Identification of family members with the firm is one of the most important dimensions of socioemotional wealth (SEW) or non-economic goals of family firms, as identified by Berrone et al. (2012), which might significantly influence strategic decisions such as internationalization. Given the risk and uncertainty in international operations and that family firms tend to protect the image and reputation of the firm, identification with the firm might not be an advantage when operating in foreign markets. In this chapter, we also analyze the role of governance and managerial factors since they may influence identification and internationalization. More precisely, family involvement in the board of directors and CEO tenure may be influential in enhancing the identification of family members and its effect on internationalization.

Chapter 6 provides concluding remarks of this doctoral thesis based on the objectives proposed in this introduction and their achievement in the rest of the chapters. Moreover, this chapter also includes the limitations of this thesis and directions for future research.

Figure 1.2. Structure of the doctoral thesis



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CHAPTER 2

Mapping Family Firm Internationalization Research: A Bibliometric Review

An earlier version of this paper was presented at the 13th Workshop on Family Firm Management Research organized by the European Institute for Advanced Studies in Management (EIASM) held in Bilbao in 2017. The title of the paper was: *Research on Family Firms' Internationalization: A Bibliometric Review*.

An earlier version of this paper was presented at the XXVI International Conferences of the European Academy of Management and Business Economics (AEDEM) held in Reggio Calabria (Italia) in 2017. The title of the paper was *A Bibliometric Review on Family Firms' Internationalization: Analyzing the Evolution of the Field.* This paper was awarded as the Best Paper in Family Business.

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2.1. Introduction

> *We are like dwarfs sitting on the shoulders of giants. We see more, and things that are more distant, than they did, not because our sight is superior or because we are taller than they, but because they raise us, and by their great stature add to ours.*
>
> -Attributed to Bernardo de Chartres (12^{th} century)

The best-known use of the metaphor *dwarfs standing on the shoulders of giants* (*nanos gigantum humeris insidentes* in Latin) is that of Sir Isaac Newton, who used it in 1676 to describe the process of advancing scientific thought by building on previous discoveries. This metaphor also applies to research on family firm internationalization (FFI), a relatively new research field that is attracting growing interest among scholars (e.g., Pukall & Calabrò, 2014) and is one of the main concerns of family firm managers (European Family Businesses & KPMG, 2018). Interest in FFI research is growing for a number of reasons. First, family firms are the most common business entities worldwide and play an important role in generating employment in the private sector and contributing to the gross domestic product (GDP) (e.g., Cesinger et al., 2014; De Massis et al., 2018). Second, globalization is intensifying international competition, and there is a need to adapt to changing market conditions (De Massis et al., 2018). Third, the growth in FFI studies and their impact in recent years indicate that research into FFI is becoming increasingly relevant (Casillas & Moreno-Menéndez, 2017). In this context, it is worth recalling that family firms are organizations in which members of the same family are the owners and managers who have intergenerational aspirations to maintain the firm's family character (e.g., Chrisman et al., 2005). Therefore, internationalization is a key entrepreneurial challenge for these firms, since it promotes their long-term growth and survivability (Kontinen & Ojala, 2010).

There are several reasons for conducting review studies and analyzing how a discipline or research field evolves. According to Sidorova et al. (2008), the most critical motivation is seeking to understand the intellectual structure of a particular field. Following this path and focusing on literature reviews published in academic journals, the contribution of various authors have increased our knowledge of FFI (e.g., Arregle et al., 2017; Kontinen & Ojala, 2010; Pukall & Calabrò, 2014). Despite the important contributions made by these literature reviews, our knowledge of the field can be further enriched with bibliometric analysis and indicators. The increasing development of computer technology, the Internet, and bibliographic electronic databases make bibliometric analyses possible (Baier-Fuentes et al., 2019; Cobo et al., 2015). Bibliometrics applies a systematized and automated selection procedure in large databases that allows to group research elements though mathematical algorithms, which enables to automate and replicate the process. Bibliometrics can be used to map the intellectual and conceptual structure of a research field in a way that complements previous review studies by analyzing the general and structural aspects of the field (Bjork et al., 2014).

Several bibliometric studies have been published in many research areas, including management (e.g., Podsakoff et al., 2008), economics (e.g., Bonilla et al., 2015), innovation (e.g., Merigó et al., 2016; Schmitz et al., 2017), entrepreneurship (e.g., Ferreira et al., 2019; Kraus et al., 2014; Liñan & Fayole, 2015; López-Fernández et al., 2016), and international business (e.g., Baier-Fuentes et al., 2019; Ferreira et al., 2014). However, bibliometric studies in family firm research are scarce (Benavides-Velasco et al., 2013; Caputo et al., 2019; Casillas & Acedo, 2007; Cisneros et al., 2018; Debicki et al., 2009; López-Fernández et al., 2016; Xi et al., 2015). To the best of our knowledge, no bibliometric study in the field of FFI has yet been published. Considering that most of the articles in the field have been published after 2012 and that FFI is evolving rapidly, periodic literature reviews are necessary to keep track of how this research field is developing. Thus, using bibliometrics can provide new insights that have not been previously identified or evaluated in detail.

In this regard, this study has two main objectives. First, it carries out a descriptive study using performance indicators that identify the main papers, journals, and scholars that have made significant contributions to the development of FFI. Performance analysis provides quantitative and qualitative indicators for measuring the relevance of a research field. The quantitative indicators are represented by the number of publications, whereas the qualitative indicators measure the academic impact of documents using indicators such as the number of citations received (Martínez-Climent et al., 2018). Therefore, the use of the performance analysis not only provides researchers and managers with new insights, but also offers an updated overview of the FFI field by identifying journals and authors whose papers form the intellectual basis of the recent FFI literature. The second objective of this study is to identify trends and patters in research on this field based on a co-word analysis complemented with a qualitative approach —a content analysis— to our literature review. The co-word analysis is a bibliometric tool that counts and analyzes the co-occurrences of keywords in the publications of a given field by determining the relations between those keywords and algorithmically reporting some thematic clusters (Callon et al., 1991). Following this approach, the co-word analysis allows us to uncover the main concepts or themes explored by FFI literature and supports a visual representation with a strategic diagram. Thus, the use of co-word analysis enables us to identify the conceptual structure of the field. The results of the co-word analysis establish that the FFI research field is formed by six thematic clusters. The strategic diagram build through the co-word analysis reveals that some clusters have been important for the current development of FFI, such as *corporate governance*, *entry mode,* and *board of directors* clusters. Another cluster, *foreign market knowledge*, deals with more specific aspects of the strategic processes, so it has attracted fewer studies. Finally, *entrepreneurship* and *competitive advantage* clusters arise as under-developed clusters that can turn into emerging research themes. To complete this literature review, we also perform a content analysis of the identified thematic clusters. This content analysis allows us to identify the main findings of the clusters and detect topics for future research that deserve further investigation, providing paths for the development of the field. To perform all these analyses, we employed articles on FFI identified in the Clarivate Analytics' Web of Science (WoS) database and covered the period from 2002 to 2018.

The rest of the paper is organized as follows. The next section provides a brief overview of previous FFI studies, explaining how the field has been reviewed in the past. Section 3 describes the research design (database and bibliometric method) used in this study. Section 4 analyzes the results of the performance analysis. Section 5 presents the co-word or the mapping analysis, and the content analysis of the documents of each thematic cluster. The last section provides concluding remarks, discusses opportunities for future research, and outlines the limitations of this study.

2.2. Family firm internationalization: A brief overview of previous literature review studies

The FFI field is a relatively new research domain that has emerged through the intersection of two research paths: international business and family firms (Casillas & Moreno-Menéndez, 2017). The first works on FFI were published in *Family Business Review* and sought to identify the factors that facilitate and hinder FFI (Gallo & García Pont, 1996; Gallo & Sven, 1991), analyze international joint ventures (Swinth and Vinton 1993), determine the extent of the internationalization of family firms (Okoroafo, 1999), identify the impact of technological and managerial variables in FFI (Davis & Harveston, 2000), and analyze the factors limiting family firm growth (Yeung, 2000). These early sporadic studies led to the rise of a growing interest in FFI among researchers and firm managers over the last few decades. Therefore, it is not surprising that several literature review studies have attempted to track the progress of this research field. Those studies have significantly different purposes from those of our bibliometric review since their literature reviews summarize the extant research by extracting the main findings, highlighting the main theoretical frameworks, or clarifying issues related to the topic.

The first attempt to summarize FFI research was performed by Kontinen and Ojala (2010), who examined 25 refereed journal articles on FFI. The authors concluded that the articles offered very limited knowledge on the internationalization processes and strategies of family firms and made little use of internationalization or family firm-specific theories. Based on the review, they asserted that the body of knowledge on FFI was narrow, but given that the field was in its infancy at that time, these conclusions are valid. In particular, taking into consideration that the number of publications on FFI has grown substantially since then, the scope of this study by Kontinen and Ojala (2010) is quite limited.

Other review studies sought to overcome the inconclusiveness of findings and mixed results concerning family ownership/involvement in the firm and their effects on firms' internationalization (Arregle et al., 2017; Pukall & Calabrò, 2014). Some authors argued that the positive characteristics of family firms, such as long-term orientation, flexibility, or speed of decision making, may enhance internationalization (e.g., Zahra, 2003), while other authors rely on other attributes, such as unwillingness to accept outside expertise, fear of losing control, risk-aversion, and lack of financial resources, to argue for a negative effect on internationalization (e.g., Fernández & Nieto, 2006). Other researchers have gone further and asserted that the relationship between family involvement and internationalization may not be linear, concluding that firms with moderate levels of family ownership are the most internationalized (e.g., Sciascia et al., 2012). These studies have attempted to identify and clarify these inconsistencies (Arregle et al., 2017; Pukall & Calabrò, 2014).

Pukall and Calabrò (2014) conducted a narrative review of 72 documents on FFI. They observed inconclusiveness regarding family ownership/involvement and internationalization and proposed an integrative theoretical model to overcome the deficiencies of integrating the socioemotional wealth (SEW) perspective with the revised Uppsala model of internationalization. The authors argued that the proposed framework may help in understanding the behaviors of family firms in their internationalization, especially their attitude toward risk and the role of knowledge and networks. This review considered the largest number of articles up to that point, but their analysis ends in 2012. That was the breakthrough year for FFI research because the number of publications increased considerably after that point. Thus, a significant amount of recent research is missing in their analysis. Similarly, Arregle et al. (2017) carried out a meta-analysis of 76 studies to shed new light on the mixed results on the positive and negative effects that family firms may have on internationalization. They found that the relationship between family firms and internationalization differs significantly depending on the definition used for the variables of family firm and internationalization. They also found differences in the aforementioned relationship depending on country-level institutional differences. Although this last research sheds light on the differences found by previous studies, it does not provide an overview of the FFI research field, since it only focuses on some specific issues. It is also limited because the meta-analysis technique uses only empirical studies and does not consider qualitative studies, and thus, it does not capture the essence of the entire FFI literature. The last attempt to perform a review on FFI was focused on the specific field of networks (Kampouri et al., 2017). These authors reviewed and performed a meta-synthesis of 25 articles that were based on the network perspective. Although this study has some important contributions to the FFI field, it only focuses on a particular topic, and thus, does not provide a general overview of the whole FFI body of literature.

Previous studies provide important insights into FFI. However, improvements are required to advance FFI research using other type of techniques for complementing and enriching the reviewing process (Van Oorschot et al., 2018). Moreover, despite using systematic review protocols, some studies make it difficult to replicate the selection process for their documents because they do not detail the specific combination of keywords used in their document search, or because they conduct a manual search in journals. Bibliometrics begin with a systematic, transparent, and reproducible selection of a dataset that permits a better description, evaluation, and monitoring of the published research (Zupic & Čater, 2015). Moreover, bibliometrics allows the application of different techniques over a wide set of bibliographic references, which may offer us a new vision of FFI that can serve to complement previous research.

2.3. Research design

2.3.1. Data search protocol

The methodological procedure for searching, selecting, and uploading bibliographic references prior to bibliometric analysis is a multi-step process that is described below.

First, the starting point of a bibliometric study is establishing the data source (Gaur & Kumar, 2017). Most bibliometric studies use the information provided by the WoS database (e.g., Debicki et al., 2009; López-Fernández et al., 2016), since only the most high-quality journals are indexed in the WoS, and thus, it can be considered an indicator of the quality of the analyzed articles. We selected bibliographic references from journals included in the Social Science Citation Index (SSCI) of the WoS.

Second, searching documents begins with the selection of keywords. In bibliometrics, publication keywords are considered the basic elements for representing knowledge concepts and are widely used to reveal the knowledge structure of research domains (Chen & Xiao, 2016). The combination of keywords used in our search was based on previous research (Pukall & Calabrò, 2014). Specifically, we used the following combination of keywords: [(“family firm*”) OR (“family business*”) OR (“family enterprise*”) OR (“family influence*”) OR (“family owner*”) OR (“family SME*”) OR (“family control*”) OR (“family involvement”)] AND [(international*) OR (global*) OR (“entry mode*”) OR (foreign) OR (export*) OR (FDI)].

Third, a search for documents on FFI was conducted based on the identification of keywords in the ‘Topic’ tab (including titles, keywords, and abstracts of the bibliographic references) of the WoS.

Fourth, the results of the WoS search were processed with the following restrictions: (1) the corpus of the research document was restricted to ‘articles’ and ‘reviews’ because they are the most relevant peer-reviewed papers; (2) documents had be included in the ‘business’, ‘management’, or ‘economics’ categories of the WoS because these are the most common ones used to classify the international business literature; and (3) the articles and reviews had to be in English because it is the universal language of research, and using a single language facilitates further analysis based on words or content. With this combination of terms and restrictions, we identified 346 bibliographic references.

Subsequently, we refined the resulting dataset by excluding papers that did not belong to the field of FFI. Therefore, we applied a filtering process by reading the abstracts and introductions of all 346 documents and including in the final dataset only those that corresponded to the subject of this study. In case of doubt, the paper was fully read by the authors. This procedure led to a final dataset of 115 articles published from 2002 to 2018 (for a more detailed description of these steps, see Appendix 1). The first academic publication identified in the WoS was published in the *Journal of Business Venturing* in 2002 (Tsang, 2002).

2.3.2. Bibliometric techniques

Bibliometric methods involve two main approaches: a performance analysis and a graphic mapping of science or bibliometric mapping (Noyons et al., 1999). The first, *performance analysis*, seeks to quantify the impact of the information contained in bibliographic material using activity and citation analyses. This analysis allows the reader to have an updated overview of research on a field. The other method, *science mapping* or *bibliometric mapping analysis*, provides a spatial representation of how fields, documents, or authors are related to one another (Cobo et al., 2015; Moral-Muñoz et al., 2014). The aim of the science mapping analysis is to display the conceptual, social, or intellectual structure of a field (Cobo et al., 2011; Murgado-Armenteros et al., 2015). The complementarity of both approaches makes it possible to build an overall picture of a scientific research field (Baier-Fuentes et al., 2019). These methods are useful in literature reviews, as they guide the researchers to the most influential works and map the research field with a less subjective bias than other non-systematic or qualitative reviews (Zupic & Čater, 2015).

Science Mapping Analysis Software Tool (SciMAT) was used to perform the bibliometric analyses (Cobo et al., 2012). Based on the bibliographic dataset, this software reports performance indicators and allows to carry out the co-word analysis that uses the most important keywords contained in the bibliographic references (Moral-Muñoz et al., 2014). As Cobo et al. (2011) point out, SciMAT is an open software tool that combines performance analysis and science mapping to analyze a research field, as well as to detect and visualize its conceptual sub-domains (particular topics/themes or general thematic areas). Using the SciMAT software allows us to objectively identify thematic clusters and co-word networks within the FFI literature and graphically show their spatial representation. This makes it possible to synthesize and organize the existing knowledge on FFI.

In addition, after identifying the main thematic clusters with the co-word analysis, we perform a content analysis of each thematic cluster. This allows us to detect the most important topics in FFI and identify potential avenues for future research. Therefore, this study offers a comprehensive picture of the research field by explaining the internationalization of a unique business type, the family firm.

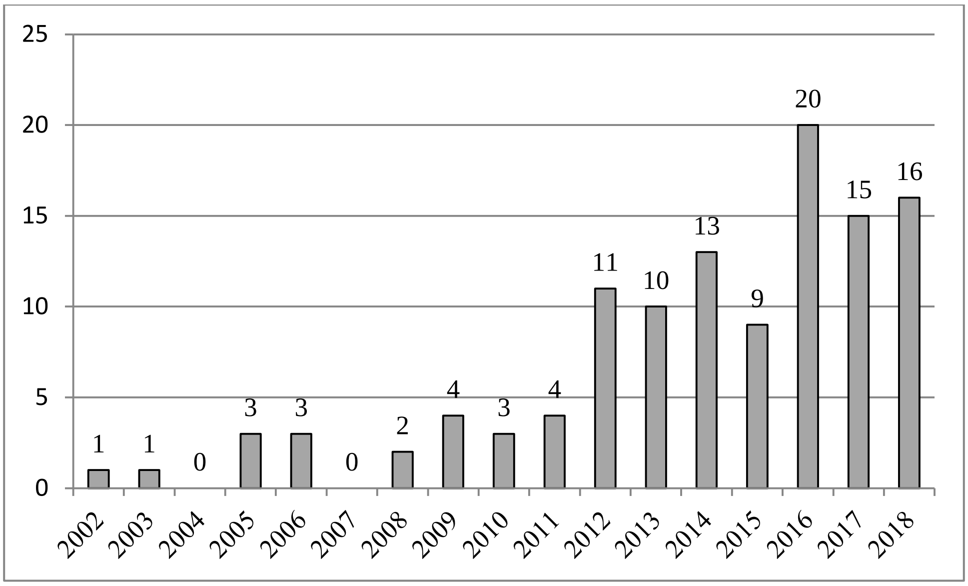
2.4. Family firm internationalization research: A performance analysis

In order to offer an overview of FFI research, we carried out a performance analysis using productivity and impact indicators, such as the number of documents published per year, the most productive journals and authors, and the most influential articles. According to Merigó and Yang (2017), the number of publications is correlated with the productivity, whereas the number of citations is correlated with the influence on the scientific community. This descriptive bibliometric analysis was based on the 115 articles that form our dataset.

2.4.1. Distribution of publications

Figure 2.1 presents an overall upward trend in the number of articles published since 2002, which continues to gain in momentum. We observe that, from 2002 to 2011, scientific research production was characterized by rare and irregular publications on this theme. However, the seven years ending in 2018 show a significant growth in scientific production, with more than 10 articles published each year, with the exception of 2015. The last three years of the analysis were the most productive, with 20 publications in 2016 being the highest. Thus, FFI research has attracted growing interest among scholars, especially in the last few years.

Figure 2.1. Evolution of research on family firm internationalization



2.4.2. Scientific journals' contribution

Studies on FFI were published in 41 different journals (see Table 2.1). However, only 19 journals published more than one article, and only nine published five or more articles on this topic. These nine journals accounted for 58.26% (67 articles) of the total production. The most productive journal was *Journal of World Business*, with ten articles. *Family Business Review* and *International Business Review* rank in second place with nine articles each. They are followed by *Global Strategy Journal* (eight articles), *European Journal of International Management* and *Journal of Business Research* (seven articles each), *Business History* and *Journal of Small Business Management* (six articles), and *Entrepreneurship Theory and Practice* (five articles). These journals have been crucial to the development of the internationalization topic in the literature on family firms.

Table 2.1. Ranking of the most productive journals in the field

	Scientific Journals	Total Articles	Total Cites	Imp. Fact.*	2002-2008	2009-2011	2012-2013	2014-2015	2016	2017	2018
1	J. World Bus.	10	130	5.789			2	1	2	2	3
2	Fam. Bus. Rev.	9	859	6.188	4	1		4			
3	Int. Bus. Rev.	9	250	3.639	1	1	1	3	2	1	
4	Glob. Strateg. J.	8	16	2.730							8
5	Eur. J. Int. Manag.	7	22	1.349				1	4	2	
6	J. Bus. Res.	7	69	4.747				2	3	1	1
7	Bus. Hist.	6	78	1.152		2	1	2	1		
8	J. Small Bus. Manag.	6	132	3.120		1	1	2	2		
9	Entrp. Theory Pract.	5	231	6.193	1		2		1	1	
10	J. Fam. Bus. Strateg.	4	18	3.225			1	1		2	
11	J. Int. Bus. Stud.	4	410	7.724	1	2			1		
12	Eur. Manag. J.	3	70	2.985			2			1	
13	Manag. Int. Rev.	3	64	2.689		1	2				
14	J. Bus. Ventur.	2	395	6.333	2						
15	J. Int. Manag.	2	45	2.830			1				1
16	J. Manag. Organ.	2	5	1.021			1				1
17	Manag. Organ. Rev.	2	25	2.400		1		1			
18	Rev. Manag. Sci.	2	36	2.393				1		1	
19	Small Bus. Econ.	2	108	3.555			1		1		
20	Appl. Econ.	1	0	0.968						1	
21	Appl. Econ. Lett.	1	0	0.591			1				
22	Asia Pac. J. Manag.	1	1	2.737						1	
23	Brit. J. Manage.	1	17	2.750			1				
24	BQR-Bus. Res. Q.	1	11	3.250					1		
25	Bus. Horiz	1	15	2.828			1				
26	Corp. Gov.	1	25	3.390				1			
27	East. Eur. Econ.	1	10	1.080		1					
28	Economica	1	7	1.500				1			
29	Int. Market. Rev.	1	40	3.833			1				
30	Int. Small Bus. J. Res. Entrep.	1	0	3.706							1
31	Inz. Ekon.	1	8	0.730			1				
32	J. Bus. Ind Mark.	1	0	1.961						1	
33	J. Bus. Econ. Manag.	1	4	1.855			1				
34	J. Leadersh. Organ. Stud.	1	1	1.597					1		
35	J. Manag.	1	193	9.056	1						
36	J. Manag. Stud.	1	351	5.839		1					
37	Long Range Plan.	1	0	3.363							1
38	RBGN-Re. Bras. Gest. Negocios	1	0	0.484					1		
39	Rev. Hist. Econ.	1	0	0.710						1	
40	S. Afr. J. Bus. Manag.	1	7	0.429				1			
41	Strat. Manage. J.	1	30	5.572				1			
	Total	115	3683		10	11	21	22	20	15	16

*2018 Journal Impact Factor

As Table 2.1 shows, FFI research began to be published in journals focused specifically on family firms and in important management journals (with high impact factors) that are often pioneers in uncovering new research paths. However, in the last few years, most articles have been published in journals dedicated to international business research. For instance, the *European Journal of International Management* and *Global Strategy Journal* have recently published special issues on FFI (EJIM, Vol. 10, Issue 5, 2016; GSJ, Vol. 8, Issue 1, 2018). This is an indicator of the interest that this field has generated among researchers in recent years.

2.4.3. Most productive and cited authors

The data analysis indicates that the 115 articles published were authored by 251 researchers. Table 2.2 provides information on authors with three or more publications, and authors with more than 140 citations, that is, authors who made a greater contribution quantitatively and qualitatively.

Table 2.2. Most productive and cited authors

Authors with more than 3 papers			Author with more than 140 citations			
Authors	Papers	Cites/Papers		Authors	Cites	Cites/Papers
Calabrò, A.	7	26.00	1	Zahra, S.A.	512	256.00
Kraus, S.	7	12.86	2	Nieto, M. J.	421	140.33
Majocchi, A.	5	8.20	3	Fernández, Z.	417	208.50
Kao, M. S.	4	8.75	4	Gómez-Mejía, L. R.	351	351.00
Kontinen/Leppaaho, T.	4	44.25	5	Larraza Kintana, M.	351	351.00
Kuo, A.	4	8.75	6	Makri, M.	351	351.00
Pukall, T.	4	35.25	7	Graves, C.	255	85.00
Van Essen, M.	4	11.75	8	Thomas, J.	241	120.50
Arregle, J. L.	3	68.67	9	Arregle, J. L.	206	68.67
Chang, Y. C.	3	11.33	10	Hitt, M. A.	206	68.67
Chung, H. M.	3	4.00	11	George, G.	193	193.00
Duran, P.	3	7.33	12	Wiklund, J.	193	193.00
Graves, C.	3	85.00	13	Calabrò, A.	182	26.00
Hitt, M. A.	3	68.67	14	Kontinen/Leppaaho, T.	177	44.25
Mensching, H.	3	14.00	15	Ojala, A.	177	59.00
Mitter, C.	3	12.33	16	Howorth, C.	155	155.00
Nieto, M. J.	3	140.33	17	Westhead, P.	155	155.00
Ojala, A.	3	59.00	18	Pieper, T. M.	146	48.67
Pieper, T. M.	3	48.67	19	Pukall, T.	141	35.25

The top-ranked authors in terms of publications are Calabrò and Kraus (seven articles), and Majocchi (five articles). Moreover, 196 authors (78.09 percent) have only one published article. The fact that only three authors have published five or more articles indicates that the field is not characterized by a high concentration. This dispersion in the literature often occurs in emerging disciplines (Casillas & Acedo, 2007) and is common in relatively new research fields that have yet to reach maturity.

The citation count revealed that the authors with the most citations (see Table 2.2) are Zahra, Nieto, Fernández, Gómez-Mejía, Makri and Larraza-Kintana, Graves and Thomas, and Arregle and Hitt, in that order. Older publications are likely to receive more citations than more recent ones, and the ranking of the most cited articles is likely to be dominated by well-established scholars who began researching early. Further, the most productive authors are not always the most cited ones. For example, although Gómez-Mejía et al. (2010) published just one article, their 351 citations make their paper among the most cited.

2.4.4. Most cited documents

The contribution made by articles and their importance in the development of the field can also be measured by the number of citations. The most cited documents are usually the ones that have contributed to the development of the field since they have been used as reference articles by many scholars. In this case, the 115 articles received a total of 3,683 citations, with an average of 32.03 citations per document. Table 2.3 presents the 10 articles that received more citations.

Gómez-Mejía et al. (2010) received the most number of citations per year (39.00) as well as the highest number of total citations (351), making this article the most influential paper in FFI. This study introduced the socioemotional wealth (SEW) perspective in FFI, which has gained prominence over the past few years. Zahra (2003) has the next highest number of citations per year (19.94), followed by Pukall and Calabrò (2014; 19.40 citations per year). To date, Pukall and Calabrò (2014) is the most cited and significant bibliographic review of FFI. Then, studies such as Fernández and Nieto (2006; 16.15 citations per year), Sciascia et al. (2012; 14.86 citations per year), Fernández and Nieto (2005; 14.79 citations per year) and George et al. (2005; 13.79 citations per year) are notable. These articles were published in journals with high-impact factors (see Table 2.1 – Impact factor 2018) and are considered essential to the evolution of the field. Their number of citations continues to increase each year.

Table 2.3. List of papers with more citations per year

	Authors (Year)	Title	Journal	Mean per year	Total cites
1	Gómez-Mejía et al., (2010)	Diversification decisions in family-controlled firms	J. Manage. Stud.	39.00	351
2	Zahra (2003)	International expansion of US manufacturing family businesses: The effect of ownership and involvement	J. Bus. Ventur.	19.94	319
3	Pukall & Calabrò (2014)	The internationalization of family firms: A critical review and integrative model	Fam. Bus. Rev.	19.40	97
4	Fernández & Nieto (2006)	Impact of ownership on the international involvement of SMEs	Fam. Bus. Rev.	16.15	210
5	Sciascia et al. (2012)	The role of family ownership in international entrepreneurship: Exploring nonlinear effects	Small Bus. Econ.	14.86	104
6	Fernández & Nieto (2005)	Internationalization strategy of small and medium-sized family businesses: Some influential factors	J. Int. Bus. Stud.	14.79	207
7	George et al. (2005)	Ownership and the internationalization of small firms	J. Manage.	13.79	193
8	Bhaumik et al. (2010)	Does ownership structure of emerging-market firms affect their outward FDI? The case of the Indian automotive and pharmaceutical sectors	J. Int. Bus. Stud.	13.67	123
9	Westhead & Howorth (2006)	Ownership and management issues associated with family firm performance and company objectives	Fam. Bus. Rev.	11.92	155
10	Graves & Thomas (2008)	Determinants of the internationalization pathways of family firms: An examination of family influence	Fam. Bus. Rev.	11.64	128

2.5. Family firm internationalization research: Mapping the co-word analysis

2.5.1. Co-word analysis

Science mapping aims to display the structure and dynamics of scientific fields (Zupic & Čater, 2015). It is a spatial representation of how disciplines, fields, specialties, documents, or authors are related to each other (Moral-Muñoz et al., 2014). Depending on the information used to build a bibliometric map, different aspects of the research field can be studied. Co-word analysis is a tool widely used in the science mapping analysis, which generates a set of clusters that can be understood as conglomerates of textual information or semantic/conceptual groups of themes treated by a research field. In this study, in order to obtain a spatial representation of the thematic clusters of FFI, we used the original keywords assigned by authors in their articles and additional relevant keywords assigned by the WoS to each document. To improve data quality, the list of keywords was standardized to eliminate different spellings and variants of identical terms. Moreover, some meaningless keywords with very broad and general meanings were removed (Cobo et al., 2015). In this sense, general keywords such as 'family firms' and 'internationalization' previously used to delimit the dataset were not included.

According to Callon et al. (1991; p.160), 'the methodological foundation of co-word analysis is the idea that the co-occurrence of keywords describes the content of the documents' in a dataset. In this way, two keywords co-occur when they are used together in the description of a document (Callon et al., 1991). When keywords frequently co-occur in documents, it means that the concepts represented by those keywords are closely related (Zupic & Čater, 2015). Thus, major research themes are identified by computing co-occurrences of keywords, which generates a co-occurrence matrix (Callon et al., 1991). After building this co-occurrence matrix, similarities between items are calculated (Mora-Valentín et al., 2018). There are several ways to perform this calculation, but in our study, we used the equivalence index[1] (Callon et al., 1991), which is the most appropriate (Van Eck & Waltman, 2009). Based on these indexes, a clustering algorithm is applied to identify groups of keywords that are strongly associated and can thus be considered research themes (Cobo et al., 2011). For each research theme, the keywords and their interconnections draw a network called 'thematic cluster'. Each cluster is labelled using the name of the most significant keyword in that thematic cluster. Its graphical representation is a sphere whose size is proportional to its importance (Cobo et al., 2011). It is important to note that for building the thematic clusters, the units of analysis are the keywords, not documents, authors or journals (Zupic & Čater, 2015).

Several visualization techniques have been proposed in the literature to provide a method for exploring and suggesting the interpretation of co-word analysis (Small, 2006). Following Callon et al. (1991), we elaborate a strategic diagram with two parameters of measurement, namely 'density' and 'centrality', which allow the characterization of each research theme. *Centrality* measures the degree of a network's interaction with other networks and can be understood as a measure of the strength of the external ties with other themes. This value can also be understood as a measure of the importance of a theme in the development of the whole research field. *Density* measures the strength of the internal ties among all of the keywords that describe the research theme and can be understood as a measure of the theme's development (Callon et al., 1991).

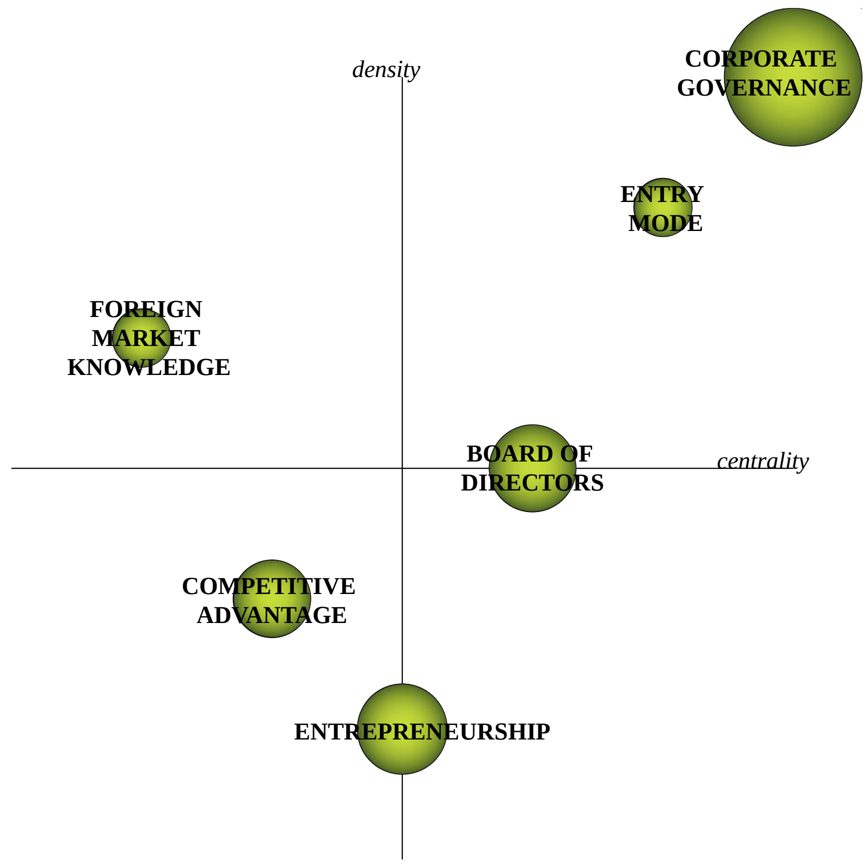
Based on these two measurements, a research field can be mapped in a two-dimensional strategic diagram and classified into four groups according to the quadrant in which they are placed (Cobo et al., 2011). Themes in the *upper-right quadrant* are known as motor themes because they present strong

[1] The equivalence index is calculated as eij = c2 ij/(ci · cj), where cij is the number of documents featuring the simultaneous appearance of terms i and j, and ci and cj indicate the number of documents in which the terms i and j appear, respectively.

[2] The FIBER scale consists of five dimensions: Family control and influence (F), Identification

centrality and high density. These themes are well-developed and important for the structure of a research field. Themes in the *upper-left quadrant*, which are very specialized and possess a peripheral character, are called highly developed and isolated themes. These themes are considered to be only marginally important in the field because they have well-developed internal ties but unimportant external ties. Themes in the *lower-right quadrant* are transversal, general, and basic themes. These themes are basic and important for the research field but are not internally well-developed. Themes that belong to the *lower-left quadrant* possess low density and centrality and may represent emerging or disappearing themes because they are still weakly developed and/or marginal. Depending on the future evolution of these themes, they can become emerging fields or can disappear. These themes offer an interesting way to conduct future research since they are underdeveloped. It is important to highlight that thematic clusters are built using keywords and not with the papers. The keywords represent the most important themes covered by the papers and how they are linked to each other. Therefore, one article can be related to more than one cluster. It is also necessary to note that each cluster is defined in a way that can reflect the scope of the FFI papers included in the thematic cluster, which can reveal patterns and trends in a research field. The visual representation of the thematic clusters resulting from our co-word analysis is shown in Figure 2.2.

Figure 2.2. Strategic diagram of family firms' internationalization



As can be observed, the results of the co-word analysis reveal that the current body of FFI research is divided into six thematic clusters based on the following: (1) the composition of the *corporate governance* and ownership structure of family firms; (2) *entry mode* decisions in foreign markets; (3) *board of directors* and top management team composition; (4) *foreign market knowledge* and networks that allows identifying international opportunities; (5) *entrepreneurship* behaviors of family firms and the socio-emotional wealth preferences; and (6) *competitive advantages* generated by family firms' resources and innovation. Two of the thematic clusters can be considered as motor themes in FFI as they are located in the upper-right quadrant of the strategic diagram, which are characterized by a high degree of internal development and by strong ties with other concepts within the field of research. In general, it can be asserted that these motor themes have been the most important for the development of FFI field and have also attracted the greatest attention from researchers. The *Board of directors* theme is in the middle of the upper-right and lower-right quadrant, which means that internally, the cluster is not as developed as the motor themes but it has strong links with other research themes, especially with the two motor themes. The *foreign market knowledge* cluster, although has been a recurring theme on the FFI research, it bears little relationship to the rest of the themes (low centrality). This thematic cluster shows a high degree of internal development, but it has a marginal importance to the rest of the research fields. The *Entrepreneurship* cluster presents low density and middle level of centrality, suggesting that internally, the cluster is not fully developed but it has connections with other clusters. It shows strong ties with other issues outside of the network indicating that it is relevant for FFI, but its internal development levels are lower. This cluster is likely to have a positive development and may provide some interesting paths for conducting future research. The last cluster, *competitive advantage*, is located in the lower-left area, meaning that it is neither internally nor externally well developed. Thus, this cluster may represent a potential emerging research theme, but its future development will reveal if it can become a potentially emerging topic.

2.5.2. Content analysis of the strategic diagram

Based on the results of the strategic diagram built through the co-word analysis and with the goal to provide a more complete understanding of the thematic clusters, we adopted a qualitative approach to our literature review, based on a content analysis of the identified thematic cluster. This analysis will help increase the understanding of the current conceptual structure of the FFI field and to identify promising avenues for future research. Figure 2.3 shows the sub-themes that form each cluster.

Figure 2.3. Sub-themes of the clusters

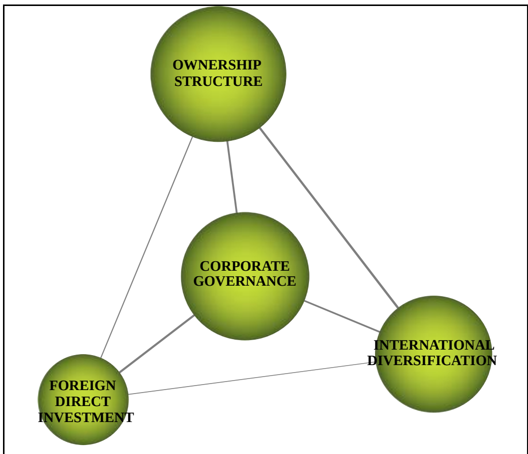


Figure 2.3.1. *Corporate Governance* cluster

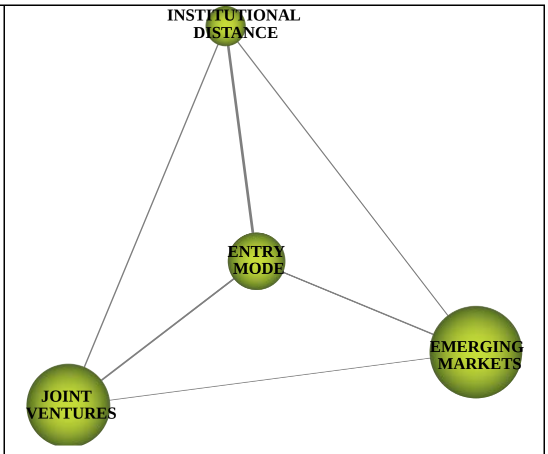


Figure 2.3.2. *Entry Mode* cluster

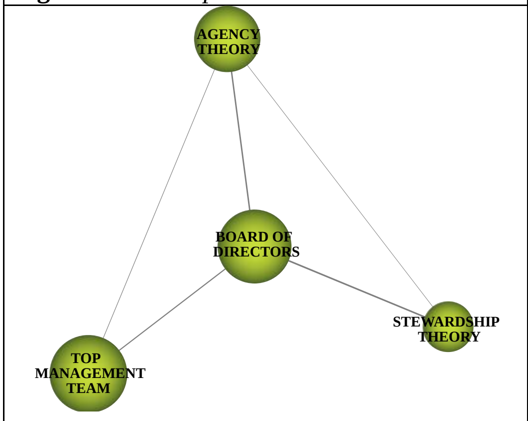


Figure 2.3.3. *Board of Directors* cluster

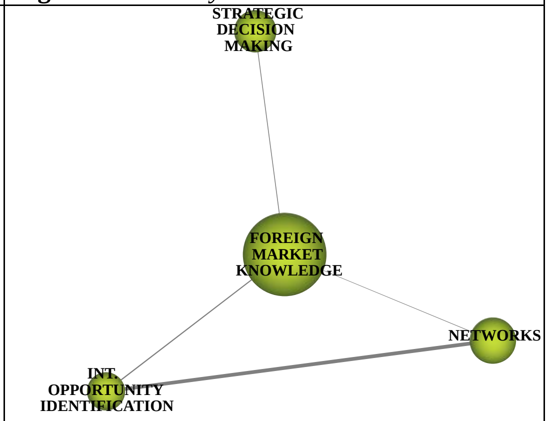


Figure 2.3.4. *Foreign Market Knowledge* cluster

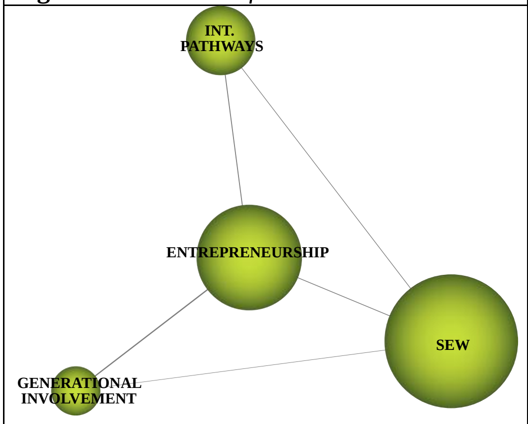


Figure 2.3.5. *Entrepreneurship* cluster

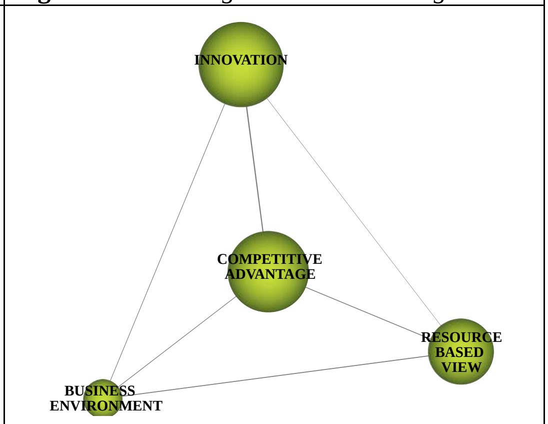


Figure 2.3.6. *Competitive Advantage* cluster

2.5.2.1. Corporate Governance cluster

The most important cluster of the strategic diagram is the labelled *Corporate Governance* (see Figure 2.3.1). Within this cluster, we find several related co-words: *corporate governance*, *ownership structure*, *foreign direct investment (FDI),* and *international diversification*. The analysis of the influence of corporate governance, and more specifically, ownership structure, has been the predominant theme in FFI research. The literature evidences that ownership structure affects FFI (e.g., Majocchi et al., 2016) but as mentioned in Section 2, studies have been inconclusive and provided mixed results because some found that family ownership had a negative effect on the level of internationalization (Fernández & Nieto, 2005; 2006; Majocchi & Strange, 2012; Liu et al., 2011; Ray et al., 2018), whereas others argued that family ownership can foster internationalization processes (Chen et al., 2014; Minetti et al., 2015; Zahra, 2003). Responding to these mixed results, other authors analyzed the non-linear effects of family ownership on internationalization and argued about the possibility of positive and negative effects of family ownership (Liang et al., 2014; Sciascia et al., 2012). Researchers also found that including external owners (Arregle et al., 2012; Fernández & Nieto, 2006; Singh & Gaur, 2013) and foreign investors (Bhaumik et al., 2010; Calabrò et al., 2013; Ray et al., 2018) in the ownership structure improved firm internationalization. Moreover, mixed results and inconclusiveness were also found in the analysis of family involvement in other corporate governance bodies, such as the board of directors or top management team. The inconclusiveness and conflicting results may be caused by several reasons, such as the lack of theory integration or the absence of sophisticated measures of family influence (Pukall & Calabrò, 2014); differences in the theoretical frameworks and methodologies and samples adopted (Merino et al., 2015); or because studies have focused on single countries and applied different measurements for internationalization (Majocchi et al., 2016). Therefore, more research is needed to address the effect of the heterogeneity among family firms caused by the involvement of the family and its effect on FFI (e.g., Alessandri et al., 2018; De Massis et al., 2018).

In the international diversification research stream, it is argued that diversification has a positive impact on the performance of family firms (e.g., Muñoz-Bullón & Sánchez-Bueno, 2012). Family firms have also been found to diversify less domestically and internationally than non-family firms (Gómez-Mejía et al., 2010). In this regard, levels of family ownership have been found to have a negative impact on the international diversification of family firms (Majocchi & Strange, 2012; Sánchez-Bueno & Usero, 2014). Family owners may prefer to avoid international diversification strategies because they imply a loss of SEW (Gómez-Mejía et al., 2010). However, the presence of a financial company as the second shareholder (Sánchez-Bueno & Usero, 2014) and a higher proportion of independent board members (Majocchi & Strange, 2012) might improve the international diversification of family firms.

Another research stream in this cluster is the analysis of corporate governance and ownership characteristics in FDI decisions. Some authors argue that family ownership can have positive effects on foreign direct investment decisions (Singh & Gaur, 2013), whereas others argue that family firms are less likely to invest in overseas countries (Bhaumik et al., 2010) and do not invest in psychically distant countries (Baronchelli et al., 2016). When investing abroad, family firms tend to opt for greenfield investments with full equity ownership to maintain family control and socioemotional wealth (Boellis et al., 2016; Yamanoi & Asaba, 2018). However, investing with foreign partners can facilitate FDI decisions (Bhaumik et al., 2010; Lien et al., 2005). The family involvement in the board has also been found to increase the likelihood of choosing FDI strategies with higher equity stake (Ilhan-Nas et al., 2018; Kao & Kuo, 2017).

2.5.2.2. Entry Mode cluster

The second motor theme is the *Entry Mode* cluster (see Figure 2.3.2). Within this cluster, the co-words are *entry mode*, *emerging markets*, *joint venture,* and *institutional distance*. The entry mode choice is especially important for family firms, since these businesses usually want to maintain family control and simultaneously maintain a long-term orientation in their investments (Pongelli et al., 2016). Export is considered the most typical entry mode among family firms, especially for small and medium-sized ones, since it is based in low-commitment of resources and offers greater flexibility (e.g., Fernández & Nieto, 2005; Majocchi et al., 2018; Merino et al., 2015).

However, this cluster deals with the preferences of family firms for entering foreign markets with cooperation (joint ventures) or equity strategies. In this sense, different levels of family ownership and generational involvement may have different risk preferences, and thus, they have an effect on the entry mode decisions (Pongelli et al., 2016). The long-term orientation and the inclusion of non-family managers promote entry modes that require a higher resource commitment, such as joint ventures or wholly owned subsidiaries (Claver et al., 2009). The studies conducted by the research group formed by Kuo, Kao, and Chang have a great relevance in this cluster. These studies include complementary articles on the entry modes choices of family firms from emerging markets, distinguishing between joint ventures and wholly owned subsidiaries. Firms with higher family ownership and involvement in the board are more likely to choose wholly owned subsidiary entry modes over joint ventures (Kao & Kuo, 2017). These authors analyze how entry mode choice is affected by international experience (Kuo et al., 2012), perceived environmental uncertainty (Kao et al., 2013), quality of host countries' governance (Chang et al., 2014), and internal and external uncertainties (Kao & Kuo, 2017). The documents that form this cluster are highly linked and share common elements with the *Corporate Governance* cluster defined previously. The subthemes, namely corporate governance, ownership, and foreign direct investment, are directly related with the main topics analyzed in this cluster.

2.5.2.3. Board of Directors cluster

The *Board of Directors* cluster is formed by the co-words *board of directors*, *top management team (TMT)*, *agency theory*, and *stewardship theory* (see Figure 2.3.3). Agency and stewardship theories are two important theoretical perspectives in this cluster, but also in the two motor themes. The two major research streams in this cluster deal with the analysis of family involvement in managerial positions and board composition. As in the previous cluster, findings about the family involvement in the TMT or in the board of directors are mixed. In fact, this cluster has lower density, and it is located midway between the upper-right and lower-right quadrants. This means that the cluster is not internally well developed and that it should be developed more deeply.

Family firms are more internationalized when family involvement in the management team and the board is balanced (Mitter et al., 2014). Thus, including external (Arregle et al., 2012) and independent members (Majocchi & Strange, 2012; Herrera-Echeverri et al., 2016) on the board has been found to promote international activities. The inclusion of external members increases the firm's resources and can improve the strategic design of international operations. As argued by Sciascia et al. (2013), the relationship between family involvement in the board and internationalization may not be linear, and depending on the level of family involvement, can generate positive or negative outcomes.

The literature also reveals that family firms suffer human resource limitations for internationalizing the business, and their managerial capabilities usually lag behind those of non-family firms (Graves & Thomas, 2006). Thus, firms with non-family leaders are more advantageous in overtaking global strategies compared to firm with family leadership (Banalieva & Eddleston, 2011). The industry experience of top management team members has been found to be an important determinant of FFI (Segaro et al., 2014). Appointing experienced non-family managers can address this shortage, but this may also clash with the emotional component of the firm and the desire to maintain SEW (Vandekerkhof et al., 2015). Non-family managers are also beneficial for internationalizing using entry modes that require a stronger resource commitment (Claver et al., 2009). D'Angelo et al. (2016) pointed out that hiring professional non-family managers may be important for enhancing internationalization but only for family-influenced firms with less than 50% of family ownership. Liang et al. (2014) found that the relationship between family involvement in management and internationalization may not be lineal, suggesting an inverted 'U' shaped relationship.

2.5.2.4. Foreign Market Knowledge cluster

The fourth cluster, *Foreign Market Knowledge,* is located in the upper-left quadrant, indicating that it is a peripheral theme of marginal importance for the field (see Figure 2.3.4). The co-words that form this cluster are *foreign market knowledge*, *international opportunity recognition*, *networks,* and *strategic decision-making*. The research in this cluster has not attracted the interest of many researchers in FFI field. However, this does not imply that the research in this cluster is of a lower quality. It simply means that journals and researchers have been less interested in these topics. The subthemes in this cluster are closely related between them, since foreign market knowledge and networks are important for effective international opportunity identification. According to Kampouri et al. (2017), the current knowledge of firms' external networks in the internationalization processes and strategies is limited. The role of networks and previous knowledge is important for identifying international opportunities (Zaefarian et al., 2016). However, family firms usually do not have well-developed network ties that can be used to recognize the first international opportunity and may begin international operations accidentally (Zaefarian et al., 2016) or obtain weak ties during international exhibitions (Kontinen & Ojala, 2011a; 2011b). Although family firms are not proactive in initiating international operations (Kontinen & Ojala, 2011b), they learn from their first accidental experience and later engage in a more deliberate search (Zaefarian et al., 2016).

Eberhard and Craig (2013) also found that inter-organizational network are weaker in family firms, so they may perceive those contacts outside the family as untrustworthy. Related to internal networks the concept of social capital arises. According to Tasavori et al. (2018), family firms can improve their internationalization performance by using the internal social capital based on the family relationships. Knowledge resources have also been found to facilitate and hamper the international expansion of family firms, depending on the generation that is in control of the firm (Fang et al., 2018).

2.5.2.5. Entrepreneurship cluster

Between the lower-left and lower-right areas of the strategic diagram, the *Entrepreneurship* cluster arises (see Figure 2.3.5). This cluster presents low density and middle level of centrality. This means that internally, the cluster is not well developed, but that it has positive connections with other research themes. Thus, this cluster represents a possible important future theme for FFI research that needs to be further developed and offers several paths for conducting future research. The *Entrepreneurship* cluster is formed by the co-words *entrepreneurship*, *socioemotional wealth (SEW)*, *internationalization pathways,* and *generational involvement.*

International entrepreneurship can be considered a new research field in FFI. Within this topic, we find studies linked to the international entrepreneurial orientation, which analyze the innovative, risk-taking, and proactive behaviors of family firms in an international context (Hernández-

Perlines et al., 2016). Although this topic has been considered important for understanding the internationalization of family firms, only a few studies have analyzed the entrepreneurial behavior of these organizations in foreign markets recently (e.g., Calabrò et al., 2016b; 2017; Hernández-Perlines et al., 2016), and they have failed to obtain conclusive results. This aspect of internationalization needs to be developed further and could become a future research stream.

Linked to the entrepreneurial behavior of family firms, the SEW perspective is the most relevant approach, since these two themes are highly connected. Family firms are committed to the preservation of SEW, which can explain some of the behaviors and decisions during the internationalization process related to their risk taking and entrepreneurial attitudes. This perspective posits that aversion to losing the affective legacy of the family in the business, the strong link between the family's identity and firm reputation, and the goal of preserving family control can all explain the behaviors of family firms (Berrone et al., 2012). From the SEW point of view, family firms can prioritize non-financial goals over financial ones (Gómez-Mejía, et al., 2007), which affects their internationalization strategy (Gómez-Mejía et al., 2010). The use of the SEW perspective for explaining the international behavior of family firms has increased in recent years (e.g., Alessandri et al., 2018; Duran et al., 2017; Kraus et al., 2017). Therefore, it is not surprising that authors have attempted to integrate the SEW perspective with the revised Uppsala internationalization process model to adapt this model to the risk-seeking behavior of family firms (Pukall & Calabrò, 2014; Cesinger et al., 2016).

Generally, family firms are characterized for following a process model of internationalization (e.g., Graves & Thomas 2008; Kontinen & Ojala, 2010) where firms increase their international involvement and scope as they acquire knowledge and experience from foreign markets. Thus, as family firms gain experience will engage in entry strategies that require a higher commitment of resources and will expand to geographic areas that are psychically and culturally more distant. However, several authors have found difficulties that constrain family firms' internationalization pathways because of the family involvement in the business. For example, family ownership and involvement in the business have been found to decrease the likelihood of initial international entry (Evert et al., 2018). Moreover, psychic distance has been found to be a barrier to FFI (Cesinger et al., 2014; Mensching et al., 2016), and firms with greater family involvement have been found to make fewer investments in psychically distant countries (Baronchelli et al., 2016). Reuber (2016) argues that our current knowledge of FFI is limited because research has mainly focused on internationalization as a strategic decision. Instead, she suggests focusing on processes associated with internationalization triggers, geographic distance or cultural distance.

The ownership structure has also been identified as the main determinant of the speed of internationalization in family firms (Lin, 2012; Kontinen & Ojala, 2012), but findings are sometimes contradicting. Some authors have found that family firms internationalize significantly slower than do non-family firms (Cesinger et al., 2014), while other assert that firms with high level of ownership opt for a rapid internationalization, a narrow scope, and irregular rhythm (Lin, 2012). Other authors found that when family firms' ownership is fragmented or divided, they follow the traditional incremental internationalization process, but family firms with concentrated ownership can lead to accelerated internationalization pathways (Kontinen & Ojala, 2012).

In relation to generational involvement, there seems to be an agreement among researchers that generational differences affect the entrepreneurial behavior and the perception of SEW loses. Diverse generations of CEOs might have different perspectives on international expansion (Chen et al., 2015). Family firms run by the founding generation internationalize less than firms in later generations (Fang et al., 2018). The involvement of new generations provides new resources to family firms (Fernandez & Nieto, 2005; Merino et al., 2015), and usually, each generation is less risk averse than the preceding one (Bobillo et al., 2013). Thus, when incoming generations take over the business, international entrepreneurial activities are enhanced (Calabrò et al., 2016a) and can lead to accelerated internationalization pathways, such as a born-again globals (Stieg et al., 2017). The next generations' higher educational levels and the international experience have been found to be determinant factors for enabling born-again global pathways (Stieg et al., 2017).

2.5.2.6. Competitive Advantage cluster

In the lower-left area, the *Competitive Advantage* cluster appears (see Figure 2.3.6). Clusters in this area are not well developed internally and externally. Therefore, depending on the future evolution, these clusters can either become emerging topics or disappear. This cluster is formed by the following co-words: *competitive advantage*, *resource based view (RBV)*, *innovation*, and *business environment*. According to the RBV theory, firms may develop tangible or intangible firm-specific assets that can make them acquire a sustainable competitive advantage and thereby increase their performance. Resources alone do not entail a competitive advantage, they must be developed to obtain firm-specific resources that are difficult to imitate, are non-transferable, and are rooted in the organization (Barney, 1991). Although family firms usually have limited access to the resources needed for internationalization (Graves & Thomas, 2006; Fernández & Nieto, 2005), they also possess a unique set of resources that may produce a sustainable competitive advantage (Sirmon & Hitt, 2003). Family firms may combine their 'familiness' resources with other resources acquires in the market to obtain new resources that can make them obtain a superior competitive advantage in international markets and increase firm performance (Forcadell et al., 2018).

The relationships between family firm resources and performance suggested by the RBV seems to be addressed in this cluster. In general, the research highlights the importance of behavioral differences in the analysis of the effect on the performance generated by the family's influence (Carr & Bateman, 2009; Fernández-Olmos et al., 2016; Graves & Shan, 2014; Sirmon et al., 2008). Nevertheless, the research of the relationship between internationalization and firm performance in the context of family firms is not yet well-developed, and results are inconclusive (Fernández-Olmos et al., 2016; Lu et al., 2015). Therefore, more research is required in this direction.

Research on innovation of family firm is another young field that has increased in the last years (e.g., Calabrò et al., 2019). Investment in innovation can create valuable resources difficult to imitate, which can lead to a sustainable competitive advantage, and thereby enhance FFI (Singh & Gaur, 2013). However, attempts to analyze the effect of innovation on internationalization have been scarce in family firm literature (e.g., Purkayastha et al., 2018), and results are inconclusive. Furthermore, the relationship between innovation and internationalization can be a two-way relationship. On the one hand, innovation can explain firm internationalization (Singh & Gaur, 2013), but on the other hand, internationalization can also affect firm innovation (Tsao & Lien, 2013). Therefore, observing the increasing interest on innovation topic and the inconclusiveness on its relationship with internationalization, this issue will require further development in future research.

2.6. Concluding remarks and avenues for future research

This study is the first attempt to perform an objective review of the research on FFI by applying bibliometric indicators. We provide a complementary view of previous FFI studies by conducting performance analysis of the research and illustrating the structure of the research field using co-word and content analyses. Several conclusions can be drawn from our analyses.

FFI is a relatively new research topic and has emerged as a field within the literature on family firms in the last few years. The first identified paper on this topic was published in 2002, and since then, the number of publications has increased, particularly in recent years. The last years of our analysis (2016-2018) were the most productive. This recent increase in scientific production indicates that the topic is attracting growing interest among scholars. Therefore, given the upward progress of the field, we can expect that the number of publications in future years will also continue increasing. The performance analysis also revealed that many journals have published research on FFI. The initial studies were published in specialized journals in family business (e.g., *Family Business Review*) and relevant management journals (e.g., *Journal of Business Venturing*), but in the last years, there has been an increase in journals focused on international business. It is especially relevant that two international business journals dedicated special issues to FFI in 2016 and 2018.

The activity indicator analysis also reveals that the most productive authors are not necessarily the most cited. As witnessed in other research areas, the well-established researchers who started publishing early have received more citations. The most productive authors, such as Calabrò, Kraus, and Majocchi, began publishing relatively recently.

The co-word analysis reveals six thematic clusters. Some clusters have been especially important for the evolution of the field and represent themes that have led the research on FFI: *Corporate Governance, Entry Mode,* and *Board of Directors.* Although a large part of the research has focused on these clusters, inconclusiveness and contradicting findings continue to remain. In this regard, we agree with other authors such as De Massis et al. (2018) who called for more research in this direction to obtain a better understanding of the heterogeneity of family firms given the contradicting findings. As FFI is a very young research field, it is necessary to obtain more evidence from different contexts to generalize the findings. In this sense, it is especially interesting to analyze the benefits or disadvantages of family and external involvement in different corporate governance bodies such as ownership, board of directors, or the TMT. We also noticed that the involvement of the board in the strategic decision making in internationalization has received little attention, and no significant effects have been found (Calabrò et al., 2013). More research should be conducted in this direction since board members have been identified as important resources of family firms, and their active role in the strategic decision-making in other entrepreneurial activities has obtained successful results (Arzubiaga et al., 2018).

In the strategic diagram, the *Foreign Market Knowledge* cluster is located in the upper left side, which means that the topic is peripheral or of marginal importance to the development of the field. However, the effect of networks (e.g., Kampouri et al., 2017) and social capital (e.g., Tasavori et al., 2018) have received very little attention. We consider that the role of the internal and external social capital of family firms can help us to understand better the ways in which these organizations recognize international opportunities and expand internationally.

The *Entrepreneurship* and *Competitive Advantage* clusters remain weakly developed and may represent emerging clusters. These clusters represent a good opportunity for conducting future research as the themes are underdeveloped. Regarding the *Entrepreneurship* cluster, few studies have focused on international entrepreneurship (Hernández-Perlines et al., 2016;

Calabrò et al., 2017). In the literature on family firms, entrepreneurial orientation has been identified as an important element that affects family firms' strategic decision making (e.g., Cruz & Nordqvist, 2012). Given the desire to ensure the longevity of the firm and transfer it to the next generation, family firms must maintain their entrepreneurial attitude. Therefore, additional research is needed to analyze the effect of entrepreneurial orientation on FFI. A firm's entrepreneurial attitude influences its entrepreneurial behavior, and thus, can also affect the speed of internationalization. However, research on this issue is also limited, and future research should be conducted in this direction (Lin, 2012). The growing interest among scholars in SEW and its effects on internationalization (e.g., Kraus et al., 2016; Pukall & Calabrò, 2014) leads us to assume that the use of this perspective to explain the specificities of family firms will continue to increase. The assumption that family firms prioritize non-financial goals over financial ones to protect SEW endowment depends on the context. Therefore, more research is needed to clarify the two-way relationship between socioemotional and financial forms of wealth (Martin & Gómez-Mejía, 2016). The SEW notion has been predominantly used as a theoretical perspective in FFI research, but it could also be measured and used to analyze its effect on firms' internationalization. Several authors have recently emphasized the need to analyze the effect of different SEW dimensions on firm performance (Martin & Gómez-Mejía, 2016; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015) and internationalization (Pukall & Calabrò, 2014). Therefore, the SEW dimensions identified by Berrone et al. (2012) should be examined contrastively across different contexts and situations, including internationalization. The generational differences among family firms also represent a good method for testing de heterogeneity among family firms, since family owners and managers from different generations possess different perspectives, objectives, and entrepreneurial and risk-taking behaviors. Thus, investigating generational differences may provide a better understanding of the lifecycle of family firms.

The second emerging cluster, *Competitive Advantage*, provides two other streams for future research. The research on innovation has also increased in the last years, revealing that it is another important research topic among the family firm literature (e.g., Calabrò et al., 2019). However, the relationship between innovation and internationalization in family firms has been under-investigated and needs to be further developed (Tsao & Lien, 2013). Innovation may provide firms with important capabilities and resources difficult to imitate. Therefore, innovation might be considered as an important strategy for developing a competitive advantage when the firm is engaged in internationalization. It would also be interesting to increase our understanding of the effect of internationalization on firm performance. Internationalization has been identified as an important strategy for growth, but in the context of family firm, the implications of internationalization on firm performance remain overlooked. The scarcity of recent research in this area offers significant possibilities for future development.

Finally, the limitations of this study should be noted. First, our dataset used only the WoS database as a source, and thus, data available from other sources may have been ignored (e.g., Scopus and Google Scholar). Furthermore, some of the earliest studies published in journals before they were indexed in the WoS are missing from our analysis. For example, *Family Business Review* was indexed in the WoS from 2005 onwards. Second, a methodological bias was introduced in the process of standardization of keywords since those keywords with the same meaning were grouped because were considered to have similar meaning. Moreover, some papers lacked keywords, and therefore, the keywords assigned by the WoS were used to conduct the co-word analysis. It should be noted that keywords given by authors are usually more specific and reflective of the content of the paper than those assigned by the WoS.

Appendix 1. Methodological procedure for search, selection, and exclusion

The scope of this article encompasses studies on topics related to the internationalization of family firms. We searched for documents included on the WoS. The following were the steps taken to collect the datasets:

1. We went to the WoS webpage: apps.webofknowledge.com
2. We selected 'Social Science Citation Index' (SSCI) database.
3. In the Topic tab, which includes documents' titles, keywords, and abstracts, we searched for the following terms and their combinations: [("family firm*") OR ("family business*") OR ("family enterprise*") OR ("family influence*") OR ("family owner*") OR ("family SME*") OR ("family control*") OR ("family involvement")] AND [(international*) OR (global*) OR ("entry mode") OR (foreign) OR (export) OR (FDI)]. In this search, we obtained 484 references.
4. We established restrictions on the results:
   a) Document types: 'article' or 'review'
   b) Categories: 'business', 'management' or 'economics'
   c) Language: 'English'

   After doing this, we obtained 346 references.
5. We applied a filtering process to exclude documents unrelated to the scope of the research. The four authors were divided into two equal groups, and they read the abstracts and introductions of all the documents.
6. The main reasons for excluding the documents were as follows:
   a) Studies focused on international studies rather than firm internationalization.
   b) Studies focused on the global financial crisis or globalization.
   c) Studies focused on foreign ownership or foreign entrepreneurs' effect on domestic markets.
   d) Studies that did not focus specifically on family firms.

e) Studies found in the search that contained extended keywords assigned by the WoS but were not related to FFI.

After applying all the restrictions, we obtained the 115 references of FFI research that make up the final dataset used in our analyses.

2.7. References

Articles used in the dataset for conducting the bibliometric review are marked with an asterisk.

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CHAPTER 3

Internationalization and Entrepreneurial Orientation of Family SMEs: The Influence of the Family Character

An earlier version of this paper was presented at the 16th annual conference of European Academy of Management (EURAM) held in Paris (France) in 2016. The title of the paper was: *Family Firms' Internationalization, Entrepreneurial Orientation and Family Involvement in Management*.

An earlier version of this paper was presented at the 2nd International Family Business Research Forum held in Naples (Italy) in 2016. The title of the paper was: *Family Firms' Internationalization: The effect of Entrepreneurial Orientation and Family Involvement in the TMT.*

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3.1. Introduction

Entrepreneurial orientation (EO), the firm's disposition to entrepreneurship, is a key element in businesses' internationalization process (Jantunen, Puumalainen, Saarenketo, & Kyläheiko, 2005; Javalgi, & Todd, 2011; Liu, Li, & Xue, 2011; Ripollés-Meliá, Menguzzato-Boulard, & Sánchez-Peinado, 2007). However, few studies have analyzed factors affecting the relationship between EO and international development in small and medium-sized enterprises (SMEs), and even fewer have analyzed family firms (Calabrò, Campopiano, Basco, & Pukall, 2017; Hernández-Perlines & Mancebo-Lozano, 2016; Hernández-Perlines, Moreno-García, & Yañez-Araque, 2016), although such firms represent the most common form of business organization in the world (Hiebl, Quinn, Craig, & Moores, 2018). The literature has acknowledged that family firms differ in attitudes and behaviors when internationalizing (Graves & Thomas, 2006) and in internationalization strategies (e.g., Fernández & Nieto, 2006; Boellis, Mariotti, Minichilli, & Piscitello, 2016). Family firms may behave differently depending on the extent of family involvement in the business (Chrisman, Chua, & Steier, 2005; Kellermans, Eddleston, Sarathy, & Murphy, 2012; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). Furthermore, family involvement is a variable used commonly to identify the family's power to shape a firm's goals, strategies, and behaviors (Deephouse & Jaskiewicz, 2013; Miller, Le Breton-Miller, & Lester, 2013).

Decision makers' characteristics and attitudes are important determinants of family SMEs' internationalization (Arregle, Naldi, Nordqvist, & Hitt, 2012; Calabrò, Torchia, Pukall, & Mussolino, 2013; Cerrato & Piva, 2012; Claver, Rienda, & Quer, 2008). However, the relevance of individual managerial levels of knowledge and experience remains largely unexplored in the international business literature (Nielsen, 2010). In family SMEs, there is often an overlap between ownership, the board of directors, and the top management team (TMT), with the same family members involved at all levels (Segaro, 2012). TMT members in family SMEs participate directly in the design and day-to-day implementation of firm strategy (Lubatkin, Simsek, Ling, & Veiga, 2006; Sánchez-Marín & Baixauli-Soler, 2015), and they carry out the entrepreneurship process (Sciascia, Mazzola, & Chirico, 2013). Moreover, it is common for SMEs to have family members in TMT positions (Speckbacher & Wentges, 2012) that can spread the family's ideas and behaviors, directly influencing strategic choices and decisions. Therefore, the family's involvement in the firm offers a unique environment in which to analyze whether and to what extent a firm's family character affects the firm's internationalization (Fernández-Olmos, Gargallo-Castel, & Giner-Bagües, 2016).

The family business literature has overlooked the importance of family involvement in TMT positions despite its relevance (Minichilli, Corbetta, & MacMillan, 2010). Following the upper echelon theory (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick, 2007; Hambrick & Mason, 1984), top managers' strategic choices are influenced by managers' cognitive base and values, which influence the decision-making process, shaping organizational outcomes. Organizations are reflections of their TMTs, and firm-level decisions, including internationalization, depend substantially on team background, experience, and values (Hiebl, 2014; Tihanyi, Ellstrand, Daily, & Dalton, 2000). Thus, managers should possess knowledge that allows them to analyze and process information efficiently in the complex and uncertain internationalization process (Nielsen & Nielsen, 2011; Ramón-Llorens, García-Meca, & Duréndez, 2017). Previous research has recognized TMT as an important decision-making group in organizations (Sánchez-Marín & Baixauli-Soler, 2015; Vandekerkhof, Steijvers, Hendriks, & Voordeckers, 2015) and has focused on whether demographic diversity in managerial backgrounds is advantageous for firms, but the results have been inconsistent (Cannella, Park, & Lee, 2008; Rivas, 2012).

The family firm context represents an interesting research stream because these organizations' singularity results in specific TMT diversities and greater complexity than non-family firms (Ling & Kellermanns, 2010; Sciascia et al., 2013). To date, family firm-specific TMT diversities represent under-researched sources (Kraiczy, Hack, & Kellermanns, 2014; Ling & Kellermanns, 2010), and research regarding this aspect remains inconclusive (Sciascia et al., 2013). To shed light on this issue, we analyze the moderating effects on the EO-internationalization relationship of the two main forms of TMT diversities created by the family's involvement (Arzubiaga, Maseda, & Iturralde, 2019; Kraiczy et al., 2014): the family TMT ratio (the diversity between family and non-family managers) and generational involvement (the diversity among generations of family members that work together in the TMT). We consider that TMT diversities could relate to the firm's entrepreneurial internationalization, and a separate analysis of these two family involvement measures provides a better understanding of the diverse effects of the family's influence on family SMEs' international development.

Relying on a sample of Spanish family firms, our results highlight the importance of TMT composition in family SMEs for shaping the relationship between EO and internationalization. Our study contributes in several ways to the research and management practice of family SMEs. First, we increase our knowledge of the upper echelons theory by providing a more fine-grained understanding of the consequences of two family firm-specific TMT diversities. We address the call of previous studies by providing new empirical evidence for the family's involvement in firms' managerial positions, in terms of internationalization (Cerrato & Piva, 2012; Mitter, Duller, Feldbauer-Durstmüller, & Kraus, 2014; Segaro, Larimo, & Jones, 2014). Existing studies have overlooked the effect of family involvement in TMTs, even though a significant body of research literature suggests that the TMT is an appropriate test of the family's influence on businesses (Kraiczy et al., 2014; Sciascia et al., 2013; Segaro et al., 2014). This study offers an enhanced theoretical examination of upper echelon theory that allows us to separate the benefits and drawbacks of family-specific TMT diversities (De Massis, Kotlar, Campopiano, & Cassia, 2013) and presents a comprehensive picture of the configurations of family involvement in management that are most favorable or adverse to turning EO into a successful internationalization process. Second, this study extends the literature on internationalization and EO (e.g., Brouthers, Nakos, & Dimitratos, 2015; Jantunen et al., 2005) by adding to the small amount of research linking the entrepreneurship and international business fields in the family firm context (Calabrò et al., 2017; Hernández-Perlines, & Mancebo-Lozano 2016; Hernández-Perlines et al., 2016). Our study is apparently the first that analyzes how entrepreneurial behavior's effect in a firm's internationalization may be moderated due to family-related factors. This study's setting is noteworthy because Spain features a predominance of family-controlled firms, which comprise around 90% of Spain's active businesses in 2015 according to the Spanish Family Business Institute (Casillas, López, Meroño, Pons, & Baiges, 2016). Third, this research contributes new insights to the emergent literature on family firm heterogeneity (Chua, Chrisman, Steier, & Rau, 2012; Miller, Minichilli, & Corbetta, 2013), showing that family involvement in TMTs can be a more important driver of variation, in terms of success, when turning EO into internationalization among family SMEs than was previously thought. By focusing on family firm-specific TMT diversity sources, this research extends the knowledge of the family business governance dimensions' effects, which were identified as major factors in family firms´ heterogeneity (Li & Daspit, 2016; Pittino, Barroso-Martínez, Chirico, & Sanguino-Galván, 2018).

The paper is organized as follows. In the next section, the theoretical background is provided, and hypotheses are developed. The third section provides empirical data collected from Spanish family SMEs, and the fourth section validates the hypotheses through structural equation modeling. The fifth section then presents the discussion. Finally, contributions, limitations, and recommendations for future research are provided.

3.2. Theoretical background and hypotheses development

3.2.1. Entrepreneurial orientation and internationalization

Firms' inclination toward entrepreneurship is broadly conceptualized as EO (Covin & Wales, 2012). Although the EO construct was developed to explain entrepreneurial behaviors in domestic markets (Covin & Slevin, 1991), its use in an international context is justified (Covin & Miller, 2014). Internationalization is an entrepreneurial act (Jantunen et al., 2005; Jones & Coviello, 2005; Liu et al., 2011; Lu & Beamish, 2001) because it entails identifying and exploiting new business opportunities in new environments (Ripollés-Meliá et al., 2007) and combines risk acceptance and the ability to innovate (Fletcher, 2004).

Previous studies have demonstrated EO's positive effect on a firm's degree of internationalization (Jantunen at al., 2005; Javalgi & Todd, 2011; Liu et al., 2011; Ripollés-Meliá et al., 2007). These studies conclude that firms with higher EO are more likely to introduce new products, diversify activities, and prosper in unknown environments (Brouthers et al., 2015; Dimitratos, Lioukas, & Carter, 2004). EO provides an important capability to build competitive advantage (Brouthers et al., 2015; Wiklund & Shepherd, 2003) because it facilitates the identification of new business opportunities (Webb, Ketchen, & Ireland, 2010) and contributes to a firm's continuity and success (Kellermanns & Eddleston, 2006). Firms with higher EO tend to be more proactive and, thus, search for opportunities in new international markets (Jantunen et al., 2005). According to Brouthers et al. (2015, p. 1165), SMEs with greater EO "will perform better in foreign markets because they possess the capabilities needed to develop innovative strategies that provide an advantage in the foreign market, identify and use technologies that better align with foreign market customer needs, and are willing to take business risks associated with adopting new strategies and technologies in foreign markets."

Thus, the degree of internationalization is a condition caused by firms' entrepreneurial attitudes.

Although family firms represent an interesting setting due to their characteristics and EO has been identified as a relevant factor affecting family firms' strategic decision-making processes (Basco & Voordeckers, 2015; Moreno & Casillas, 2008), the relationship between entrepreneurial behavior and internationalization in the family firm context remains inconclusive, with very little research in this respect (Calabrò et al., 2017; Hernández-Perlines & Mancebo-Lozano 2016; Hernández-Perlines et al., 2016). Some authors argue that family firms are conservative, risk-averse, and reluctant to change (Fernández & Nieto, 2005; Mitter et al., 2014), and, thus, are the opposite of entrepreneurial (Naldi et al., 2007). Nevertheless, family firms possess beneficial attributes such as the ability to make fast decisions, trusted relationships, and a long-term orientation that can make them successful in international environments (Fernández & Nieto, 2006; Kontinen & Ojala, 2010; Lumpkin, Brigham, & Moss, 2010; Mitter et al., 2014). This last attribute is especially important because it can take years to generate profits in international markets (Zahra, 2003). These positive and negative characteristics are generated by the family's influence on firm management. Furthermore, family firms are not homogenous in terms of strategic behavior because, depending on the degree of family involvement, they may behave in different ways (Botero, Thomas, Graves, & Fediuk, 2013). In this paper, we study the role of the family's involvement in TMT positions, since different measures of the family's influence could provide a better understanding of how and to what extent families moderate EO's effect on internationalization.

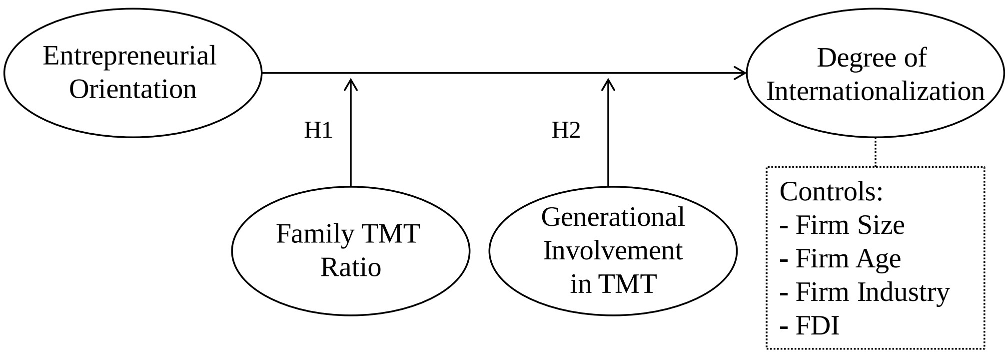
3.2.2. Family involvement in the top management team

Heterogeneity among family firms can be appreciated through various factors, such as firms' ownership structure, governance mechanisms, levels of professionalization, and the generation in charge of the firm (Chrisman et al., 2005; Kellermanns et al., 2012; Sharma, 2004). This heterogeneity can also be perceived in family firms' attitudes and behaviors when facing internationalization (Segaro et al., 2014; Siebels & Knyphausen, 2012). Calabrò et al. (2013, p. 511) asserted that "family involvement seems to be an important determinant for the internationalization process". This research focuses on the level of family involvement in firms' TMT, which is recognized as an important decision-making unit in organizations (Sánchez-Marín & Baixauli-Soler, 2015; Vandekerkhof et al., 2015). Previous research has analyzed family involvement in different governance bodies, such as the board of directors, instead of the TMT. However, not all family SMEs have a board because this is not always compulsory. Although boards may be compulsory in some contexts, the role of the board of directors in SMEs may vary greatly, ranging from a symbolic function to active involvement in value-creating activities, such as strategic decision-making and access to valuable resources (Huse, 2007; McNulty, & Pettigrew, 1999; Westphal & Zajac, 1998). This view is corroborated by evidence that many family SMEs do not make full use of their boards (Institute for Family Business, 2016), with the board of directors role usually replaced by informal controls (De Massis, Kotlar, Campopiano, & Cassia, 2015). Conversely, in SMEs TMT managers are usually the individuals who participate more directly in the daily design and implementation of a firm's strategy (Lubatkin et al., 2006; Sánchez-Marín & Baixauli-Soler, 2015), carrying out the entrepreneurial processes (Sciascia et al., 2013) and determining the depth and scope of internationalization and other international strategies (Aharoni, Tihanyi, & Connelly, 2011). Therefore, the family's influence over managerial positions is an important explanation of firm behavior (Kellermanns et al., 2012; Steier, 2003), and its importance has been overlooked (Minichilli et al., 2010).

The upper echelon theory notes that firm outcomes reflect the TMT's actions (Carpenter et al., 2004; Hambrick, 2007; Hambrick & Mason, 1984). This theory posits that strategic decisions made in the firm are associated with TMT members' cognition and values, because such members are among the most powerful actors in the organization (Hambrick, 2007). Decisions are influenced by managers' cognitive mental schemes, which are represented by their educational and functional backgrounds, experiences, perspectives, values, and demographic characteristics (Hiebl, 2014; Tihanyi et al., 2000). Situations are interpreted differently, different actions are taken, and, thus, differences in firm outcomes emerge from TMT composition (Hambrick, 2007). Research on TMTs has analyzed how diversity of managers' characteristics and backgrounds influences firms' outcomes (Rivas, 2012), and, therefore, it is argued that the ideas and opportunities pursued are shaped by TMT diversity (Beckman, 2006). Thus, the importance of having diversity among TMT members' skills, knowledge, and experiences to improve problem-solving, facilitate new ideas, and ensure proactive actions is highlighted (Talke, Salomo, & Kock, 2011). Firms can gain significant competitive advantage from diversely formed TMTs (Bunderson, 2003), because a more diverse TMT provides greater creativity, superior problem-solving capacity, and the ability to innovate. A constructive dialogue exists among members in a diverse TMT that fosters the emergence of diverse ideas, knowledge, and perspectives, which are not achievable in homogeneous TMT groups (Sciascia et al., 2013; Talke et al., 2011). Thus, diverse TMTs are more likely than homogeneous groups to be entrepreneurial and enter new markets. However, excessive diversity can be harmful, as control and coordination problems may arise (Sciascia et al., 2013), increasing a TMT's emotional conflicts and making cognitive integrations in a firm's internationalization strategy difficult (Jaw & Lin, 2009). For these reasons, as well as the potential positive and negative outcomes (Dahlin, Weingart, & Hinds, 2005; Joshi & Roh, 2009; Kraiczy et al., 2014; Rivas, 2012), TMT diversity is considered a double-edged sword (Ling & Kellermanns, 2010).

Family firms possess a unique source of TMT diversity not found in other organizations because of family involvement in management positions (Ling & Kellermanns, 2010). Researching TMTs in family firms is important because a family's influence can be manifested in different forms (Kraiczy et al., 2014). Family firm-specific diversities can be both advantageous and disadvantageous, because each source of family firm-specific TMT diversity can have a different effect (Kraiczy et al., 2014). Therefore, we must consider these diversities separately to form a better understanding of family-induced TMT diversities (Kraiczy et al., 2014). This paper analyzes the two most important family firm-specific diversities created by family involvement in the TMT (Arzubiaga et al., 2019; Kraiczy et al., 2014): the family TMT ratio or diversity produced by the proportion of family members involved in the TMT (Cruz & Nordqvist, 2012; Minichilli et al., 2010; Naldi et al., 2007) and the diversity produced by generational involvement in the TMT (Kellermanns & Eddleston, 2006; Minichilli et al., 2010; Sciascia et al., 2013) (see Figure 3.1).

Figure 3.1. The analysis model



3.2.2.1. The moderating effect of the family TMT ratio

The family TMT ratio is the proportion of family members holding TMT positions (Minichilli et al., 2010). Family members often share a common culture, values, and norms transmitted from their parents and relatives (Chua, Chrisman, & Sharma, 2003), which give them a strong emotional attachment to the business that promotes their level of commitment and involvement with the organization (Minichilli et al., 2010). This higher commitment of family members may make interactions among managers more frequent and direct (Gupta, Smith, & Shalley, 2006), which improves information exchange and learning from other firm members (Arzubiaga et al., 2019; Liu, Chen, & Tao, 2015). However, family members usually possess a common educational background, expertise, and experience acquired within the family firm (Arzubiaga et al., 2019; Minichilli et al., 2010). Therefore, in TMTs formed with a higher proportion of family members there is less diversity of skills and knowledge.

Previous research has highlighted managers’ skills and experiences as important factors enhancing firms’ internationalization processes (Hsu, Chen, & Cheng, 2013; Nielsen & Nielsen, 2011; Tihanyi et al., 2000), since TMT members with accumulated expertise can become first movers in new environments, are oriented toward international growth, and can process complex information as a team, facilitating firms’ internationalization (Segaro et al., 2014). However, family members often lack sufficient managerial skills and experience to handle international strategies (Claver, Rienda, & Quer, 2009; Fernández & Nieto, 2006; Muñoz-Bullón & Sánchez-Bueno, 2012). According to Naldi et al. (2007, p. 41), family firms “make decisions, invest in new projects, and pursue new ventures in a more informal, intuitive, and less calculated way”. Because the family itself may lack sufficient human resources, the inclusion of non-family managers in the TMT can address this shortage with extremely beneficial results (Vandekerkhof et al., 2015). These non-family managers contribute to the creation of a more diverse and heterogeneous pool of managerial skills acquired outside the family firm. Non-family managers' presence in the TMT increases rationality and objectivity in the decision-making process, promoting change and innovation (Cruz & Nordqvist, 2012), and it can be essential in identifying foreign business opportunities, because non-family managers utilize their networks and resources to enter new foreign markets (Liang, Wang, & Cui, 2014). Thus, including non-family managers fosters knowledge and expertise diversity in the TMT that is superior to that of TMTs formed by family members that possess a similar background and less international experience.

According to these arguments, involving non-family members in family firms' managerial positions increases the diversity among TMT members, which tends to generate creativity, innovation, and quality decision-making at the group level. Including non-family managers may strengthen the positive relationship between EO and a firm's internationalization. Conversely, a higher proportion of family members in managerial positions decreases TMT diversity, tending to weaken collective cognition, discussion, and decisions. Therefore, when the proportion of family managers is higher, the positive relationship between EO and the degree of internationalization is expected to be weaker. Formally:

> **Hypothesis 1:** *A higher proportion of family members in the TMT interacts with EO to negatively affect family SMEs' degree of internationalization.*

3.2.2.2. The moderating effect of generational involvement in the TMT

Generational involvement is defined as the number of generations simultaneously holding managerial positions in family firms (Kellermanns & Eddleston, 2006), and it can be a proxy for family knowledge diversity in a family firm's TMT (Sciascia et al., 2013). Knowledge diversity is promoted by the different expertise and perspectives that family members from multiple generations bring (Chirico, Sirmon, Sciascia, & Mazzola, 2011; Ling & Kellermanns, 2010). TMTs comprising different generations favor creativity and innovation more than those constituted by only one generation (Sciascia et al., 2013). Moreover, experiences and knowledge tend to differ more across generations than within a single generation (Chirico et al., 2011), because individuals from different generations possess different education backgrounds and expertise (Talke et al., 2011) and have different social networks (Arregle, Hitt, Sirmon, & Very, 2007). A TMT involving multiple generations can more easily identify and interpret market opportunities (Cruz & Nordqvist, 2012). Concisely, generational involvement increases the diversity of the TMT's capabilities and skills, promoting the effective identification and assessment of opportunities and creative approaches to exploit them (Chirico et al., 2011). Therefore, a higher generational involvement is likely to strengthen the positive relationship between EO and the degree of internationalization.

However, some authors warn that generational involvement can have some drawbacks because family relationships may become more complex (Sciascia et al., 2013). Different generations might have different visions and interests in the firm, possibly leading to conflict and giving rise to control and coordination problems (Ling & Kellermanns, 2010; Sciascia et al., 2013). Relationship conflicts prevent consensus around organizational goals (Michie, Dooley, & Fryxell, 2006). Therefore, generational involvement can hinder the potential advantages of expertise diversity in the TMT, making it difficult to integrate diverse sources of knowledge (Sciascia et al., 2013).

The next generation's involvement in the family firm is a primary element assisting firms' long-term orientation (Kellermanns, Eddleston, Barnett, & Pearson, 2008). Incorporating new knowledge and perspectives into the knowledge and expertise of older generations may ensure the incorporation of higher-quality ideas and strategies (Arzubiaga et al., 2019). When new generations join the firm, they may seek new ways to revitalize and expand the business (Cruz & Nordqvist, 2012; Kellermanns & Eddleston, 2006) and may trigger new international opportunities (Calabrò, Brogi, & Torchia, 2016; Mitter et al., 2014). Generally, managers from second and subsequent generations are better prepared and have upper-level education and external experience (Claver, Rienda, & Quer, 2007; Cruz & Nordqvist, 2012; Fernández & Nieto, 2006); thus, they have capabilities lacking in the previous generation (Mitter et al., 2014). This superior training enhances their ability to analyze markets and competitors, thereby handling the complexity of internationalization (Mitter et al., 2014). The new knowledge added by incoming generations may combine with older generations' tacit knowledge and expertise to build the pool of skills and capabilities needed to intensify internationalization's effect on EO. Thus, we conclude that the number of generations involved in the TMT may strengthen the positive relationship between EO and family firms' degree of internationalization. Formally:

> **Hypothesis 2:** *A higher generational involvement in the TMT interacts with EO to positively affect family SMEs' degree of internationalization.*

3.3. Research methodology

3.3.1. Sample and data collection

This study focuses only on family firms, because our primary objective involves analyzing different family characteristics' effects, which does not include comparing family and non-family firms (Casillas, Moreno, & Barbero, 2011). The empirical research is based on data from Spanish small and medium-sized family firms. According to the Spanish Family Business Institute, around 90% of Spanish businesses in 2015 were family firms (Casillas et al., 2016). Family firms make a great contribution to the Spanish economy, representing 60% of gross domestic product and around 70% of employment in the private sector (Casillas et al., 2016). This study's sample was obtained from the SABI (Iberian Balance Sheet Analysis System) database provided by Bureau Van Dijk. Companies in this database must meet some conditions to determine their eligibility for the sample. First, firms must belong to a manufacturing industry. Second, they must have 10 to 250 employees to be considered an SME. The European Union's cut-off value for consideration as an SME is 250 employees. Third, companies must be family firms. Although there is not a concise or widely accepted definition of family firms (Astrachan & Shanker, 2003), family involvement in ownership and management have been highlighted as important attributes (Chua et al., 1999). Therefore, companies in this study are considered family firms if they meet two conditions (Arosa, Iturralde, & Maseda, 2010): (1) majority ownership is controlled by a single family (over 50% of shares); and (2) family members actively participate in firm management. We determine whether firms meet these two conditions by carefully examining shareholder composition and TMT members' identities. Moreover, the survey asked if they were self-classified as family businesses to ensure that they consider themselves family firms (Cruz & Nordqvist, 2012). A total of 1,963 firms that met all the conditions were identified in the database. Finally, firms with incongruent data or missing contact information were removed, resulting in 1,710 firms.

Once the preliminary criteria were established, a formal, structured questionnaire was developed to collect the required information. A questionnaire is a suitable tool for this purpose due to difficulty in obtaining information from non-listed firms. The questionnaire was pretested with CEOs from several companies to ensure that the questions were clear and understandable before conducting telephone interviews.

Data for this study were collected via telephone survey. Telephone interviews were conducted by a professional survey agency to ensure quality and a high response rate. The survey was directed to each firm's CEO because he or she is directly involved in the firm's operations (Cruz & Nordqvist, 2012) and is considered a reliable information source (Kellermanns & Eddleston, 2006). A total of 191 valid questionnaires were completed, with a response rate of 11.17%. This response rate approximates the rates obtained in other family firm research studies (Cruz & Nordqvist, 2012; Segaro et al., 2014). We accounted for non-response biases by obtaining secondary data in terms of randomly selected non-respondent firms' size and age. We then compared respondent and non-respondent firms and did not discover any significant differences suggesting that non-response bias is not a problem in our study (Armstrong & Overton, 1977). Additionally, all responses were classified in the order in which they were received to compare the answers provided by early and late respondents. The responses were separated into two groups. No statistical difference was noted between the two groups.

This study's results may be threatened by common method bias, because the survey was answered by a single informant at a particular time (Campbell & Fiske, 1959). Therefore, some adjustments were made while developing the questionnaire to reduce potential problems. First, common method bias can be a problem if informants edit their answers to be more socially desirable or respond as they believe researchers want them to respond (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Therefore, respondents were informed in advance that the survey was only for research purposes, and their anonymity and the confidentiality of their answers were ensured. Second, an extensive survey was designed separating independent and dependent variables in different sections, making a link between the different concepts more difficult to detect (Kortmann, 2015) and forcing respondents to think more carefully regarding the answers (Podsakoff et al., 2003).

The existence of common method bias was also checked using two tests after gathering the data (Kortmann, 2015). First, exploratory factor analysis was conducted following Harman's single-factor test (Harman, 1967; Podsakoff & Organ, 1986) to analyze whether a single factor accounts for more than 50% of the variance. The first factor in this case only accounted for 40% of the sample's total variance, and three factors with eigenvalues greater than 1.0 accounted for 68% of the variance. Therefore, it is suggested that no threat of common method bias exists (Podsakoff & Organ, 1986) (Appendix 2). Second, a common method factor was included following the procedure applied by Podsakoff et al. (2003) and Liang, Saraf, Hu, and Xue (2007), and this factor was linked to all single-indicator constructs obtained from the observed indicators (Kortmann, 2015). Subsequently, the indicator variance, explained by the method factor, was compared to the variance explained by the substantive construct. On average, the construct explained 73.82% of the variance, while the common method factor explained only 0.61%. The resulting ratio is 121.08%, and, thus, no common method bias exists (Appendix 3). As neither test indicated the existence of common method bias, it is concluded that common method bias was either absent or negligibly low (Kortmann, 2015).

The sample's main descriptive statistics are summarized in Table 3.1.

Table 3.1. Sample description

	Characteristics	**N=191**	**%**
Firm size (employees)	Between 11 and 50 employees	4	0.02
	Between 51 and 100 employees	101	0.53
	Between 101 and 150	45	0.24
	Between 151 and 200	20	0.10
	Between 201 and 250	21	0.11
Firm age (years)	Less than 10 years	3	0.02
	Between 11 and 20 years	30	0.16
	Between 21 and 30 years	52	0.27
	Between 31 and 40 years	66	0.35
	More than 40 years	40	0.21
Industry	Chemical	39	0.20
	Food	42	0.22
	Electric	14	0.07
	Steel	61	0.32
	Furniture	24	0.13
	Textile	11	0.06
FDI	0%	158	0.83
	Between 1% and 10%	19	0.10
	Between 11% and 20%	6	0.03
	Between 21% and 30%	5	0.03
	More than 31%	3	0.02
Foreign sales ratio	0%	41	0.21
	Between 1% and 25%	73	0.38
	Between 26% and 50%	37	0.19
	Between 51% and 75%	21	0.11
	Between 76% and 100%	19	0.10
Number of foreign countries	0	41	0.21
	Between 1 and 25	115	0.60
	Between 26 and 50	23	0.12
	Between 51and 75	6	0.03
	Between 76 and 100	4	0.02
	More than 100	2	0.01
Family TMT ratio	Between 0% and 20%	63	0.33
	Between 21% and 40%	50	0.26
	Between 41% and 60%	35	0.18
	Between 61% and 80%	15	0.08
	Between 81% and 100%	28	0.15
Generational involvement	1 generation	114	0.60
	2 generations	71	0.37
	3 generations	6	0.03

The average firm in the sample has 110 employees and has operated for almost 33 years. All firms in the sample belong to manufacturing industries, and they are classified under six different industry types, in order of importance: steel, food, chemical, furniture, electric, and textile industries.

3.3.2. Variable measurement

All variables were measured following the prior literature. However, no broadly accepted measurement exists to measure the dependent variable, the *degree of internationalization* (DOI). The ratio of export sales is commonly used in SME research as a representative measure of firms' internationalization (Calabrò & Mussolino, 2013; Graves & Thomas, 2006; Lu & Beamish, 2001). Exporting is considered the most common entry mode in this firm type since SMEs do not usually have subsidiaries abroad. However, internationalization constitutes more than exports, and more comprehensive measures should be used (Mitter et al., 2014). According to Sullivan (1994), measuring the degree of internationalization using multiple items is recommended. Therefore, the DOI construct in this paper was measured using a combination of two items to overcome the limitations associated with the adoption of a single item. We followed the indications of previous family firm research (Arregle et al., 2012; Zahra, 2003), measuring the degree of internationalization as follows: (1) the ratio of foreign sales to total sales, which refers to the scale of firms' international sales, and (2) the number of foreign countries in which firms operate, which refers to the scope of foreign activities.

The independent variable, EO, can be measured using several scales (Covin & Wales, 2012). The choice of measurement must be based on an understanding of the construct's theoretical nature (Covin & Wales, 2012). We chose to measure EO using Covin and Slevin's (1989; 1991) three dimensions, because they comprise a broadly accepted and validated measure (e.g., Arzubiaga et al., 2018; Casillas et al., 2011; Cruz & Nordqvist, 2012; Sciascia et al., 2013). This measure was initially built based on the meaning of "being entrepreneurial" suggested by theory. EO was thus modeled as a second-order reflective construct, formed by three first-order reflective constructs named innovativeness, proactiveness, and risk-taking (Arzubiaga et al., 2018; Covin & Wales, 2012). EO is a second-order reflective construct that expresses changes in the underlying latent construct as reflected in changes to the indicators (Arzubiaga et al., 2018; Jarvis et al., 2003). Therefore, the component variables of innovativeness, proactiveness, and risk-taking were first assessed through their corresponding measures, each with three items, and then these three components were assessed as reflective indicators of the second-order construct of EO (Covin & Wales, 2012). Thus, EO was measured using "Type I" second-order factor specification (i.e., reflective first-order and reflective second-order) (Covin & Wales, 2012). Respondents assessed nine items on an 11-point Likert scale to build all first- and second-order constructs. The CEO's perspective comprises an accepted approach to operationalizing firm-level EO in the literature, especially when analyzing SMEs (Cruz & Nordqvist, 2012; Wiklund & Shepherd, 2003).

This study analyzes two moderating variables. The *family TMT ratio* is constructed from respondents' indications of the number of family members holding managerial positions and the total number of TMT members. The family TMT ratio is obtained by dividing the number of family managers by the total number of TMT members (Kraiczy et al., 2014; Minichilli et al., 2010). This ratio can assume values of zero to one. However, *generational involvement* was measured by the number of generations simultaneously holding TMT positions (Chirico et al., 2011; Kellermanns & Eddleston, 2006; Kraiczy et al., 2014). One, two, or three generations can be simultaneously involved in managerial positions, depending on the generations involved in the TMT. Therefore, this variable can assume values from one to three.

The control variables used in this study are firm size, age, industry, and foreign direct investment (FDI). *Firm size* is a proxy of the amount of resources available for the internationalization process; large firms should have a greater amount of managerial, productive, and financial resources that contribute to increasing their presence in foreign markets (Cerrato & Piva, 2012). As in previous SME studies, size was a continuous variable measured as a logarithmic transformation of the firm's number of employees (Calabrò & Mussolino, 2013; Cerrato & Piva, 2012; Chen, Hsu, & Chang, 2014; Fernández & Nieto, 2005, 2006). *Firm age* is a commonly used control variable in internationalization studies (Cerrato & Piva, 2012; Fernández & Nieto, 2006; Mitter et al., 2014). Age is primarily used to control for a firm's business experience, because firms with more years of performance have gathered more experience and knowledge (Cerrato & Piva, 2012). Firm age is a continuous variable measured as a logarithmic transformation of the years a firm has been in existence (Chen et al., 2014). *Firm industry* is also assumed to affect the degree of internationalization (Segaro et al., 2014). Firms were categorized into six different industries—chemical, food, steel, electric, furniture, and textiles—and controlled using dummy variables (Segaro et al., 2014; Singla, Veliyath, & George, 2014). The *FDI* variable is used to control for foreign direct investment or assets that firms control abroad. Previous family firm research studies have used the foreign assets to total assets ratio to measure FDI (Bhaumik et al., 2010; Singla et al., 2017). Although our sample firms are family SMEs and their main activity in foreign markets is exporting, the level of FDI might also influence the degree of internationalization.

3.4. Analyses and results

3.4.1. Validity and reliability

The proposed model has been analyzed using structural equation modeling based on a partial least squares method (PLS). The PLS approach is appropriate for investigating complex relationships with moderating variables (Chin, 1998). The SmartPLS version 2 software was applied in the empirical analyses (Kortmann, 2015). The analysis used a two-stage process: (1) assessment of the measurement model's reliability and validity and (2) appraisal of the proposed structural model (Acedo & Galán, 2011; Barclay, Higgins, & Thompsom, 1995).

Three different tests were conducted to analyze the reliability and validity of the reflective constructs' measurement scales (Acedo & Galán, 2011; Hulland, 1999; Kortmann, 2015): individual item reliabilities, the convergent validity of measures related to individual constructs, and discriminant validity. First, *individual item reliability* examines each item's loading for reflective constructs. The items' loadings should be greater than 0.7, because the item and construct's shared variance must be greater than the variance between the construct and its error (Carmines & Zeller, 1979; Hulland, 1999). Table 3.2 illustrates the results. Note that one item loads below the 0.7 cut-off. Thus, item 6 of the EO included in the proactiveness construct was removed. The model also includes a second-order construct, EO. The structural coefficients, in this case, can be taken as factor loadings (Doll, Xia, & Torkzadeh, 1994). The three structural coefficients of the EO construct in the proposed model are greater than 0.7, and, thus, no problems exist with the second-order constructs.

Second, *convergent validity* is analyzed to determine internal consistency through composite reliability (CR) and Cronbach's alpha (Kortmann, 2015); both statistics must be greater than 0.7 (Hulland, 1999; Nunnally, 1978). The average variance extracted (AVE) must also be analyzed, and its recommended value is greater than 0.5 (Acedo & Galán, 2011; Fornell & Larcker, 1981). The second-order construct's AVE was calculated following the work of Hair, Hult, Ringle, and Sarstedt (2014). As Table 3.2 reveals, convergent validity is fulfilled in the proposed model, as all parameters are above the cut-off points.

Third, *discriminant validity* is evaluated through the AVE (Fornell & Larcker, 1981). A construct must share more variance with its indicators than with other model constructs. Thus, the two constructs' individual AVEs should be greater than the squared correlation between the two constructs. This condition must be fulfilled in the present model between DOI and EO. Table 3.3 presents the correlation matrix, with values for the AVE's square root on the diagonal. Note that the required condition is met.

Table 3.2. Construct reliability and convergent validity

Construct	Initial Loading	Final Loading	Structural Coefficients	CR	CA	AVE
DEGREE OF INTERNATIONALIZATION				0.8972	0.7710	0.8135
DOI1	0.908	0.909				
DOI2	0.896	0.895				
ENTREPRENEURIAL ORIENTATION				0.8785	0.8418	0.7193
INNOVATIVENESS			0.859	0.8772	0.7898	0.7043
EO1	0.815	0.814				
EO2	0.840	0.842				
EO3	0.862	0.861				
PROACTIVENESS			0.829	0.8761	0.7189	0.7796
EO4	0.811	0.863				
EO5	0.869	0.902				
EO6	0.629	-				
RISK-TAKING			0.755	0.8719	0.7785	0.6947
EO7	0.798	0.796				
EO8	0.889	0.890				
EO9	0.810	0.811				

Note: CR = composite reliability; CA = Cronbach's alpha; AVE = average variance extracted.

Table 3.3. Correlation matrix and discriminant validity

		Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Age	32.90	15.93	na															
2	Chemistry	0.20	0.40	0.004	na														
3	DOI	20.70	22.68	0.321	-0.052	0.902													
4	EO	6.34	1.73	0.079	-0.148	0.276	0.848												
5	Electric	0.07	0.25	-0.080	-0.137	-0.107	0.092	na											
6	FDI	2.65	8.39	0.154	-0.015	0.138	0.154	-0.019	na										
7	Family TMT Ratio	0.39	0.33	0.001	-0.005	-0.023	-0.066	0.032	-0.069	na									
8	Food	0.22	0.42	0.055	-0.269	-0.040	-0.030	-0.144	-0.002	-0.074	na								
9	Furniture	0.13	0.33	0.149	-0.192	0.362	0.090	-0.102	0.016	0.079	-0.201	na							
10	Generational Involvement	1.44	0.58	0.013	0.223	-0.046	0.116	0.083	-0.085	0.291	-0.120	-0.070	na						
11	Innovativeness	6.85	2.18	0.059	-0.149	0.247	0.859	0.075	0.088	0.001	0.021	0.105	0.100	0.839					
12	Proactiveness	6.30	2.04	0.144	-0.148	0.320	0.829	0.076	0.116	-0.164	0.010	0.089	0.094	0.625	0.883				
13	Risk-taking	5.77	2.14	0.000	-0.063	0.113	0.755	0.074	0.179	-0.023	-0.108	0.020	0.089	0.417	0.450	0.833			
14	Size	110.54	54.61	0.000	-0.012	-0.100	0.056	0.054	-0.004	-0.209	-0.051	-0.019	0.118	0.023	0.102	0.024	na		
15	Steel	0.32	0.47	-0.141	-0.347	-0.174	-0.003	-0.185	-0.075	0.004	-0.364	-0.260	-0.075	-0.050	-0.044	0.090	-0.069	na	
16	Textile	0.06	0.23	0.043	-0.125	0.110	0.072	-0.067	0.184	0.003	-0.131	-0.094	-0.033	0.067	0.103	0.008	0,031	-0.169	na

Note: Value on the diagonal is the square root of AVE; na: not applicable

3.4.2. Assessment of the structural model and results

Once the measurement model has been verified, the structural model can be assessed by examining the relationships between constructs and the model's predictive capacity. Various tests are then conducted to validate the overall structural model, because the PLS does not supply a specific index (Chin, 1998; Kortmann, 2015).

The degree of internationalization's explanatory power (R^2 = 0.298) exceeds the recommended value proposed by Falk and Miller (1992), in which R^2 should be greater than 0.1. A Q^2 test was conducted to evaluate the constructs' predictive relevance (Chin, 1998) using a blindfolding procedure (Henseler, Ringle, & Sinkovics, 2009); as the corresponding Q^2 values are positive, the hypothesized model has a strong predictive capacity overall (Henseler et al., 2009; Kortmann, 2015).

Following Hair et al. (2014), we used "bootstrapping" with 5,000 subsamples to calculate the proposed relationships' *t*-statistics. Table 3.4 illustrates the results.

Table 3.4. Results of structural equation modeling

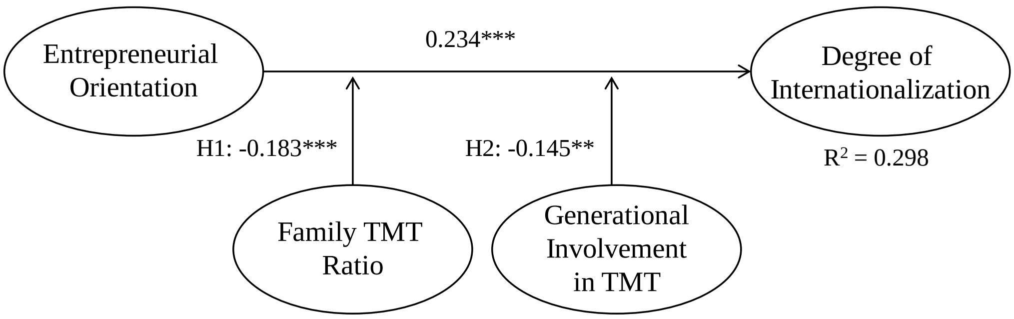
Hypotheses		Predicted Sign	Path Coefficients (ß)	*t*-value	Support
	EO - DOI		0.234	3.728***	-
H1:	Moderation effect of family TMT ratio in EO-DOI	-	-0.183	3.306***	Yes
H2:	Moderation effect of generation involvement in EO-DOI	+	-0.145	2.651**	No

Note: R^2 DOI = 0.298; Q^2 DOI = 0.229.

*** p < 0.001; ** p < 0.01; * p < 0.05.

The direct effect of EO on family firms' degree of internationalization is positive and statistically significant (β = 0.234; *t* = 3.728; p < 0.001). The results suggest that firms with higher entrepreneurial orientation are more internationalized. However, results partially support the hypotheses regarding family involvement. The moderating effect produced by the family TMT ratio is negative and significant, as expected ($\beta = -0.183$; $t = 3.306$; $p < 0.001$); thus, Hypothesis 1 is corroborated. It is suggested that EO's effect on the level of internationalization is lower in firms with a higher proportion of family members in the managerial team. However, the moderating effect produced by generational involvement is negative and statistically significant ($\beta = -0.145$; $t = 2.651$; $p < 0.01$) and not positive, as hypothesized (Figure 3.2). Thus, Hypothesis 2 is rejected.

Figure 3.2. Results of structural equation modeling



We separately analyzed the moderating effect generated by firms with only one generation in the TMT to increase our understanding of generational involvement. Thus, we created a dummy variable that assumes a value of one when a firm only has members from one generation, and zero when multiple generations hold managerial positions. The results indicate that firms with members from only one generation produce a positive moderation ($\beta = 0.127$; $t = 2.067$; $p < 0.025$). Thus, when only one generation manages a firm, EO's effect on the degree of internationalization improves. Alternatively, as tested in Hypothesis 2, when multiple generations simultaneously hold managerial positions, this generates a negative moderating effect.

3.4.3. Robustness check

To examine our results' robustness, we estimated structural models with some subsamples of firm characteristics (Gruber, Heinemann, Brettel, & Hunling, 2010). First, we divided the sample by age (older and younger firms), taking the mean as a reference. Firms with 32.9 or more years were classified as older firms, obtaining a subsample of 101 firms. Conversely, firms with less than 32.9 years were classified as younger firms, obtaining a subsample of 90 firms. The results in the older firms subsample indicate that the EO–internationalization relationship is significant ($\beta = 0.265$; $t = 2.599$; $p < 0.005$), the moderating effect of the family TMT ratio is significant ($\beta = -0.280$; $t = 3.628$; $p < 0.001$), and the moderating effect of generational involvement is significant ($\beta = -0.232$; $t = 2.130$; $p < 0.025$). The results in the younger firms subsample indicate that the EO–internationalization relationship is significant ($\beta = 0.225$; $t = 2.535$; $p < 0.01$), the moderating effect of the family TMT ratio is significant ($\beta = -0.193$; $t = 2.111$; $p < 0.025$), and the moderating effect of generational involvement is significant ($\beta = -0.187$; $t = 2.150$; $p < 0.025$). Analyzing the results obtained, which produced only minimal differences in the path coefficients for the two subsamples, we can conclude that the robustness test carried out is consistent.

Second, the original sample was divided into two groups by industry (low technology and high technology sectors). Low technology sectors include textile, steel, and furniture industries, and the subsample included 96 firms. High technology sectors include chemistry, electric, and food industries, and the subsample included 95 firms. The results of the subsample of low technology sectors indicate that the EO–internationalization relationship is significant ($\beta = 0.286$; $t = 2.779$; $p < 0.005$), the moderating effect of the family TMT ratio is significant ($\beta = -0.169$; $t = 2.255$; $p < 0.025$), and the moderating effect of generational involvement is significant ($\beta = -0.156$; $t = 1.924$; $p < 0.05$). The results of the subsample of high technology sectors indicate that the EO–internationalization relationship is significant ($\beta = 0.275$; t

= 3.043; p < 0.005), the moderating effect of the family TMT ratio is significant (β = -0.266; *t* = 3.357; p < 0.001), and the moderating effect of generational involvement is significant (β = -0.176; *t* = 2.132; p < 0.025). Analyzing the results obtained, which also produced minimal differences in the path coefficients for the two subsamples, we can conclude that the robustness test carried out is consistent.

To sum up, given that the analysis of different subsamples reveals that subsamples are also significant and with minimal differences in the path coefficients, we can assert that our results are robust.

3.5. Discussion

This study attempts to shed new light on the debate regarding the extent to which family TMT involvement influences the relationship between EO and the internationalization of family SMEs. We analyzed family involvement in and influence on the firm by focusing on two family firm-specific diversities in the TMT (i.e., the family TMT ratio and generational involvement in the TMT). As argued during hypotheses development, the upper echelon theory (Carpenter et al., 2004; Hambrick, 2007; Hambrick & Mason, 1984) supports the idea that firm outcomes can be predicted by TMT composition. Diversely formed TMT groups may possess a wider pool of skills, knowledge, experiences, and values, which may positively influence business outcomes such as internationalization. Our results partially support the proposed hypotheses and reveal unexpected and interesting findings, extending our understating of family firms’ entrepreneurial behavior and internationalization.

Our results indicate that EO plays a significant role in explaining family firms’ degree of internationalization, as previous studies indicated (Calabrò et al., 2017; Hernández-Perlines & Mancebo-Lozano 2016; Jantunen et al., 2005; Javalgi & Todd, 2011; Liu et al., 2011; Ripollés-Meliá et al., 2007).

Furthermore, family firm-specific TMT diversities shape the effects of the family firm's entrepreneurial orientation on the degree of internationalization. The family TMT ratio negatively moderates the relationship between EO and degree of internationalization, as the relationship is weaker when a higher proportion of family members hold positions in the TMT. Thus, an excessive level of family involvement in the TMT could limit diversity in knowledge and multiple perspectives about internationalization strategies. The family may not possess sufficient human resources for TMT positions, and, therefore, non-family members' participation in the TMT, bringing different expertise and backgrounds, might help family firms overcome this shortage (Calabrò et al., 2013; Segaro et al., 2014). Thus, SMEs that wish to internationalize may need to consider the inclusion of external managers' skills and background to enhance EO's effect on internationalization.

Higher generational involvement was expected to positively moderate EO's effect on internationalization. Generational involvement increases the knowledge and diversity of experiences in the TMT (Kellermanns & Eddleston, 2006; Ling & Kellermanns, 2010). However, the opposite effect was revealed; a higher number of generations involved generated a negative moderating effect. Consequently, generational involvement does not always act as a catalyst in the relationship between EO and degree of internationalization. Several reasons may explain this situation. One explanation is that vision, interests, and expectations of business outcomes can differ between generations, leading to problems in control and power (Bammens, Voordeckers, & Van Gils, 2008; Ling & Kellermanns, 2010; Sonfield & Lussier, 2004). Conflicts between generations can hamper the constructive debate promoted by a diverse TMT, hindering the assessment, acceptance, and incorporation of others' ideas (Sciascia et al., 2013). Jaw and Lin (2009) asserted that a heterogeneous TMT may be more creative in solving problems related to foreign markets, but when multiple generations are involved in the decision-making team, this can impede group cooperation and cognitive integration toward a firm's global strategy. Thus, Chirico et al. (2011) indicated that persistent conflict affects family firms' entrepreneurial efforts, and, consequently, a participative strategy is crucial to ensure value-creating co-alignment among individuals across generations.

Another explanation for generational involvement's negative effect may rely on managers' different visions and perspectives resulting from their age. Firms with more than one generation involved in management positions may not have gone through a succession process yet, and, thus, senior managers in these firms are likely to be older. Conversely, firms with only one generation might have already gone through a succession process, and, thus, it is expected that these firms' managers will be younger. Previous research indicates that managers' age influences strategic decision-making (Herrmann & Datta, 2005; Tihanyi et al. 2000). Age can indicate the extent of experience, but it can also signal managers' propensity for risk-taking (Herrmann & Datta, 2005). TMT members' age has been negatively associated with high-risk decision-making and with the capacity to analyze new information (Suárez-Ortega & Álamo-Vera, 2005). However, younger directors are more likely to adopt riskier strategies (Hambrick & Mason, 1984). Empirical evidence suggests that a lower age of managers is positively related to internationalization strategies (Fernández-Ortíz & Fuentes-Lombardo, 2009; Herrmann & Datta, 2005; Tihanyi et al., 2000). Thus, it is expected that firms with managers from different generations will have older managers that are likely to be more averse to implement risky strategies such as internationalization. Therefore, generational involvement could negatively affect the relationship between EO and a firm's internationalization.

3.6. Contributions, limitations, and future research

This study contributes to the literature on family firms and management practices in several ways. First, we contribute theoretically to increasing our knowledge of the upper echelons theory by increasing our understanding of two family firm-specific TMT diversities induced by family influence. Although the TMT represents a good way of testing family involvement in the business, previous research has largely overlooked the influence of family involvement in the TMT (Kraiczy et al., 2014; Sciascia et al., 2013; Segaro et al., 2014). We have focused on the family TMT ratio and generational involvement as two important TMT diversities found only in family firms. These two family firm-specific diversities were previously used to analyze innovation issues in family firms (Arzubiaga et al., 2019; Kraiczy et al., 2014), but not in the relationship between EO and internationalization. Accordingly, we have contributed to enhancing our knowledge of upper echelons theory, distinguishing between the benefits and drawbacks of family firm-specific TMT diversities (De Massis et al., 2013). The family's influence plays an important role in strategic decision-making and shapes the existing positive relationship between EO and the firm's degree of internationalization. The diverse formation of TMTs with different expertise, experience, and knowledge may not result always beneficial, as in the case of generational involvement. The expected positive effect was negative. This is an example of how diversity in the TMT can be a double-edged sword. More research is needed to address generational involvement's different implications in strategic decision-making, such as internationalization.

Second, our study contributes to the international business and entrepreneurship literature by increasing knowledge in this joint research field. There has been very little research linking firms' entrepreneurial behaviors and the internationalization of family firms (Calabrò et al., 2017; Hernández-Perlines et al., 2016). However, these studies do not analyze how the effect of entrepreneurial orientation in internationalization may vary because of family influence. Due to the overlap of owners and managers in family SMEs, these organizations represent an interesting setting, because they can behave differently when making an entrepreneurial strategic decision, such as internationalization. Therefore, future research should extend our knowledge of the entrepreneurial internationalization of family firms.

Third, our research contributes to the emergent research stream of family firm heterogeneity (Chua et al., 2012; Miller et al., 2013). Family involvement in the TMT can be an important determinant explaining the heterogeneous behaviors of family firms. Our study adds evidence of the significant role of the TMT in important governance dimensions of family firms, which have been previously identified as the most important factors in family firms' heterogeneity (Li & Daspit, 2016; Pittino et al., 2018).

Fourth, our study contributes to the research on family SMEs. Family SMEs are the most common type of business, but their process of internationalization has not been deeply developed despite its importance (Mitter et al., 2014; Segaro et al., 2014). We test our hypotheses with a sample of firms from Spain, a country where almost 90% of firms are considered family firms (Casillas et al., 2016). It should also be interesting to analyze the entrepreneurial internationalization of family firms and its variations due to the influence of family-related factors in other settings.

Our findings have meaningful managerial implications for the effective composition of TMTs, to improve the entrepreneurial international process. It is necessary to enhance our understanding of how the family may (or may not) contribute to family firms' entrepreneurial internationalization. Specifically, our study highlights that the presence of family managers and multiple generations in TMT positions add more complexity to managerial tasks, hampering the entrepreneurial process in international markets. To alleviate this situation, it could be important to introduce non-family managers into TMTs, because they possess external market knowledge and experiences that can enhance the effect of entrepreneurial orientation in international expansion. Non-family managers can also mitigate problems among family members by adding a more rational perspective to the business. The simultaneous involvement of more than one generation in the TMT may decrease cooperation and increase conflict, which can hinder initiatives for international entrepreneurship because their vision and objectives may not align, causing coordination and control problems. Owner-managers should carefully assess the benefits of a balanced TMT composition through careful integration of non-family and family members into the business to provide a strong and collaborative relationship.

Although this research provides important insights for the literature it also has some limitations. Empirical data were obtained only from Spanish family SMEs, which makes generalizing our findings difficult, as the results may vary across countries. Thus, more research is needed using data from different countries to verify and generalize our results. On the other hand, this research is based on cross-sectional data, which captures firms' situations at a particular moment, and, thus, causal relationships may be questionable. Future studies could investigate the composition of TMTs and their effect on the EO–internationalization relationship over time in a longitudinal study, to provide additional evidence to test whether the findings are sustained over time. Therefore, future research could address the limitations of this study analyzing data from diverse countries and providing information from different timeframes.

Appendix 2. Harman's single factor test

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative%	Total	% of Variance	Cumulative%
1	4.006	40.062	40.062	4.006	40.062	40.062
2	1.605	16.048	56.110			
3	1.200	12.002	68.113			
4	0.706	7.062	75.175			
5	0.668	6.679	81.854			
6	0.538	5.376	87.229			
7	0.408	4.077	91.307			
8	0.339	3.386	94.692			
9	0.283	2.826	97.518			
10	0.248	2.482	100.000			

Appendix 3. Common method bias analysis

Construct	Item	Substantive Factor			Common Method Factor		
		Loading R1	Signf. R1	Loading R1²	Loading R2	Signf. R2	Loading R2²
EO - Innovativeness	EO1	0.81	21.01	0.6626	0.13	2.81	0.0161
	EO2	0.84	27.75	0.7090	0.07	1.46	0.0044
	EO3	0.86	36.86	0.7413	0.00	0.05	0.0000
EO - Proactiveness	EO4	0.86	19.31	0.7448	0.09	1.60	0.0079
	EO5	0.90	52.40	0.8136	0.05	0.90	0.0024
EO - Risk-taking	EO7	0.80	18.23	0.6336	0.06	1.24	0.0036
	EO8	0.89	34.35	0.7921	0.05	1.08	0.0026
	EO9	0.81	22.71	0.6577	0.07	1.72	0.0053
Degree of Internationalization	DOI1	0.91	52.75	0.8208	-0.10	2.24	0.0092
	DOI3	0.90	48.97	0.8064	-0.10	3.22	0.0094
Average				**0.7382**			**0.0061**
				Ratio			**121.08**

3.7. References

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CHAPTER 4

Internationalization and Innovation of Family Firms: The Moderating Role of Family Involvement

An earlier version of this paper was presented at the International Family Enterprise Research Academy (IFERA) Annual Conference held in Bergamo (Italy) in 2019. The title of the paper was: *Internationalization and Innovation of Family Firms: The Moderating Role of Family Involvement in Governance.*

An earlier version of this paper was presented at the XXVIII International Conferences of the European Academy of Management and Business Economics (AEDEM) held in Tokyo (Japan) in 2019. The title of the paper was: *Innovation-Internationalization Relationship on Family SMEs: The Moderating Role of Family Involvement.* This paper was awarded as the Best Paper in Family Business.

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4.1. Introduction

In the globalized and highly competitive current markets, innovation and internationalization have been identified as key strategies for SMEs survival and growth (Freixanet, Rialp, & Churakova, 2019), although usually, SMEs have limited financial and managerial resources for undertaking risky activities (Merino et al., 2015; Zucchella & Siano, 2014). The majority of family firms are SMEs and represent the most extended type of organization (Pattel et al., 2012). Indeed, SMEs comprise two-thirds of all businesses worldwide, and family firms account for 85% of all the SMEs in Europe and the USA (D'Angelo et al., 2016). SMEs provide an important source of employment, generating the majority of employment worldwide, and are the main contributors to value creation (Hessels & Parker, 2013; OECD, 2017). In this regard, it is not surprising that there have been a growing number of public programs to support SMEs international expansion and the development of their innovation activities (Freixanet et al., 2019).

Internationalization provides family firms with the opportunity for growth and value creation, and thus, contributes to the fulfillment of the family firms' objectives in the long-term (Pukall & Calabrò, 2014). However, at the same time, these strategies present a managerial challenge because of the higher level of uncertainty, risk, and complexity of tasks that involve operating in foreign markets (Hsu et al., 2013; Ray et al., 2018; Tsao & Lien, 2013). Therefore, innovation activities can become an essential driver for overcoming the difficulties of international operations since they promote organizational renewal, competitiveness, and growth (Lisboa et al., 2011) and enable firms to produce new competitive products or processes that help to overcome the difficulties of entering new foreign markets (Saridakis et al., 2019). Thus, firms' ability to innovate can provide a competitive advantage that can prove necessary for successful internationalization (Williams & Shaw, 2011). Explorative innovation can promote an effective internationalization process for family SMEs, since it promotes the adaptation to environmental changes, exploration of new ideas or processes, and development of new products or services (Jansen et al., 2005), thus, contributing to generating returns in the long-term (He & Wong, 2004; March, 1991).

Although innovation and internationalization are strategic activities that remain highly connected (e.g., Golovko & Valentini, 2011; Kyläheiko et al., 2011; Saridakis et al., 2019), to date, there have been few attempts made at studying these two fields jointly within the family firm literature, and the results have been inconclusive (e.g., Lin & Wang, 2019; Singh & Gaur, 2013; Yeoh, 2014; Zahra, 2019). Innovation and internationalization are two strategies full of uncertainty and complexity, but at the same time, they can contribute to the survivability of family SMEs in the long run. Thus, observing the necessity to advance our understanding of the relationship between these two important strategies for SMEs, the aim of this study is to shed new light on the relationship between innovation and internationalization in the family firm context.

In family firms, the family is involved in different positions such as ownership, management, and governance of the business (Chrisman, Chua, & Sharma, 2005), and thus, it highly influences the strategic decision-making processes. However, family firms cannot be considered as a homogeneous group of firms since the variations in behaviors and performance among family firms may be larger than the variations between family and non-family firms (Chua, Chrisman, Steier, & Rau, 2012; Matzler et al., 2015). Previous studies have pointed out that the heterogeneity in family firms represents the distinctive resources of these organizations that affect innovation (e.g., Calabrò et al., 2019; Rod, 2016) and internationalization (e.g., De Massis et al., 2018; Pukall & Calabrò, 2014). Moreover, family members usually play multiple roles in the governance and management of the firm, making the most important executive decisions (Arregle et al., 2007). Thus, governance factors can be important variables for shaping the relationship between innovation and internationalization (Lin & Wang, 2019; Singh & Gaur, 2013). However, to date, the role of the family in shaping this relationship remains under-investigated. Therefore, in order to advance our understanding of the family's influence in strategic decision-making, we analyze three different moderating effects in the innovation-internationalization relationship: the generation in charge of the business, the level of family involvement in the top management team (TMT), and the active involvement of the board of directors in strategy formulation and monitoring.

Based on a sample of 186 Spanish family SMEs, this paper contributes in several ways to the theory and practice of family firms. First, this paper highlights the importance of innovation for enhancing the degree of internationalization of family SMEs. To date, there have been scarce attempts to analyze this relationship in family firm research (e.g., Ling & Wang, 2019; Singh & Gaur, 2013; Yeoh, 2014; Zahra, 2019) so it is important to increase our understanding of the link between these two important strategies. Second, we add new evidence about the ongoing debate of heterogeneity among family firms (Chua et al., 2012), answering the call for more research in this regard related to innovation (Calabrò et al., 2019) and internationalization (De Massis et al., 2018). Moreover, we also answer the call for more research investigating the heterogeneity caused by generational differences (Fang et al., 2018), the role of the TMT (D'Allura, 2019; Kraiczy et al., 2014), and the board of directors (Arzubiaga et al., 2018; Bammens et al., 2011) in strategic decision making. Third, we also contribute by increasing our knowledge of family SMEs. Although there has been an increasing interest in the analysis of these organizations (e.g., D'Angelo et al., 2016), academics have paid more attention to publicly-traded family firms rather than focusing on SMEs. In this sense, we provide empirical evidence of Spanish SMEs, since Spain is a suitable context for analyzing family SMEs as the majority of businesses in the country are small and medium-sized and considered to be family firms (Casillas et al., 2016; Fernández-Olmos et al., 2016). Fourth, we also contribute to literature by reinforcing the basis of the resource-based view (RBV) perspective by increasing our understanding of family SMEs' specific resources. Our research provides interesting insights into different family-related resources that can lead to, or detract from, competitive advantages. Finally, this paper also provides interesting managerial implications for family SMEs. We provide evidence of the benefits that innovation may bring for enhancing the degree of internationalization in family SMEs and suggest that when a firm is controlled by a third or subsequent generation and external managers are included in the TMT, family SMEs enhance the effect of innovation on internationalization.

The reminder of the paper is structured as follows. The next section provides the theoretical background and hypotheses development. The third section presents the methodology applied in this study and the sample selection process. The fourth section analyses the results of the empirical analysis. Finally, discussion, conclusions, and future research indications are provided.

4.2. Theoretical background and hypotheses development

4.2.1. Innovation and internationalization

Innovation and internationalization have been recognized as the two main sources of firm growth (Halilem, Amara, & Landry, 2014; Love & Roper, 2015; Prashantham, 2008), and in fact, they can be considered to be complementary strategies since they positively reinforce each other forming a dynamic virtuous circle (e.g., Golovko & Valentini, 2011).

The increasing globalization of the world economy and the growing competition in local markets make internationalization a challenging opportunity for family firms (Santulli et al., 2019). Internationalization is synonymous with the geographical expansion of firms' economic activities beyond a country's national borders (Ruzzier et al., 2006) that contributes promoting long-term competitiveness (Claver et al., 2009). Internationalization is a broad concept that involves different entry mode strategies. Among these entry strategies, export is the most common foreign market entry mode for SMEs (Leonidou & Katsikeas, 1996) and family firms (Pukall & Calabrò, 2014). Exporting is considered the simplest entry mode, offering higher flexibility, less business risk, and requiring fewer resources than other entry modes (Merino et al., 2015). In their internationalization process, SMEs go through progressive stages and get involved in different markets that are psychically and geographically more distant progressively (Johanson & Vahlne, 1977; 1990). Therefore, using only exports for determining the degree of internationalization is not convenient, so it is also necessary to consider the geographical distribution of their foreign sales (e.g., Arregle et al., 2012) to obtain a more precise vision of the involvement of SMEs in foreign markets.

In the current competitive environment, innovation is a vital strategy for the growth and success of firms (Lisboa et al., 2011) because it is a key element of remaining competitive (Genc et al., 2019). Innovation is a multidimensional process that implies newness (Chetty & Stangl, 2009; Halilem et al., 2014) and can be defined as “the implementation of a new or significantly improved product or process, a new marketing method, or a new organizational method in business practices, workplace organization, or external relations” (OECD, 2005, p. 47). Compared to big multinationals, SMEs can be at a disadvantage due to their resource constraints, but at the same time, SMEs are flexible and nimble (Genc et al., 2019). Indeed, previous research has identified the innovation capacity of SMEs as an important attribute for facing challenges and competing in the market (Genc et al., 2019; Zahra & George, 2002). In family firm research, the importance of innovation as a strategic instrument to promote business success and survivability is increasing (Frank et al., 2019; Fuetsch & Suess-Reyes, 2017), as it has been found to be a key determinant of the long-term success of family firms (Kammerlander et al., 2015).

Innovation has been found to be critically important to the internationalization of SMEs since it has provided a way to stay competitive and explore new opportunities in the international markets (Lee et al., 2012; Ratten & Tajeddini, 2017; Rialp et al., 2005; Saridakis et al., 2019). Innovation allows for adaptation to changing market environments (Lisboa et al., 2011), leads to competitive differentiation, and improves the effectiveness of SMEs in foreign markets (Lee et al., 2012). Indeed, there is a consensus indicating that innovation is a relevant factor in explaining SMEs' entries in new foreign markets (e.g., Freixanet et al., 2019). Although the literature suggests that innovation enhances the chances of internationalization, to date, empirical results have reported mixed and inconclusive evidence about the relationship between innovation and internationalization, especially when analyzing this link within SMEs (Halilem et al., 2014; Saridakis et al., 2019).

A possible reason for these mixed results may be that most empirical studies measure innovation in terms of the number of patents, investment in R&D, or technological innovation (Saridakis et al., 2016). Those measures can be valid when analyzing large firms, but other measures should be considered when dealing with SMEs. Therefore, in this study we will focus on explorative innovation, which is associated with launching new products and expanding the customer base of a firm in new markets (Arzubiaga et al., 2019). Exploration includes search, risk taking, experimentation, and discovery (March, 1991), and thus, exploratory innovation is a source for identifying potential opportunities for the firm over the long run (He & Wong, 2004). Moreover, firms that invest in innovation may realize that their domestic markets are too small to recover the invested amounts, so they may look for new customers in foreign countries (Freixanet et al., 2019; Zahra et al., 2000).

The RBV helps us to understand how innovation can contribute to the internationalization strategy. Firms can obtain a competitive advantage if they possess tangible or intangible firm-specific resources that must be valuable, inimitable, rare, non-substitutable, and not available to all firms (Barney, 1991). These resources enable firms to generate new or improved products, services, or processes that lead to gain competitive advantages over competitors (Teece & Pisano, 1994). A firm's ability to innovate belongs to this set of intangible resources that facilitate the development of competitive advantage (Schoonhoven et al., 1990; Peteraf, 1993). From an RBV perspective, exploratory innovation involves the creation of new resource bundles (Kollmann & Stockmann, 2014), and explorative firms can proactively respond to environmental changes and obtain positive performance outcomes (Lubatkin et al., 2006).

Moreover, family firms have a long-term orientation for their strategies because they possess a vision for continuity and transgenerational succession. Therefore, family firms are likely to engage in innovation (Rod, 2016) since it has the potential to ensure the competitive advantage of the firm across generations (De Massis, Frattini, & Lichtenthaler, 2013). On the other hand, strategic decisions in relation to internationalization are also affected by the long-term orientation of family firms (Claver et al., 2009; Pukall & Calabrò, 2014), so innovation can be essential to sustaining a long-run competitive advantage in international markets (Singh & Gaur, 2013). Considering all these arguments, we believe that innovation is an important way to obtain a competitive advantage that can improve family SMEs' degree of internationalization. Thus, we hypothesize:

> **Hypothesis 1:** *Innovation positively affects the degree of internationalization of family firms.*

4.2.2. Family involvement in strategic decision-making

Research on family firms has used various definitions for family firms, and although there is no consensus on a unified definition, it is broadly accepted that family members must have substantial ownership and play an active role in firm management (e.g., Hennart et al., 2019). Thus, family involvement in the firm arises from the integration of the family within the business, forming a unique environment (Chrisman et al., 2012). In this sense, family firms' innovation and internationalization strategies are not only influenced by business-related factors, but also by the characteristics of the family (Braga et al., 2017). Following the RBV perspective, family firms possess a unique set of resources and capabilities generated by the family's involvement in ownership, management, and governance (Habbershon & Williams, 1999; Sirmon & Hitt, 2003) that differentiates them from non-family organizations (Minichilli et al., 2010).

The resources and capabilities of family firms have been determined to be unusually complex, rich, and dynamic, and the RBV perspective can explain the behavioral differences of these organizations (Habbershon & Williams, 1999; Hatak et al., 2016). Thus, the governance structure of a family firm constitutes a unique organizational context (Carney, 2005; Westhead & Howorth, 2006) that can make these firms behave in a particular way when making strategic decisions. In this respect, researchers on family firm internationalization have focused on two opposing perspectives of family involvement (Arregle et al., 2017): a restrictive approach that argues a negative effect of family involvement; and a facilitating approach that suggests a positive effect. Therefore, it is not completely clear whether the specific characteristics generated by family involvement in the firm favors or constrains firm outcomes.

Strategic behaviors may differ between family and non-family firms, but also between family firms with diverse attributes (Arregle et al., 2012). When making strategic decisions, family members have to balance between the financial considerations of the business and the protection of their socioemotional wealth (SEW) (Berrone et al., 2012; Gómez-Mejía et al., 2007). SEW refers to the affective endowment or non-economic goals of family firms, and it is the main reference point when making strategic decisions (Gómez-Mejía et al., 2007). Family members are loss averse with respect to their SEW, so they will engage in risky decisions in order to protect SEW even if they expect to diminish their financial wealth (Gómez-Mejía et al., 2014). But at the same time, family firms may avoid high-return strategies, such as innovation or internationalization, if they perceive that there is a high risk of damaging the SEW endowment (Gómez-Mejía et al., 2014; Ray et al., 2018; Sciascia et al., 2015). Following Pongelli et al. (2016), the two main SEW priorities of family firms are the long-term survivability of the business and the maintenance of continued family control.

The ongoing debate about the heterogeneity among family firms suggests that family firms behave differently because of the family influence (e.g., Chua et al., 2012). However, given that family firm heterogeneity has not been properly addressed (De Massis et al., 2018), it is important to investigate family firms as distinct entities and identify the specific features affecting the relationship between innovative capabilities and internationalization because they can be shaped by firm-specific characteristics (e.g., Singh & Gaur, 2013). Specifically, we focus on three different aspects to test the influence of the family: the generation in charge of the firm, level of family involvement in the TMT, and strategic involvement of the board of directors.

4.2.2.1. The moderating effect of the generation in charge

Maintaining control of the business beyond the current generation is one of the main objectives of family firms (Berrone et al., 2012; Chua et al., 1999; Gómez-Mejía et al., 2007). Generational succession is unique in family firms and has an important implication for the long-term orientation of these organizations (Stieg et al., 2017). Each generation of leadership brings new strategic ideas, so when family members from new generations join the firm, they may become the driving force for change and innovation (Kellermanns et al., 2008; Kraiczy et al., 2014) which may lead to new international opportunities (Calabrò et al., 2016; Fang et al., 2018; Mitter et al., 2014).

Different generations exhibit diverse interests, management styles, and objectives (Fernandez & Nieto, 2005), so the attitudes and behaviors of family firms vary with different generations, directly affecting the strategic decision-making processes (Fang et al., 2018). While firms led by founding generations usually have a more paternalistic leadership style and informal and subjective management culture, firms run by succeeding generations are characterized by more formal, objective, and professional leadership and management styles (Mitter et al., 2014). Therefore, in the case of family SMEs, the generation leading the firm represents a unique predictor of the behavior of these firms in strategic decision-making (Maseda et al., 2015). The entrepreneurial vein of the founder may conflict with the desire to preserve the SEW endowment (Gómez-Mejía et al., 2007). Thus, the founding generation is likely to be more willing to preserve SEW than later generations, as the importance of SEW tends to decrease in later generations (Fang et al., 2018; Gómez-Mejía et al., 2010). The reduction of the importance of SEW can push family members of later generations to engage in more complex and uncertain strategies such as innovation and internationalization.

Experience and organizational knowledge increase with subsequent generations because they usually are better prepared and have higher levels of education and external experience (Fernández & Nieto, 2006; Merino et al., 2015; Stieg et al., 2017). Thus, new generations acquire certain capabilities that previous generations may have been lacking, and these superior skills enhance their ability to analyze markets and competitors and allow them to deal with complex foreign markets (Mitter et al., 2014) through the development of innovation activities (Freixanet et al., 2019). Therefore, given that subsequent generations are better prepared and more experienced than the preceding generations, they may add more resources to the strategic decision-making of the firm, and they will be more prepared to deal with complex and uncertain strategies, and thus, it is expected that subsequent generations may positively shape the relationship between innovation and internationalization. Thus, we conclude that when a later generation is in charge of the firm, the relationship between innovation and internationalization will be positively moderated:

Hypothesis 2: *Having a later generation in charge positively moderates the relationship between innovation and internationalization in family firms.*

4.2.2.2. The moderating effect of family involvement in the TMT

The characteristics of family firms' TMTs are unique because they usually possess a mix of family and non-family managers (Kraiczy et al., 2014; Vandekerkhof et al., 2019), making the TMT of family firms a key determinant of their distinctiveness and heterogeneity (D'Allura, 2019). Researchers have found that family involvement in the TMT affects innovation processes (Arzubiaga et al., 2019; Matzler et al., 2015; De Massis et al., 2013) and internationalization (Alayo et al., 2019; Segaro et al., 2014), since the TMT plays a central role in shaping organizational outcomes in family firms (Vandekerkhof et al., 2019). However, the existing research has not achieved consistent results about its role in shaping strategic decisions, and its effect for moderating the relationship between innovation and internationalization has not yet been analyzed. Some authors point out that family involvement may enhance business strategies, while other scholars highlight that the family's involvement may have a negative influence.

It is argued that family involvement in management generates a specific bundle of distinctive resources for family firms that are identified as the 'familiness' of the firm (Habbershon & Williams, 1999; Habbershon et al., 2003). Firm familiness provides resources and capabilities that can lead to firm advantages (Habbershon et al., 2003) because family managers usually have a strong emotional attachment to the firm that provides higher commitment and involvement levels in the business (Minichilli et al., 2010). Therefore, family managers can significantly influence the firm since they are also stakeholders, showing pro-organizational behaviors in their desire to contribute to the well-being of the business (Arregle et al., 2007; Zahra, 2003). Conversely, non-family managers mostly do not own firm shares, so in comparison with the power of family managers, different social hierarchies arise in the TMT derived from power differences (Vanderkerkhof et al., 2019). The inclusion of non-family managers can create power conflicts within the TMT, and thus, the TMT decision-making process may be harmed (De Massis, Kotlar, Campopiano, & Cassia, 2013; Vanderkerkhof et al., 2019). Furthermore, family members have invested a large proportion of family wealth in the company, so to achieve the objective of preserving their SEW endowment, the members of the family require continued control of the business decisions and actions (Berrone et al., 2012). In this aspect, family members may be reluctant to give power to non-family managers because they are averse to the risk of losing control of the organization (Gómez-Mejía et al., 2007; 2010). Therefore, according to this view, management teams formed by a higher proportion of family members may be beneficial for shaping positively the effect of innovation in internationalization.

However, it is also argued that family SMEs must face great obstacles to growing internationally because of their limited managerial capabilities (Graves & Thomas, 2008). Usually, family members have common educational backgrounds, expertise, and experiences (Deephouse & Jaskiewicz, 2013; Minichilli et al., 2010) and they may not have the necessary experience to manage international operations (Fernández & Nieto, 2006; Hennart et al., 2019; Muñoz-Bullón & Sánchez-Bueno, 2012). Managers' skills and experience are important resources for firms' internationalization (Hsu et al., 2013; Tihanyi et al., 2000) and innovation strategies (Kraiczy et al., 2014; Matzler et al., 2015). Therefore, the inclusion of non-family managers can overcome the lack of human resources in family firms (Vandekerkhof et al., 2015), since they can possess more experience, networks, and resources (Sciascia et al., 2008). Although, family firms have usually been unwilling to hire specialized managers (Hennart et al., 2019), opening the management structure to non-family managers improves the decision-making process in the implementation of complex strategies (Alayo et al., 2019). Following this argument, a higher proportion of non-family managers would increase the pool of resources such as skills, knowledge, or networks, whereas a higher proportion of family managers would decrease it. Therefore, it could be expected that the inclusion of family members in the TMT may negatively moderate the relationship between innovation and internationalization.

In conclusion, there are two opposing views that suggest the opposite effect of family involvement in management. On the one hand, some authors propose that family managers provide important resources to the firm because of their emotional attachment to the firm that may contribute to the innovative activities in the internationalization processes. However, on the other hand, it is also suggested that family managers do not possess the required skills and capabilities for undertaking innovative internationalization processes, and that it is essential to hire non-family managers to obtain the necessary networks and resources that are not available in the family firm. Thus, family involvement in the TMT may hamper the innovative activities in the internationalization strategy. Therefore, according to the different arguments proposed, it is unclear whether family involvement in the TMT positively or negatively shapes the effect of innovation on family firms' internationalization, and thus, we hypothesize both alternatives:

> **Hypothesis 3a:** *A higher proportion of family members in the TMT positively moderates the relationship between innovation and internationalization in family firms.*

> **Hypothesis 3b:** *A higher proportion of family members in the TMT negatively moderates the relationship between innovation and internationalization in family firms.*

4.2.2.3. The moderating effect of strategic involvement of the board of directors

The board of directors is a key governance mechanism in organizations and entails an important source of knowledge and skills (Minichilli et al., 2009). Traditionally, scholars have focused on the importance of board independence and their control tasks, leaving aside the board's contribution to strategy-making (Pugliese et al., 2009; Zhu et al., 2016). However, the board may also be seen as a valuable strategic device that provides advice and counsel for making decisions and is an essential link to external stakeholders (Maseda et al., 2015). Indeed, the board of directors can lead the firm to gain a competitive advantage since their members can improve the decision-making process, contributing with knowledge and advice (Barroso et al., 2011; Calabrò et al., 2013). For this reason, in family SMEs, the board of directors represents an important asset in strategic decision-making processes (Maseda et al., 2015).

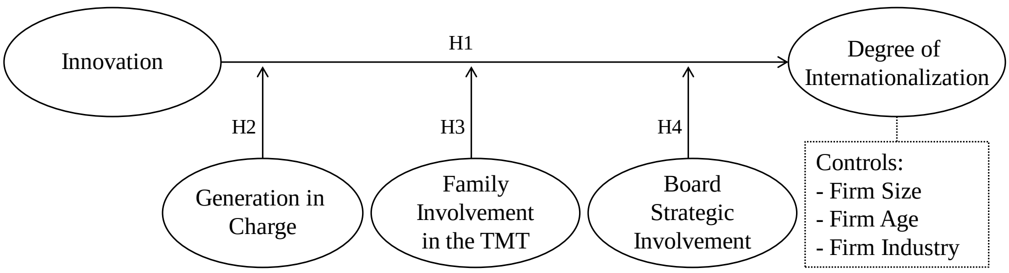
Family SMEs are characterized by a relatively high grade of family involvement within the board of directors (Corbetta & Salvato, 2004). The board's role can be critical in supplying knowledge, skills, and experience that family managers may lack in SMEs (Arzubiaga et al., 2018; Voordeckers et al., 2007). Given that family board members are also owners of the firm, they may be willing to make an effective contribution to the board (Zattoni et al., 2015), and to ensure the continuity of the family firm, they may seek new entrepreneurial activities (Arzubiaga et al., 2018) such as innovation and internationalization. Thus, board members can contribute by promoting strategic initiatives, determining long-term goals, and implementing and controlling strategic decisions (Minichilli et al., 2009). As Barroso et al. (2011) assert, the resources that directors bring to board may determine its potential to function as an effective board.

In SMEs, board members are committed to the firm, and it is likely for them to become involved in strategy making, rather than acting merely as controlling managers. Board members are a valuable resource within family SMEs because they have the capacity to reduce risk and address the complexities that accompany innovation-internationalization processes. With their involvement in strategy development, directors are able to reduce the perceived uncertainty because they possess firm-specific knowledge, general business knowledge, and wider perspectives which can complement the management team's general knowledge base (Arzubiaga et al., 2018; Bammens et al., 2011). All in all, boards are considered to be important actors in family firms' strategic decision-making processes, and thus, it is expected that their involvement in strategy formulation may improve the effect of innovation on internationalization. Thus, we expect that a higher level of involvement of the board in strategy decision-making will positively moderate the relationship between innovation and internationalization:

> **Hypothesis 4:** *A higher level of involvement of the board of directors in the strategic decision-making process positively moderates the relationship between innovation and internationalization in family firms.*

The research model and proposed hypotheses are presented in Figure 4.1.

Figure 4.1. Research model



4.3. Research methodology

4.3.1. Sample and data collection

To empirically test the proposed hypotheses, we based our analysis on data obtained from Spanish family SMEs. Family firms are the most extended type of organizations worldwide, and the majority of family firms are SMEs (D'Angelo et al. 2016; Patel et al., 2012). Spain is a suitable context for analyzing family firms, since according to the Spanish Family Business Institute, almost 90% of Spanish enterprises are considered to be family firms (Casillas et al., 2016; Fernández-Olmos et al., 2016), and most of them are small and medium-sized (Ramón-Llorens et al., 2017).

We used the Iberian Balance Sheet Analysis (SABI) database to identify the population of family SMEs. We established some conditions that firms for the SABI database must meet to be eligible to be included in the sample. On the one hand, firms must belong to a manufacturing sector and must be small or medium-sized. The size of the companies was determined by the number of employees. According to the European Union's criteria, firms with less than 250 employees are considered SMEs. Therefore, firms in our sample must have between 10 and 250 employees. On the other hand, companies must be considered as family firms. To date, the literature on family firms has not reached a consensus on the definition of family firms (Astrachan, Klein, & Smyrnios, 2002), but many scholars agree that family involvement in ownership and firm management are important attributes (Chua et al., 1999). Therefore, following the procedure of Arosa et al. (2010), we identified family firms when they met two conditions: (1) the family controls over the 50% of the shares of the company allowing them to control the firm; and (2) members of the family actively participate in the firm. In order to determine which firms met these two criteria, we conducted a comprehensive review of the shareholder structures and identities of the boards of directors and managers. Additionally, in order to make sure that the companies in the sample were family firms, later while answering the survey we also asked if the companies classify themselves as family firms. Firms that either did not report contact information or had incongruous data were removed. After applying all these restrictions, we found 1,710 companies that met all the conditions and were identified as potential firms for answering the survey.

We developed a survey for collecting the data since it is an effective tool for collecting information on non-listed firms. The survey was directed to the CEOs of the companies since they are considered the best possible key informants (Calabrò et al., 2013) the most reliable source of information for our research (Gruber et al., 2010). After the questionnaire was developed, it was pre-tested with the CEOs of a small group of companies to ensure the clarity and understandability of the questions. Then, we sent letters to the CEOs explaining the research purpose of our study and requesting their participation. We informed them that they would be contacted via telephone by a professional survey agency to complete the questionnaire in the following month. A professional survey agency ensures a higher response rate and the quality of the information gathered. Therefore, some weeks after sending the letters, the professional agency conducted the telephone surveys and collected the requested data. We received a total of 186 valid questionnaires. The response rate of 10.88% is in line with other family firm internationalization studies (e.g., Merino et al., 2015; Mitter et al., 2014). The descriptive statistics of the sample are summarized in Table 4.1.

Table 4.1. Sample descriptive statistics

Firm characteristics	N (%)	Mean	Standard deviation
Firm size (employees)	-	109.71	55.05
Firm age (years)	-	32.20	13.43
Chemical Industry	38 (20.43%)	0.20	0.40
Electric Industry	16 (8.60%)	0.09	0.28
Food Industry	45 (24.19%)	0.24	0.42
Furniture Industry	22 (11.83%)	0.12	0.32
Steel Industry	54 (29.03%)	0.29	0.28
Textile Industry	11 (5.91%)	0.06	0.23
Generation in charge	-	2.00	0.75
First generation	53 (28.49%)	-	-
Second generation	80 (43.01%)	-	-
Third or subsequent generation	53 (28.49%)	-	-
Family involvement in the TMT	-	0.41	0.35
Strategic involvement of the board	-	7.25	2.66

The questionnaire was answered by a single informant at a specific time, so the answers may be affected by common method bias (Campbell & Fiske, 1959). In order to diminish any potential problems, we took some preventive measures while developing the survey. First, respondents were notified in advanced that the questionnaire was only for research purposes and that their anonymity and the confidentiality of their responses were ensured. We took this measure because respondents may edit their responses based on how they believe researchers want them to respond (Podsakoff et al., 2003). Second, the questionnaire separated the independent and dependent variables in different sections, making the respondents think more carefully about their answers (Podsakoff et al., 2003) and making it more difficult to establish a link between different concepts (Kortmann, 2015).

Additionally, we checked possible common method bias problems applying two tests. On the first test, we performed Harman's single-factor test to check if a single factor represents more than the 50% of the variance (Harman, 1967; Podsakoff & Organ, 1986). Harmans' single-factor test reveals that the first factor accounted for the 37.96% of the total variance in the sample, while three factors with eigenvalues greater than 1.0 accounted for 84.28% of the variance. For performing the second test, we included a common method factor and link it to all the single indicators obtained from observed indicators following the procedure applied by Podsakoff et al. (2003) and Liang et al. (2007). Then, we took the indicator variances obtained by the method factor and compare them to the variance explained by the substantive construct (Kortmann, 2015). Results of the analysis reveal that, the construct explained the 83.93% of the variance on average, whereas the common method factor was only able to explain 0.65% on average. The ratio resulting from the comparison is 129.07% (Appendix 4). As both tests performed indicate a lack of common method bias, we can conclude that common method bias was absent or very low (Kortmann, 2015).

We classified all the responses in the order they were received to compare the answers provided by early and late responses. Thus, we divided all the responses received in two groups and compared them. We did not find any differences between the early and late responses. We also analyzed the non-response bias by gathering non-respondent firms' secondary data related to their size and age, and after comparing them with respondent firms, we did not find any significant differences (Armstrong & Overton, 1977).

4.3.2. Variable measurement

There is no consensus on how the dependent variable, the *degree of internationalization* (DOI), should be measured. In research on family SMEs, the percentage of export sales is a commonly used variable for measuring their level of internationalization (e.g., Calabrò & Mussolino, 2013; Eberhard & Craig, 2013; Graves & Thomas, 2006). Exporting is considered the most common entry mode into international markets because of the minimal business risk, high flexibility, and low resource commitment (Leonidou & Katsikeas, 1996). Thus, considering that SMEs possess fewer amounts of resources, they are more likely to internationalize through exports. However, exports do not capture the whole degree of internationalization, since internationalization involves more than considering only the export rate. In this sense, instead of using a single item for measuring internationalization, the use of a multidimensional assessment is more appropriate (Pukall & Calabrò, 2014). Following previous research on family firms (Arregle et al., 2012; Zahra, 2003), we measure the DOI combining two items: the ratio of foreign sales to total sales; and the number of foreign countries where the firm operates.

The independent variable, *innovation*, has been previously measured using different scales (Saridakis et al., 2016). However, instead of relying on a single item for measuring innovation, such as investment in R&D or the number of patents, our study uses a multiple-item construct based on the subjective or self-reported perception of innovation (e.g., Basco & Voordeckers, 2015; Sánchez-Famoso et al., 2017). More precisely, we measured explorative innovation using four items based on He and Wong (2004). The exploration process includes discovery, experimentation, flexibility prototyping, and risk-taking (March, 1991; Ratten & Tajeddini, 2017). Thus, respondents answered the following four questions on an 11-point Likert scale (0 = “completely disagree” to 10 = “completely agree”): the objective for undertaking innovation projects in the last five years has been to: (1) introduce a new generation of products; (2) extend the product range: (3) open up new markets; and (4) enter new technology fields. A high score on these scales means that firms have a high level of exploratory innovation, while a low score means that firms possess a low level of exploratory innovation (Arzubiaga et al., 2019).

This study also analyzes the moderating effect of three variables. First, the *generation in charge* was obtained by asking which generation was currently running the business (Bammens et al., 2008; Mitter et al., 2014). The generation in charge can take values from one to three depending on the generation leading the firm: founding generation, second generation, or third and subsequent generations. Second, the *family involvement in the TMT,* also known as the family TMT ratio, was obtained by dividing the number of the members of the family that occupy managerial positions to the total number of managers (Kraiczy et al., 2014; Minichilli et al., 2010). This ratio can assume values from zero to one. Third, the *strategic involvement of the board of directors* was measured as a multiple-item construct formed by four items (Arzubiaga et al., 2018; Machold et al., 2011). Respondents were asked to assess the involvement of the board in the last five years on an 11-point Likert scale (values range from 0 = "very low" to 10 = "very high"). The four items capture the boards' involvement in relation to service tasks (actively initiating strategic proposals, making decisions on long-term strategies and main goals) and control tasks (implementing strategic decisions, controlling strategic decisions).

In this study we use several control variables such as firm size, age, and firm industry. *Firm size* represents the amount of resources available in the firm and it was measured as a continuous variable based on the logarithmic transformation of the number of employees (Calabrò & Mussolino, 2013; Chen, Hsu, & Chang, 2014; Fernández & Nieto, 2005; 2006). *Firm age* is a proxy for the firm's level of experience in the business and was measured as the logarithmic transformation of the number of years that a firm has been in existence (Chen et al., 2014; Maseda et al., 2019). We also controlled for firm industry since it can influence in the degree of internationalization (Segaro et al., 2014). The manufacturing firms of the sample were classified in six different industries: chemical, electric, food, furniture, steel and textile. Dummy variables were used for controlling firm industry (Segaro et al., 2014; Singla, Veliyath, & George, 2014).

4.4. Analyses and results

In this study, the measurement and structural models were analyzed using SmartPLS (Ringle et al., 2005). First, we analyzed the reliability and validity of the measurement model. Then, we analyzed the overall assessment of the structural model. Finally, we contrasted the hypotheses using a “bootstrapping” 5,000 technique (Hair et al., 2014).

4.4.1. Assessment of the measurement model

The measurement model was assessed through the evaluation of the individual items’ reliability and convergent and discriminant validities following the guidelines of Hair et al. (2014). Tables 4.2 and 4.3 show the necessary scores for evaluating the measurement model. First, all *individual items loadings* are above the 0.7 guideline (Hulland, 1999). Second, *convergent validity* was analyzed through composite reliability (CR) and Cronbach’s alpha. All the indicators are above the proposed cutoff value of 0.7 (Hulland, 1999; Kortmann, 2015). Third, *discriminant validity* is approved if the average variance extracted (AVE) of the constructs is greater than 0.5, and their square root is greater than the correlation coefficients with other measures (Fornell & Larcker, 1981; Kortmann, 2015). All the values are above the cutoff values (Tables 4.2 and 4.3) indicating that the measurements are valid.

Table 4.2. Construct reliability and validity

Construct	Item loading	CR	CA	AVE
DEGREE OF INTERNATIONALIZATION		0.9096	0.8032	0.8343
DOI1	0.931			
DOI2	0.896			
INNOVATION		0.9353	0.9088	0.7832
INNOV1	0.893			
INNOV2	0.852			
INNOV3	0.887			
INNOV4	0.907			
STRATEGIC INVOLVEMENT OF THE BOARD		0.9716	0.9623	0.8954
SIBD1	0.944			
SIBD2	0.965			
SIBD3	0.913			
SIBD4	0.962			

CR: composite reliability; CA: Cronbach´s alpha; AVE: average variance extracted

Table 4.3. Correlation matrix

		1	2	3	4	5	6	7	8	9	10	11	12	13
1	Age	na												
2	Chemical Industry	-0.045	na											
3	Degree of Internationalization	0.264	-0.068	0.913										
4	Electric Industry	-0.121	-0.156	-0.095	na									
5	Family Involvement in the TMT	-0.154	-0.027	-0.419	-0.082	na								
6	Food Industry	0.006	-0.286	-0.088	-0.173	-0.004	na							
7	Furniture Industry	0.120	-0.186	0.148	-0.112	-0.017	-0.207	na						
8	Generation in Charge	0.419	0.053	0.379	-0.152	-0.242	0.083	0.066	na					
9	Innovation	-0.067	-0.126	0.280	0.048	-0.049	-0.025	0.058	0.104	0.885				
10	Strategic Involvement of the Board of Directors	-0.084	-0.027	0.123	0.005	-0.032	-0.041	-0.019	0.057	0.234	0.946			
11	Size	-0.142	0.017	-0.182	0.096	0.011	-0.065	0.041	-0.193	-0.009	0.011	na		
12	Steel Industry	-0.008	-0.324	0.047	-0.196	0.126	-0.361	-0.234	-0.063	0.052	0.107	-0.077	na	
13	Textile Industry	0.062	-0.127	0.093	-0.077	-0.069	-0.142	-0.092	-0.030	0.023	-0.067	0.065	-0.160	na

Notes: The square roots of AVE are indicated on the diagonal; na: not aplicable

4.4.2. Assessment of the structural model

After verifying that the measurement model met all the parameters, we performed tests to assess the model's predictive capacity. First, R^2 shows the exploratory power of the degree of internationalization, the dependent variable of our model. The value of R^2 is 0.384, which is greater than 0.1, as suggested by Falk and Miller (1992). Second, we performed a Q^2 test to evaluate the predictive relevance of the constructs using a blindfolding procedure (Henseler et al., 2009). The Q^2 test reveals a positive value, suggesting that the model has an overall strong predictive capacity (Henseler et al., 2009; Kortmann, 2015).

4.4.3. Results

To contrast the proposed hypotheses, we applied a bootstrapping technique using 5,000 subsamples to obtain the *t*-statistics (Hair et al., 2014). The results are presented in Table 4.4. The effect of innovation on family SMEs' degree of internationalization has been found to be positive and statistically significant ($\beta = 0.222$; $t = 5.052$; $p < 0.001$), and thus, Hypothesis 1 is supported. Results indicate that SMEs with higher innovation levels are more internationalized.

Table 4.4. Results

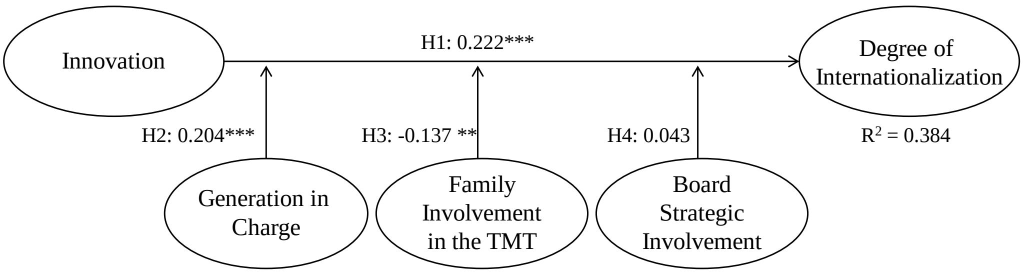
Hypotheses		Predicted sign	Path Coeficients (ß)	t-value	Support
H1:	Innovation - DOI	+	0.222	5.052***	Yes
H2:	Moderation effect of generation in charge	+	0.204	3.095***	Yes
H3a:	Moderation effect of family involvement in the TMT	+	-0.137	2.483**	No
H3b:	Moderation effect of family involvement in the TMT	-	-0.137	2.483**	Yes
H4:	Moderation effect of strategic involvement of the board	+	0.043	0.991	No

Notes: R^2 DOI = 0.384; Q^2 DOI = 0.261

Notes: *** $p < 0.001$; ** $p < 0.01$;* $p < 0.05$

Results also support some of the hypotheses regarding the family-related factors as moderators. The moderating effect of the generation in charge was found to be positive and significant (β = 0.204; t = 3.095; p < 0.001) supporting Hypothesis 2. Therefore, it is suggested that the generational stage influences the link between innovation and internationalization, and that this effect is higher when later generations run the firm. The moderating effect generated by the level of family involvement in the TMT has been found to be negative and significant (β = -0.137; t = 2.483; p < 0.01). Thus, Hypothesis 3a is rejected and 3b is supported. Therefore, it is suggested that effect of innovation on the level of internationalization is lower in firms with a higher proportion of family members within the TMT. Finally, the moderating effect produced by the strategic involvement of the board is positive, but statistically it is not significant (β = 0.043; t = 0.991; not significant). Thus, Hypothesis 4 is not supported.

Figure 4.2. Research model with results



4.4.4. Robustness test

We performed robustness tests to assess the robustness of our results. To do so, based on firm characteristics we split the sample and estimated structural models (Gruber et al., 2010). We divided the sample in two based on the size of the firms (smaller and larger firms). We used the median to split the sample, so firms with more than 93 employees were classified as larger firms firms, whereas firms with 93 or less employees were classified as smaller firms. The results obtained from the subsample formed by larger firms show a positive and significant effect for the effect of innovation in internationalization ($\beta = 0.246$; $t = 5.602$; $p < 0.001$); a positive and significant effect for the moderating effect of the generation in charge ($\beta = 0.314$; $t = 4.369$; $p < 0.001$); a negative and significant effect for family involvement in the TMT ($\beta = -0.147$; $t = 2.645$; $p < 0.005$); and a positive but not significant effect for the strategic involvement of the board (β = 0. 021; $t = 0.432$; not significant).

On the other hand, results obtained in the subsample formed by smaller firms show a positive and significant effect for the effect of innovation in internationalization ($\beta = 0.182$; $t = 3.948$; $p < 0.001$); a positive and significant effect for the moderating effect of the generation in charge ($\beta = 0.117$; $t = 2.309$; $p < 0.025$); a negative and significant effect for family involvement in the TMT ($\beta = -0.222$; $t = 2.912$; $p < 0.005$); and a positive but not significant effect for the strategic involvement of the board ($\beta = 0.059$; $t = 1.119$; not significant). The results obtained in both subsamples are minimal in the path coefficients, so we can assert that the robustness test are consistent.

We also carried out an additional robustness test and re-ran the model after excluding the control variables (Rosenkranz & Wulf, 2019). The results of this additional test were very similar to the original results. Results reveal a positive and significant effect of innovation in internationalization is ($\beta = 0.225$; $t = 5.217$; $p < 0.001$); a positive and significant effect for the moderating effect of the generation in charge ($\beta = 0.203$; $t = 3.023$; $p < 0.005$); a negative and significant effect for family involvement in the TMT ($\beta = -0.135$; $t = 2.629$; $p < 0.005$); and a positive but not significant effect for the strategic involvement of the board ($\beta = 0.042$; $t = 1.003$; not significant). Therefore, after applying several robustness tests, we observe that the results are robust.

4.5. Discussion

The study analyzes how innovation impacts family SMEs' internationalization and how this relationship may vary with family firm-specific variables. The connection between family SMEs' innovation and internationalization is explored from the RBV perspective, which attempts to look at the resources attributed to the generation of the family in charge of the business, the level of family involvement in the TMT, and the involvement of the board of directors in strategic decisions.

Previous research reported mixed findings and inconclusive results on the effect of innovation on internationalization (e.g., Halilem et al., 2014; Saridakis et al., 2019). Based on a sample of Spanish family SMEs, we sought to clarify this mixed evidence and found that innovation is an important resource for family SMEs to obtain a competitive advantage and enhance their degree of internationalization. Internationalization is a complex strategy full of uncertainty and with high competition. In this sense, innovation can provide the necessary capabilities and unique resources to deal with the difficulties of foreign markets. Our results highlight the importance of innovation for assisting family firms' internationalization and are in line with other studies that have analyzed this relationship in the SME context (e.g., Golovko & Valentini, 2011).

In this study we also addressed the ongoing debate on family firm heterogeneity (Chua et al., 2012; De Massis et al., 2018), by focusing on how family-related factors may shape strategic decisions regarding innovation and internationalization. Specifically, we analyze three different levels of family factors as moderating variables: the generation in charge of the firm, the level of family involvement in the TMT, and the active involvement of the board of directors in the firm's strategy. Previous research has asserted that governance factors can shape the relationship between innovation and internationalization in family firms (Singh & Gaur, 2013). It has been suggested that firms controlled by later generations possess more resources because the family members belonging to subsequent generations are better prepared and have superior training compared with the preceding generations (e.g., Fernández & Nieto, 2005). Moreover, family members of later generations tend to have less emotional attachment to family firms and are ready to take on challenges, which may imply a greater availability to assume new risks. Thus, later generations in charge of these firms can be identified as a potential success factor for enhancing the positive effect of innovation activities on firm internationalization.

TMT managers' skills and expertise have been argued to be important characteristics for firms' innovation and internationalization strategies (e.g., Hsu et al., 2013; Kraiczy et al., 2014). As previous research asserted, family members' involvement in the TMT has a negative moderating effect on the strategic decisions of family firms (Alayo et al., 2019; Kraiczy et al., 2014), and thus, may hinder the effect of innovation on internationalization. While innovation and internationalization provide family firms with many opportunities, they also create many challenges. Given the complexity accompanying these activities, firms need a TMT capable of dealing with complex decisions. Family managers are likely to possess similar skills and expertise among them, and thus, the bundle of resources available in the TMT is lower when the family managers' proportion increases. This may have implications for innovation efforts and foreign expansion. In this sense, hiring external managers can help to overcome this drawback since an excessive level of family involvement can be detrimental. Family firms that include non-family managers in their TMT groups are likely to have the necessary capabilities for firm innovation and internationalization because they provide more knowledge, experiences, external network ties, and perspectives that can be valuable for making strategic decisions and solving complex problems. If family SMEs want to develop innovative products or services in foreign markets, a more diverse TMT can provide options to manage the uncertainty and complexity of the innovation and internationalization processes.

The existing literature has acknowledged the board of directors as important actors in strategic decision-making processes. Previous research has found that boards involved in active strategy development contribute positively to family SMEs entrepreneurial behaviors and innovation (Azubiaga et al., 2018). However, to date, the role of the board in strategic decision making related to internationalization has received little attention. Calabrò et al. (2013) found that the effect of board strategic involvement on international sales was not significant for family firms, but it was positive and significant for non-family firms.

In our study, the hypothesis was not supported. Although the moderating effect of board strategic involvement was positive, it was not significant. These results suggest that maybe the board members of family SMEs are not a valuable resource for shaping the relationship between innovation and internationalization. A possible explanation for these results may be the low presence of formalized corporate governance structures or a less active board of directors. As many studies show, boards of family SMEs are likely to be formed by family members, are less regulated, and may have more of a symbolic role (Arzubiaga et al., 2018; Maseda et al., 2015; Wright et al., 2016). This situation could be changed by incorporating external members, who are more experienced and have more networks, into the board of directors. The active involvement of these external directors who can contribute complementary capabilities in the strategy formulation process could possibly enhance the adoption of joint innovation-internationalization strategies aimed at preserving and assuring the continuity and growth of the firm.

4.6. Contributions and limitations

This study expands our understanding of family SMEs and makes several contributions to the theory and practice. First, we add new evidence of the effect of innovation on internationalization. Previous works have reported mixed results regarding the relationship between innovation and internationalization (e.g., Saridakis et al., 2019), and the attempts to analyze it in the context of family firms have been very limited (e.g., Lin & Wang, 2019; Singh & Gaur, 2013). Therefore, we help to clarify the inconclusive results obtained to date by providing new evidence.

Second, we also contribute to the analysis of family firms' heterogeneity (Chua et al., 2012; De Massis et al., 2018; Matzler et al., 2015). Earlier studies on family firms compared differences between family and non-family firms. However, family firms cannot be considered a homogeneous group of firms, we need to go further and analyze behavioral differences among family firms (Chua et al., 2012). Thus, heterogeneity is at the center of the current debate among family firm scholars. In this sense, there have been calls for research to analyze and expand our knowledge about family firms' heterogeneity in relation to innovation (e.g., Calabrò et al., 2019) and internationalization (e.g., De Massis et al., 2018). Therefore, we contribute to the understanding of the heterogeneity of family SMEs by analyzing the moderating effects of three important governance bodies and answering the call for more studies analyzing the heterogeneity caused by generational differences (Fang et al., 2018), the TMT (Kraiczy et al., 2014), and the board of directors (Arzubiaga et al., 2018; Bammens et al., 2011; Maseda et al., 2015).

Third, although SMEs are important actors for economies around the world and the majority of SMEs are family firms, research has not sufficiently focused on family SMEs internationalization (D'Angelo et al., 2016). Therefore, we contribute to increasing the understanding of these long-forgotten organizations by providing new evidence on their specific behaviors. More specifically, we base our analysis on Spain, where the majority of the businesses are SMEs and are considered to be family firms (Casillas et al., 2016; Fernández-Olmos et al., 2016; Ramón-Llorens et al., 2017).

Fourth, we contribute theoretically by reinforcing the basis of the RBV as an important determinant for obtaining competitive advantages. It is necessary for family SMEs to develop specific resources that may help them in overcoming the difficulties of foreign markets and changing environments. Our results add more evidence about the specific resources of family SMEs that can lead to, or detract from, competitive advantages.

Fifth, our study also provides interesting managerial implications for family SMEs. According to our results, family SMEs can optimize their specific resource configurations for improving the relationship between innovation and internationalization. Therefore, family SMEs run by third or later generations that include a high proportion of external managers in their TMTs will be better positioned for obtaining better results.

This study is not free from limitations, and these may offer opportunities for future research. First, our data was obtained through a survey directed to the CEO. Although the CEO is the best-informed person and a reliable source of information, the data reported is based on his or her perceptions. Future research could obtain longitudinal data to test if the information is sustained over time. Second, our empirical study is based on a sample of Spanish SMEs, and thus, cultural factors may affect our findings. Future research could analyze our hypotheses in other geographical areas to corroborate the results and generalize our findings. Third, we focus on the analyses of three moderating variables to test the heterogeneity among family SMEs. However, there can be other moderating variables (i.e., ownership stake held by the family, family involvement in the board of directors, or CEO tenure) that may affect the relationship between innovation and internationalization. Observing that research has been scarce in relation to the innovation-internationalization link in family firms, there are many opportunities for conducting further research in this direction.

Appendix 4. Analysis of common method bias

Construct	Item	Substantive factor			Common method factor		
		Loading R1	Signf. R1	Loading R1²	Loading R2	Signf. R2	Loading R2²
Degree of Internationalization	DOI1	0.93	85.09	0.8630	0.08	1.25	0.0059
	DOI2	0.90	39.92	0.8064	0.00	0.05	0.0000
Innovation	INNOV1	0.89	26.41	0.7974	0.03	0.62	0.0007
	INNOV2	0.85	16.15	0.7259	-0.01	0.20	0.0001
	INNOV3	0.89	29.51	0.7868	0.07	1.24	0.0046
	INNOV4	0.91	31.66	0.8226	0.08	1.35	0.0061
Strategic Involvement of the Board of Directors	SIBD1	0.94	9.73	0.8911	0.09	1.44	0.0074
	SIBD2	0.97	10.01	0.9312	0.08	1.38	0.0071
	SIBD3	0.91	8.57	0.8336	0.10	1.51	0.0094
	SIBD4	0.96	9.90	0.9254	0.13	2.05	0.0166
				0.8393			**0.0065**
				Ratio			**129.07**

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CHAPTER 5

Internationalization of Family Firms: The Influence of Identification with the Firm

An earlier version of this paper was presented at the International Family Enterprise Research Academy (IFERA) Annual Conference held in Zwolle (the Netherlands) in 2018. The title of the paper was: *Who You Are Tells Me What You Do! Understanding Family Firms Internationalization Choices through the Lens of Socioemotional Wealth and Corporate Governance.*

An earlier version of this paper was presented at the XXVII International Conferences of the European Academy of Management and Business Economics (AEDEM) held in Bucharest (Romania) in 2018. The title of the paper was: *Socioemotional Wealth and Corporate Governance: Are Determinant Elements of the Internationalization of Family Firms?*

An earlier version of this paper was presented at the 19th annual conference of European Academy of Management (EURAM) held in Lisbon (Portugal) in 2019. The title of the paper was: *Analyzing the Internationalization of Family Firms: Identification with the Firm and Corporate Governance Implications*.

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5.1. Introduction

Internationalization is an important strategy for family firms to obtain long-term competitiveness and growth (Bika & Kalantaridis, 2017; Claver et al., 2009; Kontinen & Ojala, 2010), as it revitalizes both the family and the business, ensuring business continuity and new opportunities for subsequent family generations (Arregle, Naldi, Nordqvist, & Hitt, 2012; Calabrò, Brogi, & Torchia, 2016). However, at the same time, internationalization strategies also come with costs and uncertainties (Debrulle & Maes, 2015; Fernández & Nieto, 2005; Hsu, Chen, & Cheng, 2013), making such strategic decisions challenging. Family firms possess a unique set of resources because of the involvement of the family in the business (Chua, Chrisman, & Sharma, 1999), which provides distinctive goals, behaviors, and outcomes in such firms (Chrisman, Chua, & Steier, 2005). Thus, given the family's influence in strategic decision-making processes, family involvement is likely to be a relevant factor affecting family firms' internationalization (Alayo, Maseda, Iturralde, & Arzubiaga, 2019).

Family involvement is usually measured by considering the presence of family members in ownership, within management, and/or on the board of directors (Pukall & Calabrò, 2014). In this line, socioemotional wealth (SEW) is a recent research stream within the family business field that shifted attention towards the importance of preserving 'the stock of affect-related value that a family derives from its controlling position in a particular firm' (Berrone et al., 2012, p. 259). Applying a SEW logic to strategic decisions implies that when family decision-makers perceive a threat to the accumulated SEW, they might be willing to sacrifice even a part of their financial wealth to preserve such SEW by maintaining continued family control (Gómez-Mejía et al., 2007; Calabrò et al., 2018).

Despite the increasing use of the SEW perspective to investigate family firms' behaviors in international markets (e.g., Calabrò et al., 2016; Cesinger et al., 2016; Liang et al., 2014), the vast majority of studies rely on proxies based on secondary data to measure family involvement in ownership and/or management without actually measuring the dimensions of SEW as presented in the Berrone and colleagues' (2012) article introducing the FIBER[2] constructs. Moreover, several studies have pointed to the need to examine family firm internationalization with direct SEW dimensions as the main predictors (Debicki, Kellermanns, Chrisman, Pearson, & Spencer, 2016; Pukall & Calabrò, 2014).

This study aims to advance the debate on family firms' internationalization by focusing on one SEW dimension, namely *the identification of family members with the firm*, and its effect on the degree of internationalization. As this relationship may vary because of the heterogeneity of family firms, we also investigate differences within family firms by examining the moderating role of family involvement in the board of directors and CEO tenure under the assumption that governance features are important intervening factors in family firms' strategic decisions (e.g., Arzubiaga, Kotlar, De Massis, Maseda, & Iturralde, 2018). Based on a sample of 168 German family firms, our results suggest that the identification of family members with the firm has a negative effect on family firms' internationalization. However, this negative effect can be reversed and turned positive with the increasing involvement of family members in boards of directors and when the firm has CEOs with a longer tenure.

The present study contributes to the internationalization and family firm literature in several ways. First, we investigate an antecedent of family firms' internationalization related to the SEW construct that has not previously been analyzed, thus answering the call for more research in this respect (Debicki et al., 2016; Pukall & Calabrò, 2014). Indeed, attempts to analyze SEW or its

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[2] The FIBER scale consists of five dimensions: Family control and influence (F), Identification of family members with the firm (I), Binding social ties (B), Emotional attachment of family members (E), and Renewal of family bonds to the firm through dynastic succession (R).

dimensions empirically have been scarce (e.g., Debicki et al., 2016; Hauck et al., 2016; Schepers et al., 2014). Second, our study adds new evidence on the role of corporate boards in family firms' strategic decisions such as internationalization. Although there is increasing interest in family firms' internationalization, the effects of boards (Mitter, Duller, Feldbauer-Durstmüller, & Kraus, 2014) and CEO characteristics (Ramón-Llorens, García-Meca, & Duréndez, 2017) remain inconclusive. Third, we contribute theoretically and answer the call for more research to apply new theoretical approaches to study family firm internationalization (Pukall & Calabrò, 2014; Zahra, 2003) through the SEW foundations. Fourth, although family firms are the dominant business type in German-speaking countries (Klein, 2000), few empirical studies analyze the internationalization of family firms in these regions (Mitter et al., 2014).

The remainder of this paper is structured as follows. In the second section, the theoretical background and hypotheses development are presented. The next section provides the methodology followed for collecting our data. Then, in the fourth section, the proposed hypotheses are analyzed through structural equation modeling. The subsequent section presents the discussion. Finally, contributions and future research directions are provided in Section 6.

5.2. Theoretical background and hypotheses development

5.2.1. The identification of family members with the firm and internationalization

The family's ability to exert dominance over the firm has been considered to be an important feature in this type of organization (e.g., Kellermanns et al., 2012). In fact, the owning family shapes the goals of these firms by also involving family members directly in the strategic decision-making process. Thus, SEW, or the non-financial aspects of the business related to the emotional needs of the family, is crucial in these organizations (Gómez-Mejía et al., 2007, 2010) and becomes the key factor for distinguishing family firms from other business types (Berrone et al., 2012). Among others, non-financial goals in family firms include the ability to exercise authority, perpetuation of family values, fulfilment of needs for belonging, the identification and image, maintenance of the legacy of the founder and preservation of the family dynasty, enhancement of the family's social capital, and extension of the opportunity to be altruistic to family members (Berrone et al., 2012; Gómez-Mejía et al., 2007, 2010).

Whereas in non-family firms, decisions are made based on financial or economic objectives, the preservation of SEW or non-financial goals are the main reference point in family firms (Gómez-Mejía et al., 2007). When family firms perceive a possible threat to their accumulated SEW, they may be willing to assume the possibility for having financial losses, and thus, prioritize socioemotional goals over financial goals. The important point is that family firms are not per se risk-averse organizations, but are loss averse in relation to the protection of their SEW endowment (Gómez-Mejía et al., 2007).

SEW is a multidimensional construct since family firms are distinguished by the coexistence of multiple goals created by the family's values (Torchia et al., 2018). Instead of considering SEW to be a unique construct, Berrone et al. (2012) developed the FIBER scale comprising five dimensions related to different non-financial goals. The different socioemotional dimensions are likely to influence family behaviors and outcomes differently (Martin & Gómez-Mejía, 2016; Pongelli, Calabrò, & Basco, 2019). Therefore, to better understand the strategic decision-making of family firms, it is necessary to analyze the relationships among SEW dimensions separately (Martin & Gómez-Mejía, 2016; Miller & Le Breton-Miller, 2014). Previous research has rarely analyzed these different SEW dimensions, they examined governance variables related to family involvement in ownership or management instead of addressing directly SEW preferences (Miller & Le Breton-Miller, 2014). Hence, given the relevance of SEW aspects as contingency factors in the decision making of family firms and the lack of previous literature analyzing the specific SEW dimensions, in this research we focus on a particular SEW dimension (i.e., the identification of family members with the firm) and its effects on firm internationalization.

Family firms are characterized by having a long-term orientation, since one of their main objectives is to pass the business onto the next generation. In this regard, family members see the company not only as a source of present income, but also as a legacy for forthcoming generations (Dyer & Whetten, 2006; Sageder et al., 2018). Firm’s identity is the central point for reputation and image (Sageder et al., 2018), and it becomes even more relevant in family firms since the image and reputation can remain over generations. An organization’s image is the impression projected to stakeholders outside the company, and reputation is the way outsiders perceive an organization (Dyer & Whetten, 2006; Sageder et al., 2018). In the case of family firms, the controlling family influences the creation of the firm’s identity significantly (Deephouse & Jaskiewicz, 2013; Zellweger et al., 2010, 2013). Family members that strongly identify with the firm consider it to be an extension of themselves (Deephouse & Jaskiewicz, 2013; Dyer & Whetten, 2006). Identification with the firm may differ among family firms. On the one hand, family members that strongly identify with the firm can feel that the family and the firm overlap, perceiving that the actions carried out in serving the firm can also help the family (Calabrò, Campopiano, & Basco, 2017). On the other hand, family considerations may also meddle in business decisions and vice versa (Calabrò et al., 2017).

Because an unfavourable corporate reputation influences the family's reputation, families will try to enhance actions that create a favourable perception of the firm (Zellweger et al., 2013). Family members are usually highly motivated to protect the firm's image and reputation (Deephouse & Jaskiewicz, 2013; Sageder et al., 2018), and the preservation of the family's reputation is an important goal in these organizations (Berrone et al., 2012; Deephouse & Jaskiewicz, 2013). Family firms with a strong identification show higher concerns for maintaining corporate reputation and thus a stronger inclination towards pursuing non-financial goals (Zellweger et al., 2013). However, the effects of family firm image and reputation in this context remain unclear (Sageder et al., 2018).

The identification of family members with the firm may not always be a competitive advantage in foreign markets. International strategies entail higher risk and uncertainties (Debrulle & Maes, 2015), and thus the probability of failure is higher in foreign markets. There are usually difficulties addressing the legal and cultural differences between the home and foreign countries, while the number of competitors is also higher in foreign markets (Liang, Wang, & Cui, 2014; Zahra, Ucbasaran, & Newey, 2009). Moreover, international expansion requires a large amount of resources to effectively identify business opportunities as well as deal with the complexity of coordinating and integrating local and international operations (Liang et al., 2014). Financial and non-financial complications may damage earnings or invested capital as well as the reputation of the firm and the family (Dyer & Whetten, 2006; Sageder et al., 2018). In firms that show a strong intention to maintain the family legacy and transgenerational sustainability, the family will try to maintain a stable image and reputation, and thus attribute high importance to family identity (Zellweger et al., 2013). Hence, when family firms establish goals, they do not only think about the business but also about the family (Aparicio et al., 2017). For example, family firms might be more cautious and may not undertake international strategies for fear of failing and thus damaging the image and reputation of the family. Therefore, to protect their image and reputation, we expect a negative effect of the identification of family members on internationalization. This leads to the formulation of our first hypothesis:

> **Hypothesis 1:** *The identification of family members with the firm negatively affects the degree of internationalization*.

5.2.2. The moderating effect of governance factors

Family firms possess a unique set of governance factors because of the involvement of the family in the firm and this plays a determinant role in shaping the firm's strategic objectives, including internationalization (Mitter et al., 2014; Sirmon & Hitt, 2003). Apart from supervising and controlling, family firms need governance structures that enhance the cohesion and shared vision within the family and reduce harmful conflicts (Mustakallio et al., 2002; Siebels & Knyphausen, 2012). Governance factors are also sources of heterogeneity among family firms (Chrisman et al., 2005; Kellermanns et al., 2012), which may explain their different behaviors when internationalizing.

According to the stewardship perspective (Davis, Schoorman, & Donaldson, 1997), owing to the strong link between the family and the business, family owners and managers have a large stake in the firm in terms of a large percentage of family assets, reputation, and strong relationships with other family members (Sciascia et al., 2013). Family members can show high levels of stewardship because of their socioemotional attachment to the family firm, which can satisfy their needs for security and belonging as well as to make a social contribution (Gómez-Mejía et al., 2007; Sciascia et al., 2013). In family firms, there is also stewardship over continuity (Miller, Le Breton-Miller, & Scholnick, 2008), since family members are especially concerned with assuring the longevity of the business and thus invest in creating the necessary conditions to maintain the benefits for current and future generations (Gómez-Mejía et al., 2007). The stewardship perspective therefore highlights the psychological and situational elements that encourage individuals to favor pro-organizational behaviors (Bammens et al., 2011; Davis et al., 1997). We focus on two important variables directly related to the strategic decision-making of family firms that can influence the relationship between family members' identification with the firm and internationalization: family involvement in the board and CEO tenure.

5.2.2.1. The moderating effect of family involvement in the board

Boards of directors represent the most important actors in corporate strategy formulation and decision-making processes (Arzubiaga, Iturralde, Maseda, & Kotlar, 2018a; Zhu et al., 2016). The board of directors can help improve the decision-making process by providing knowledge, advice, and general support (Arzubiaga et al., 2018a; Calabrò et al., 2013; Maseda et al., 2015). Internationalization is a complex and risky process in which strategic decisions take on great importance. Thus, board members should be actively involved in strategy formulation in collaboration with managers (Calabrò et al., 2013) because their insightful advice can reduce the perceived risks of growth strategies (Bammens et al., 2011). Therefore, the board may alter family members' perceptions of the risks related to internationalization through their advice and counsel (Mitter et al., 2014). The outcomes of family board members' decisions are highly influenced by factors such as risk tolerance, the desire to protect the family name, and control concentration, which may affect internationalization decisions (Sciascia et al., 2013; Zahra, 2003). Boards may also help overcome conflicts among different family branches or between family members and other shareholders that may arise in relation to internationalization (Mitter et al., 2014).

Family involvement in the board positively influences firms' internationalization (Zahra, 2003), since family members add an element of stewardship that increases identification with the firm (Davis et al., 1997; Sciascia et al., 2013) and an element of altruism that encourages them to increase the competitiveness of the firm (Pierce et al., 2001). Stewardship theory highlights that the directors belonging to the family possess an emotional attachment to the firm, a high identification with the firm, and a motivation to contribute positively to the board (Arzubiaga et al., 2018b; Miller et al., 2008). In family firms, boards of directors are characterized for having a high level of family involvement (Corbetta & Salvato, 2004), and boards composed of a high proportion of family members can help maintain SEW in family firms. For instance, a stewardship attitude may encourage family directors to promote new entrepreneurial operations such as internationalization with the aim of assuring the continuity of the family legacy (Sciascia et al., 2013; Zahra, 2003). The increased presence of family members on the board can also help promote the identification of family members with the firm and support internationalization strategies. In this sense, family involvement in the board can reduce the fear of damaging the image and reputation of the family and the firm. Therefore, it can be expected that family involvement in the board can moderate positively the relationship between family members' identification with the firm and the degree of internationalization. Formally:

Hypothesis 2: *Family involvement in the board influences the relationship between the identification of family members with the firm and the degree of internationalization, generating a positive overall effect*.

5.2.2.2. The moderating effect of CEO tenure

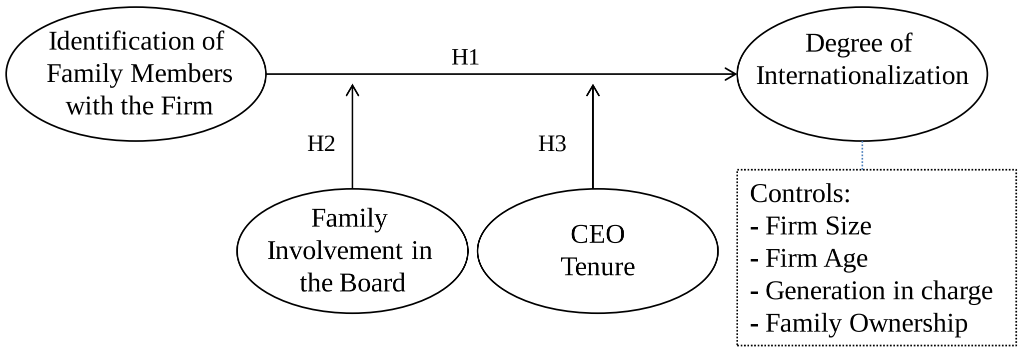
The CEO is the most powerful actor in the firm and he or she can significantly influence the strategic decisions of the firm (Jaw & Lin, 2009). Thus, CEOs in family firms may exert a great influence on what kinds of ventures are pursued and how they are managed (Brumana et al., 2017; Kellermanns et al., 2008). CEOs with longer tenures are a valuable resource for a firm since they may possess more accumulated knowledge and expertise (Kellermanns et al., 2008) and international experience in foreign markets (Hsu, Chen, & Cheng, 2013; Jaw & Lin, 2009) than CEOs with shorter tenures. Thus, CEOs with longer tenures are better prepared for selecting appropriate entrepreneurial behaviors that reduce risk (Kellermanns et al., 2008).

CEOs in family firms tend to remain in power for longer periods than those in non-family firms (Banalieva & Eddleston, 2011), thus providing more stability (Sirmon & Hitt, 2003) and having an enduring effect on firms' organizational culture, entrepreneurial disposal (Kellermanns et al., 2008), and decision-making processes (Calabrò & Mussolino, 2013). Thus, CEOs in family firms show a higher stewardship attitude that stimulates pro-organizational behaviors. Family leaders can align the firm's and the family's interests and adopt strategies that enhance family goals (Banalieva & Eddleston, 2011; Lin & Hu, 2007). Some attributes of family members such as kinship, a shared family name, and a common history promote a shared identity that allows family leaders to build a permanent reputation and social capital (Arregle, Hitt, Sirmon, & Very, 2007; Banalieva & Eddleston, 2011). In family firms, CEOs with long tenures may be especially concerned about the longevity of the company rather than assuring short-term earnings to shareholders (Brumana et al., 2017), and thus, they promote entrepreneurial activities that can rejuvenate the business and improve their competitive position (Zahra, 2005). Therefore, because of the economic and non-economic assets of the firm such as the reputation and prestige, longer tenured CEOs are likely to be strongly committed to the business and pursue initiatives to reinforce it (Brumana et al., 2017; Donaldson & Davis, 1991). CEOs with longer tenures might also be more motivated to preserve the family's image and reputation and may enhance the identification of family members with the firm to positively affect the degree of internationalization. Formally:

> **Hypothesis 3:** *CEO tenure moderates the relationship between the identification of family members with the firm and the degree of internationalization, generating a positive overall effect*.

Figure 5.1 illustrates the analysis model integrating the three hypotheses.

Figure 5.1. Research model



5.3. Methodology

5.3.1. Sample selection and data collection

This empirical research is based on a sample of 168 German family firms. German-speaking countries are suitable for testing family firms since they represent the dominant business type in these regions (Hauck et al., 2016; Klein, 2000). For our study, firms were selected from the Amadeus database of Bureau Van Dijk. Attending to ownership and management characteristics (Chua et al., 1999), companies had to meet the following two criteria to consider them as family firms (Arosa et al., 2010): (1) more than 50% of the shares must be owned by members of the same family; and (2) family members must participate in firm management. Based on these criteria, 1,567 firms were identified as potential companies to undertake the data collection. Then, we developed a structured questionnaire to obtain the information, and to strengthen the validation process, it was analyzed by academics and experts in family firms (Calabrò, Campopiano, & Basco, 2017).

We contacted firms by e-mail and invited them to answer the online survey. The questionnaire was directed to the CEO because he or she is considered to be the best key informant of the firm (Calabrò, Torchia, Pukall, & Mussolino, 2013). After removing questionnaires with missing information and unanswered questions, and excluding firms that did not have a supervisory or an advisory board. The final sample for our analysis was formed of 168 German family firms, which means a response rate of 10.7%. This rate is satisfactory since it is superior to similar studies on the internationalization of family firms (e.g., Claver et al., 2009; Mitter et al., 2014).

The potential sample selection bias was evaluated by comparing the size and age of firms that responded the survey before and after the tracking mailing (Eddleston et al., 2008). There was no statistical difference between the answers of earlier and later respondents. We also assessed non-response bias by getting secondary data in terms of the size and age of non-responding companies selected at random, and comparing them with respondent firms. Again, we did not find any important differences between both kinds of firms. Sample firms had an average size of 5,378 employees and an average age of almost 110 years. Table 5.1 summarizes the descriptive statistics of our sample.

Table 5.1. Sample description

	Characteristics	**N=168**	**%**
Firm size (employees)	Less than 250 employees	34	0.20
	Between 251 and 1,000 employees	52	0.31
	Between 1,001 and 5,000 employees	54	0.32
	More than 5,000 employees	28	0.17
Firm age (years)	25 years or less	5	0.03
	Between 26 and 50 years	18	0.11
	Between 51 and 75 years	26	0.15
	Between 76 and 100 years	40	0.24
	More than 100 years	79	0.47
Family board ratio	Between 0% and 25%	80	0.48
	Between 26% and 50%	66	0.39
	Between 51% and 75%	15	0.09
	Between 76% and 100%	7	0.04
CEO tenure	Less than 5 years	51	0.30
	Between 6 and 10 years	41	0.24
	Between 11 and 15 years	16	0.10
	Between 15 and 20 years	17	0.10
	More than 20 years	43	0.26
Family Ownership	Between 51% and 75%	15	0.09
	Between 76% and 99%	12	0.07
	100%	141	0.84
Generation in charge	First generation	15	0.09
	Second generation	21	0.13
	Third generation	48	0.29
	Fourth generation	37	0.22
	Fifth generation or more	47	0.28

As the questionnaire was responded by a single informer and at a specific moment, the study may be menaced by common method bias. To minimize potential problems, we made some adjustments. First, respondents were advised in advance that their anonymity and confidentiality was ensured since the questionnaire was only for a research objective (Podsakoff et al., 2003). Second, the questionnaire was developed extensively, separating the dependent and independent variables into diverse sections of the survey to make it difficult for respondents to establish a link among the constructs (Kortmann, 2015) and encourage them to reflect more carefully on their responses (Podsakoff et al., 2003).

5.3.2. Measures

In our study we based on the previous literature for variable measures. The dependent variable, called *degree of internationalization* (DOI), was measured with two items (Arregle et al., 2012; Zahra, 2003): (1) the scale of international sales, measured as the percentage of foreign sales with respect to total sales; and (2) the scope of international operations, measured as the number of countries in which the firm operates internationally. The independent variable, the *identification of family members with the firm* (IFMF), was based on the SEW dimension of the same name proposed by Berrone et al. (2012). This construct was formed by six items that were measured by a five-point Likert scale.

Two moderating variables were used to test the hypotheses: family involvement in the board and CEO tenure. *Family involvement in the board* was measured by the family board ratio (Bammens et al., 2008), that resulted from dividing the number of board members that belong to the family and are owners by the total number of board members. Depending on the organizational form and size of the company, having a board of directors may not be mandatory by law in Germany (Calabrò, Campopiano, Basco, & Pukall, 2017). However, companies usually establish a supervisory board or an advisory board voluntarily (Stamm, 2011). In the sample selection process, we only included family firms that had a supervisory board or an advisory board.

CEO tenure was measured as the number of years that the CEO has been managing the firm (Hsu et al., 2013; Kellermanns et al., 2008; Serrano-Bedia et al., 2016).

Four control variables were used: firm size, firm age, generation in charge, and family ownership. *Firm size* was obtained with the logarithmic transformation of the number of employees (Calabrò & Mussolino, 2013; Chen et al., 2014). It is likely that larger firms possess a greater amount of resources that can influence the degree of internationalization. *Firm age* was obtained with the logarithmic transformation of the number of years in which the business had been operating (Chen et al., 2014). Firm age reflects firms' experience, since older firms are likely to have a greater accumulation of knowledge and experience. In line with previous research, the sample companies were asked which generation was currently leading the firm to assess the *generation in charge* (Bammens et al., 2008; Calabrò & Mussolino, 2013; Kellermanns et al., 2008; Mitter et al., 2014). The generation running the firm can influence the degree of internationalization since the inclusion of newer generations often drives new entrepreneurial activities, as they are keen to demonstrate their capabilities (Calabrò & Mussolino, 2013). Moreover, incoming generations are usually better prepared and have acquired the abilities and knowledge that previous generations were lacking (Calabrò & Mussolino, 2013; Mitter et al., 2014). The generation in charge variable took values from one to five depending on whether the firm was led by the first, second, third, fourth, or fifth and subsequent generations. The *family ownership* variable was obtained by dividing the number of shares held by family members by the total shares outstanding (Chen et al., 2014; Liang et al., 2014; Lin, 2012). Ownership is a source of power, and the more concentrated ownership, the greater is its influence on strategic decisions (Chen et al., 2014). In our sample, the ownership percentage held by the family ranged from 51% to 100%.

5.4. Analyses and results

5.4.1. Measurement model

The hypotheses were tested using the partial least squares structural equation modeling (PLS-SEM) technique. More specifically, we used SmartPLS software (version 2) to conduct the empirical analysis (Kortmann, 2015). Before analyzing the proposed hypotheses, the psychometric properties of the measurement scales were tested (Hulland, 1999; Kortmann, 2015). First, we analyzed the *individual item reliability* observing how individual items loads onto its construct. Items' loadings must be above the 0.7 cut-off value (Hulland, 1999). One of the items of the IFMF construct loaded below the suggested value, and thus, this item was removed (Table 5.2). Second, we analyzed *convergent validity* using three indicators (Kortmann, 2015): Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE). The recommended values of Cronbach's alpha and CR must be higher than 0.7 (Hulland, 1999) and those of AVE must be higher than 0.5 (Fornell & Larcker, 1981). Table 5.2 indicates that all the indicators were above the cut-off values. Third, we analyzed *discriminant validity*. Here, two conditions must be met: the AVE of the constructs must be greater than 0.5 and the individual AVE of the constructs must be higher than the square correlation between them. In this study, this condition must be met by IFMF and DOI, the two constructs formed by multiple items. As shown by the correlation matrix in Table 5.3, discriminant validity was fulfilled.

Table 5.2. Reliability and convergent validity of the measurement model

Construct	Initial loading	Final loading	CR	CA	AVE
DEGREE OF INTERNATIONALIZATION			0.8746	0.7280	0.7779
DOI1	0.936	0.936			
DOI2	0.824	0.825			
IDENTIFICATION OF FAMILY MEMBERS WITH THE FIRM			0.9376	0.9202	0.7506
IFMF1	0.777	0.783			
IFMF2	0.856	0.863			
IFMF3	0.878	0.885			
IFMF4	0.893	0.896			
IFMF5	0.897	0.901			
IFMF6	0.460	-			

Note: CR: composite reliability; CA: Cronbach´s alpha; AVE: average variance extracted

Table 5.3. Correlations and discriminant validity

		Mean	SD	1	2	3	4	5	6	7	8
1	Age	109.94	64.31	na	0	0	0	0	0	0	0
2	CEO Tenure	13.74	11.58	0.0833	na	0	0	0	0	0	0
3	DOI	34.74	31.02	0.1455	0.0309	0.8820	0	0	0	0	0
4	Fam. Board	0.30	0.24	0.0646	-0.1437	0.1074	na	0	0	0	0
5	Fam. Ownership	0.95	0.13	0.2161	0.1221	-0.0128	0.0436	na	0	0	0
6	Generation	3.48	1.26	0.7695	0.0204	0.0721	0.1090	0.1560	na	0	0
7	IFMF	3.87	0.98	-0.1202	0.0121	-0.1839	-0.0664	0.0587	-0.1439	0.8664	0
8	Size	5,378.45	22,983.31	0.1248	-0.1224	0.4177	0.0505	-0.0157	0.0743	-0.0505	na

Note: The square root of AVE on the diagonal; na: not aplicable

5.4.2. Structural model assessment

To test the quality of the overall structural model, various tests were carried out since PLS-SEM does not provide a specific index (Chin, 1998). First, the R^2 value indicates the explanatory power of the dependent variable, the degree of internationalization ($R^2 = 0.224$). The literature suggests that the R^2 value should be greater than 0.1 (Falk and Miller, 1992). Second, to assess the predictive relevance of the construct, we carried out a Q^2 test (Chin, 1998), applying a blindfolding procedure (Henseler, Ringle, & Sinkovics, 2009). The blindfolding procedure showed a positive Q^2 value, which means that the predictive capacity of the model is strong (Henseler et al., 2009).

5.4.3. Results

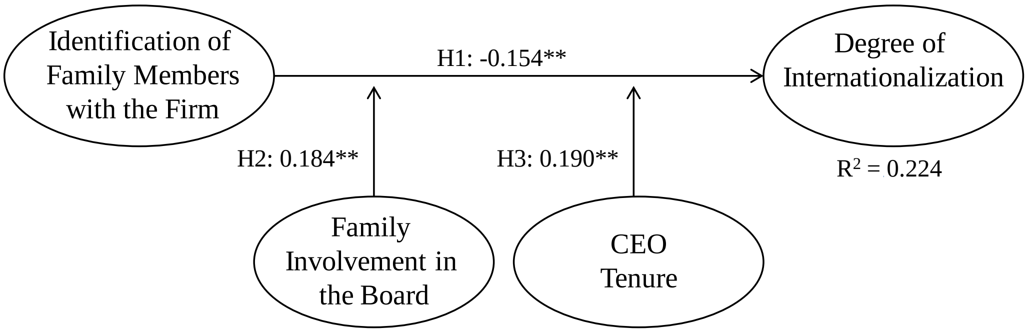
We applied a bootstrapping procedure with 5,000 subsamples to obtain the *t*-statistics of the proposed relationships (Hair et al., 2014). The effect of IFMF on the DOI of family firms is negative and statistically significant as expected (β = -0.154; *t* = 2.385; p < 0.01), and thus Hypothesis 1 is supported. The moderating effect generated by family involvement in the board is positive and significant (β = 0.184; *t* = 2.609; p < 0.01), and therefore Hypothesis 2 is supported. This implies that when there is a higher proportion of family members on the board, the effect of the identification of family members in the firm on the degree of internationalization becomes positive. The second moderating effect caused by CEO tenure is positive and significant as predicted (β = 0.190; *t* = 2.696; p < 0.01), corroborating Hypothesis 3. Therefore, longer CEO tenures turn the effect of the identification of family members with the firm on the firm's internationalization positive (Table 5.4). Figure 5.2 illustrates the results of the analyzed model.

Table 5.4. Hypotheses' contrast

Hypotheses	Predicted sign	Path Coeficients (ß)	t-value	Support
H1: IFMF - DOI	-	-0.154	2.385**	Yes
H2: Moderation effect of family involvement in board	+	0.184	2.609**	Yes
H3: Moderation effect of CEO tenure	+	0.190	2.696**	Yes

Note: R^2 DOI = 0.224; Q^2 DOI = 0.120
*** p < 0.001; ** p < 0.01;* p < 0.05

Figure 5.2. Hypotheses results



5.5. Discussion

This study examines the SEW aspects of family firms as a distinctive attribute of these organizations. More precisely, we investigate the effect of the SEW dimension termed the *identification of family members with the firm* and its effect on internationalization. Furthermore, we also analyze the variations that this relationship may suffer because of governance factors since they are important elements in strategic decision-making. Our results support all the proposed hypotheses, thereby extending our understanding of family firms' internationalization decisions.

Although other researchers indicate that the identification of family members with the firm may positively influence performance (e.g., Martin & Gómez-Mejía, 2016), our results show that identification with the firm might not be an advantage in international markets because of the fear of failing and thus damaging the family firm's image and reputation. When family members strongly identify with the firm, the family firm usually develops a special concern for its reputation (Pongelli et al., 2019). Therefore, to preserve the SEW endowment, family firms may avoid investing in risky strategies such as internationalization. International operations usually entail higher risk and uncertainty than operations in the home country, and thus, the probability of failure increases in foreign market operations. Failing in international strategies will not only generate a financial loss, but also damage firms' image and reputation (Pongelli et al., 2019). To prevent this loss of SEW, family firms are likely to avoid internationalization.

On the other hand, governance factors such as the board and CEO are important bodies in the strategy formulation in family firms. As our results show, a higher proportion of family members on the board and longer CEO tenures may boost pro-organizational behaviors and promote the identification of family members with the firm, turning the overall effect into positive.

The board of directors can improve the firm's decision-making process through advice and support, especially on risky and complex strategies like internationalization (e.g., Sciascia et al. 2013). Our results also support this fact, enhancing the relevance of the role of the family board in strategic decisions. The inclusion of family members on the board is beneficial since family board members may promote identification with the firm and therefore reduce the perception of the risk of international operations. At the same time, the CEO influences strategic decisions significantly, and CEOs with longer tenures are sufficiently experienced to deal with complex strategies such as internationalization and may stimulate pro-organizational attitudes that enhance identification with the firm. Therefore, it is recommendable to possess a higher proportion of family members on the board of directors and a CEO with a longer tenure to promote the identification of the family members with the firm, and thus, positively affect the internationalization of the company.

5.6. Contributions, limitations, and future research

Our study contributes in several ways to the family firm literature and managerial practice. First, although SEW has been used by previous research discussing the specificities of family firms in their internationalization process, the SEW dimensions have not previously been measured and tested in relation to their effect on internationalization. It has been argued that because of the desire to protect the affective SEW endowment, family firms are less internationalized than non-family firms (e.g., Gómez-Mejía et al., 2010). However, researchers have recently highlighted the need to analyze different SEW dimensions separately since they can produce diverse effects (Martin & Gómez-Mejía, 2016; Miller & Le Breton-Miller, 2014). Thus, in this study, we respond to the call for more research (e.g., Debicki et al., 2016; Pukall & Calabrò, 2014) by analyzing the effect of a SEW dimension, namely the *identification of family members with the firm*, on internationalization for the first time.

Second, governance bodies are vital in the strategic decisions taken by family firms. However, few studies analyze the effects of board (Mitter et al., 2014) and CEO characteristics (Ramón-Llorens et al., 2017) on family firm internationalization. Thus, we contribute to the literature by identifying contingency factors related to governance and provide new evidence on their importance in shaping the strategies of family firms.

Third, we also contribute theoretically adding new evidence of SEW perspective in the family firm internationalization context. The SEW perspective has increasingly been used in the family firm internationalization literature (e.g., Calabrò et al., 2016; Liang et al., 2014). However, in this study, we go further by integrating stewardship theory with SEW insights for explaining some behaviors of family firms’ internationalization. Thus, we also answer the call for more research in this regard (Pukall & Calabrò, 2014; Zahra, 2003).

Fourth, family firms are the dominant business type in most countries, including Germany (Klein, 2000). However, few studies focus on the analysis of family firms in German-speaking countries (Mitter et al., 2014). Taking into account the importance of family firms in Germany (Siebels & Knyphausen, 2012), our results are essential for increasing the understanding of family firms in this country.

Fifth, our findings also contribute to managerial practice since they highlight that governance factors may enhance the identification of family members in internationalization. More specifically, family involvement in the board and longer CEO tenures contribute to enhancing the identification of family members and thus promoting international strategies.

Despite the important contributions of this study, there are also some limitations. First, the data were entirely obtained from German family firms, which make it difficult to generalize the findings. Therefore, to verify our results, more research is needed using data from diverse countries and contexts. Second, this study analyzes the identification of family members with the firm, leaving aside the other SEW dimensions. Future research might be directed towards examining the relation of different SEW dimensions and internationalization since different dimension may provide diverse outcomes. Thus, we would obtain a more detailed evidence of the influence of the effect of different SEW dimensions on family firm internationalization.

5.7. References

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CHAPTER 6

Concluding Remarks

6.1. Concluding remarks

In this section, we summarize the main findings and conclusions obtained in this doctoral thesis.

1. The internationalization of family firms is a young research field receiving increasing attention. Observing the upward progress of the field especially in the last years, we expect that research on the internationalization of family firms will continue increasing in the near future. In our review, we have identified that up to date several research streams have attracted major interest, such as corporate governance, ownership structures or family involvement in the board of directors and management, among others. However, despite substantial research has been directed to these areas, the findings have been inconclusive. Thus, further research needs to be conducted to clarify the influence of the family in the management and governance of firms and their effect on internationalization. Furthermore, we have also identified several under-developed research streams, such as the entrepreneurial orientation, innovation or the socioemotional wealth, which offer opportunities for future research. Current international business literature reveals that entrepreneurial orientation and innovation can be important factors for firms' internationalization, but in the context of the family firm, very few studies have analyzed their effect. Moreover, non-financial goals have been identified as relevant determinants in the decision-making of family firms. In this sense, the socioemotional wealth perspective has been increasingly used to explain specific behaviors of family firms, but there is a lack of studies that test the effect of non-financial goals on the internationalization of family firms.

2. Entrepreneurial orientation has an important role explaining the behavior family firms' internationalization. However, family involvement in the TMT negatively influences the relationship between

entrepreneurial orientation and internationalization as family members may not have the required knowledge about foreign markets and the skills necessary to manage international entrepreneurial activities. In this sense, family managers are likely to share similar backgrounds and experience, and thus, to overcome this shortage, it may be necessary to increase diversity in the TMT. This can be increased by including non-family managers with different expertise and knowledge about international operations.

3. Generational involvement in the TMT also negatively affects the influence of entrepreneurial orientation on internationalization. The inclusion of multiple generations can generate control and power problems as the vision, interest and expectations about business outcomes can vary between generations. These differences can impede cooperation among family members and the acceptance and incorporation of other members' ideas. In this sense, for an effective entrepreneurial internationalization strategy, it is necessary that all family members' goals and interests are aligned, and this may be easier if members of the same generation are in the TMT.

4. Innovation helps adapting to the fast-changing market environment and contributes to overcoming difficulties in international operations. Innovation is also a valuable strategy for family firms to remain competitive in the long term.

5. Family involvement in the business provides diverse results by analyzing how they shape the relationship between innovation and internationalization. On the one hand, firms controlled by later generations enhance the innovative internationalization strategies since family members from later generations are better prepared than preceding generations. Moreover, they are also less emotionally

attached with the business, so they are more willing to take business risks. On the other hand, the presence of family members in the TMT hampers the effect of innovation on internationalization. Innovation and internationalization are two complex strategies that require advanced abilities and experience, and family managers may not have sufficient skills for dealing with them. When the proportion of family members in the TMT increases, the skills and experience of the TMT as a whole become similar. Hence, as happened when analyzing family managers' role in entrepreneurial orientation's effect on internationalization, it can result beneficial to include non-family managers in the TMT in order to increase the pool of resources and knowledge of the TMT.

6. Although boards of directors have been identified as important participants in the strategic decision-making processes of family firms, we did not find significant evidence on their role in shaping the effect of innovation on internationalization.

7. Identification of family members with the firm is a relevant non-financial goal of family firms that takes great importance while making strategic decisions. In this sense, the protection of the image and reputation are central goals for family firms, since these organizations are willing to transfer the family legacy and business to subsequent generations. Given the higher probability of failure in foreign operations, internationalization strategies are perceived as risky and uncertain. Therefore, family firms may avoid internationalization strategies to protect the firms' reputation, and thus, non-financial objectives may prevail over financial ones.

8. Although identification of family members is negatively linked to internationalization, governance factors may invert this effect as they can influence other members. Boards of directors are important

participants in strategy formulation and decision-making processes. Therefore, family involvement in the boards has been found to promote the identification of family members in internationalization strategies when they show stewardship and altruistic behaviors to favor family firms' goals. Board members help reduce the perceived risks from foreign operations, and thus contribute to reducing the fear of damaging firm's image and reputation. The inclusion of family members in the board helps to maintain socioemotional wealth and promote the identification of family members with the firm.

9. Similarly, the CEO is an important actor in strategy implementation, who can significantly influence decisions such as internationalization. CEOs in family firms tend to remain in control for longer periods, which provides more stability and creates an enduring organizational culture. Furthermore, family firms' CEOs show higher stewardship attitudes, and thus, they contribute to enhancing cohesion and developing a shared vision of the business among the rest of the family members. CEOs with longer tenures are strongly committed to the business and promote the identification of family members with the firm in internationalization.

In conclusion, family involvement in the business provides distinctive attributes to family firms that generate differentiated behaviors when making strategic decisions related to internationalization. These distinct attributes are determinants for explaining the heterogeneity among family firms. This thesis has provided evidence that internationalization can be influenced by factors such as the generation in charge, family involvement in management and governance, among others.

6.2. Limitations and future research

This doctoral thesis has certain limitations that offer opportunities for future research.

In this thesis, we analyzed influential factors in the internationalization of family firms, which have not been previously addressed. However, there remains further scope in the study of internationalization of family firms, and thus, there can be more important variables that can influence the international behaviors of these organizations. For example, we have focused our efforts on one of the SEW dimensions, the identification of family members with the firm, but there are also other dimensions that should be analyzed because non-financial goals directly influence the behavior of family firms while making strategic decisions. Different SEW dimensions may have different outcomes that, in turn, can result in different behaviors in foreign markets. Furthermore, there is a lack of studies analyzing the outcomes of internationalization of family firms. Hence, more research needs to be conducted to study the effect of internationalization on firm performance and growth.

Although this thesis addressed the heterogeneity of family firms and analyzed how some family-related factors shape strategic decisions related to internationalization, there are more family-related variables that were not analyzed in this thesis and that could provide new results about the behavior of family firms. Therefore, future research should analyze the role of different characteristics in family firms' ownership, management and board of directors, such as participation of the family in the ownership, ownership dispersion, generational involvement in the board of directors and gender and age of managers.

Data for this study were obtained from surveys answered by a single informant, the CEO of the company. Although the CEO is the best-informed person and is directly involved in strategic decisions, the answers are based on their subjective perception. Secondary data sources do not provide the necessary information for measuring the variables that we analyze in our studies, so the use of a survey for collecting data is essential. Therefore, future research could increase the number of respondents from each family firm to consider different perspectives from each family firm.

The analyses of this thesis are based on cross-sectional data, so there is a need for more evidence on the causal relationship between dependent and independent variables applying to longitudinal analyses. We have conducted several common method bias tests, and the results do not reveal any potential problems in this regard. However, future research could collect longitudinal data and observe potential variations of the entrepreneurial orientation, innovation, identification and internationalization over time.

Finally, our analyses use data of a single national context, Spanish data in two studies and German data in another one. This fact could be a limitation for generalizing the findings. Although we expect small variations between European countries, there can be differences based on cultural contexts. Therefore, our analyses can be replicated in other geographical areas to test if the results are aligned with our findings.