Theorising family firm internationalisation - Socioemotional wealth: A luxury? [Abstract]

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Abstract

There is a growing body of research seeking to theorise Family Firm (FF) internationalisation processes by coding images of those idiosyncratic entities’ behaviours and strategies. Existing international business theories explain only part of internationalisation of FFs and theory unique to family firms has been scarce. Only recently, integrative approaches to understanding FF internationalisation processes were devised (Cesinger et al. 2016). Via integrative models fusing Socioemotional Wealth (SEW) preservation mechanics into the revised Uppsala model formulated by Johanson and Vahlne (2009), contemporary literature has developed an overarching picture of the internationalization processes of FFs thus accurately predicting, in most cases, FF internationalisation decisions and behaviour (Pukall and Calabro 2013).

Recent research focusing on FF internationalisation has employed the concept of SEW as a guiding theoretical lens (Berrone et al., 2012; Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012; Chrisman & Patel, 2012; Martí, Menéndez- Requejo, & Rottke, 2012) asserting that “SEW is the single most important feature of a family firm’s essence that separates it from other SMEs (Berrone et al., 2012). This is because, FFs have hitherto demonstrated unique behaviours attributed to the commitment in preserving the non-financial utilities of SEW in their internationalisation endeavours (Berrone et al. 2012; Gómez-Mejía et al. 2007; 2011).
This explains according to extant theory, FF internationalisation decisions to date as a response not to economic hazards but rather to the threat of loss of SEW. Therefore, FFs’ major strategic choices and policy decisions regarding internationalisation appear to have been predominantly driven by the desire to accumulate and protect SEW (Cesinger et al. 2016).

Such idiosyncratic behaviour showcased by FFs is also linked to other patterns in their internationalisation process, informed by Johanson and Vahlne’s models (2009; 1990; 1977). Similarly to other firms, FFs tend to internationalize in controlled and measured ways protecting family control, and tend to internationalize slower than non-family firms (Cesinger, Bouncken, Fredrich, & Kraus, 2014), expanding their international reach incrementally as knowledge about the process slowly accumulates within the firm and among family members (Casillas & Acedo, 2005; Gallo & Sveen, 1991).

Adding to psychic distance (Johanson and Vahlne, 1990; 1977), liability of outsidership grounded in the acute lack of market-specific knowledge, constitutes a key barrier to internationalization but resolved by network relationships according to Johanson and Vahlne (2009). Network relationships allow the firm to accrue international market knowledge as an outcome of relationships born from collaboration intensity and network trust.

Nonetheless, FFs rarely hold sufficient stocks of international market information and knowledge as well as display very limited managerial skills and business experience compared to their non-family counterparts (Banalieva & Eddleston, 2011; Gómez-Mejia, Makri, & Larraza Kintana, 2010; Kuo, Kao, Chang, & Chiu, 2012). Network relationships between family members with actors across international business ecosystems that could moderate asymmetries in knowledge, information
and business experience are similarly weak, thus permitting for very low levels of
insidership. As a result, FFs appear reluctant to enter new business networks (Basly,
2007; Gómez-Mejía et al., 2007).

Given their limitations in network access as well as in managerial and information resources,
FFs have been especially vulnerable to external shocks and market volatility. This became
evident in the recent economic recession and the intensification of competition over limiting
resources that faced numerous FFs with -the threat of- extinction (Skorvagova and Pasztorova,
2014). Such conditions brought to the fore FF internationalisation behaviours not conforming
to current images explained by SEW and stage model approaches. More specifically, in
countries severely hit by the economic crisis, such as Greece, SMEs (out of which 90% are
FFs) have recently displayed an erratic, non-controlled and non-incremental
internationalisation mode, driven primarily by financial motivations (Georgiadou, 2017).
Pragmatic data collected by thirty interviews with Greek commercial diplomats mandated
with the task to support FFs in their internationalisation endeavours, overwhelmingly suggest
that in the context of internationalisation for survival, preservation of SEW is a luxury. Greek
FFs appear to be prepared to sacrifice significant SEW by handing over family control and
welcoming external managerial expertise as a fair cost to survival via internationalisation.
This partly explains the growth in Geek FF internationalisation episodes from 5,000 per year
in 2008 to 15,000 per year in 2012 (Georgiadou, 2017).

Given the urgency of SMEs and FFs to internationalise for economic survival, governments
and businesses have elaborated a strategy to promote internationalisation embodied in
commercial diplomacy (Naray 2011). With a renewed mandate to support their
internationalisation, commercial diplomats have been systematically working towards
mitigating barriers to internationalisation by lending SMEs their skills and expertise in
business planning and management as well as their access to market information and
international business networks. Greece exhibits evidence of strategically embracing commercial diplomacy for purposes of promoting FF internationalisation. Reportedly, this strategy has enabled Greek FFs tackle barriers associated with information asymmetries, lack of managerial skills and low levels of insidership in international networks through innovative schemes conducted by commercial diplomats such as business grooming and matchmaking with foreign businesses (Georgiadou, 2017). Such initiatives under the heading of commercial diplomacy, constitute pioneering approaches in moderating internationalisation anticatalysts and showcase tangible value added to business internationalisation. Investigating the utility of commercial diplomacy for FF not only generates rich qualitative data that help us understand FF behaviour under the pressures of market volatility but it introduces innovative research pathways to FF internationalisation.

In this light, this paper makes two contributions in the theorisation of FF internationalisation. First, it reconsiders some of the assumptions made by the SEW literature on the process of FF internationalisation through images of internationalising FFs developed by real-time pragmatic data. This dataset mirroring internationalising Greek FFs in the context of the recent economic crisis prescribe images of internationalisation that conform to motives predominantly in agreement with financial survival and less so with preserving SEW. In light of these findings, we suggest that notwithstanding the significance of SEW approaches in theorising FF internationalisation, there is an observed shift towards financial priorities in predicting FF internationalisation. Whether the emergent shift is sporadic and only associated to cases where volatile domestic environment force erratic FF internationalisation or whether it signifies a more systematic shift in FF behaviour is an area that deserves further investigation.

Our second contribution to theory concerns moderating strategies to FF internationalisation anticatalysts of limited market information and network access as well as low levels of
insidership to networks and lack of managerial competence, which have received very limited research interest to date. Such observed strategies targeting mitigation of internationalisation barriers have evidently taken the form of strategic commercial diplomacy, defined as government-businesses synergies to promote exports and to support SMEs internationalisation (Naray 2011). Exploring commercial diplomacy’s tools in supporting FF internationalisation will contribute to knowledge transfer between businesses, policy makers and practitioners involved in the process.

The present exploration contributes to theoretical knowledge in international management by offering real-time pragmatic information regarding the specificities of FFs’ internationalisation process, thus updating theorisation of international business and specifically the SEW and Upssala models (Johanson and Vahlne, 2009). In doing so, this work responds to calls for more exchange between family business research and other disciplines (Holt, 2012; Kontinen and Ojala, 2010; Moores, 2009) and introduces an innovative research pathways to FF internationalisation.