

Family Firm Internationalisation

Tanja Leppäaho · Jaakko Metsola

Family Firm Internationalisation

A Network Perspective

palgrave
macmillan

Tanja Leppäaho
LUT University
Lappeenranta, Finland

Jaakko Metsola
LUT University
Lappeenranta, Finland

ISBN 978-3-030-28519-7 ISBN 978-3-030-28520-3 (eBook)
<https://doi.org/10.1007/978-3-030-28520-3>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer Nature Switzerland AG 2020

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Cover illustration: © Melisa Hasan

This Palgrave Pivot imprint is published by the registered company Springer Nature Switzerland AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

To Emilia and Mikael, love and inspiration of my life

Tanja Leppäaho

To Mikael, Julius and Jenna, my teachers of love and happiness

Jaakko Metsola

Preface

Internationalisation has long been an imperative for many firms to survive in an increasingly globalised world economy. Thus, it comes as no surprise that the research on international business and the internationalisation of firms has evolved into its own discipline attracting scholars worldwide to study the complexities of conducting business across borders. The internationalisation of Family Firms (FFs) has been the latest and trending subtopic within the discipline. Given the large amount as well as the special nature of FFs in the global economy, it is unsurprising that they are of special interest. The first notable scientific article on FF internationalisation was published in 1991 by Miguel Angel Gallo and Jannicke Sveen in *Family Business Review*, titled *Internationalizing the Family Business: Facilitating and Restraining Factors*. Although the research on FF internationalisation has witnessed exponential growth over the decades to this date, the same questions that Gallo and Sveen (1991) aimed to answer almost three decades earlier—*What factors do really facilitate and restrain the internationalisation of FFs? What makes the internationalisation of FFs special?*—are still being explored.

The paradox of ‘FFs are and are not like other firms’ inspired Tanja Leppäaho (previously Kontinen) in the mid-2000s and, later, Jaakko

Metsola in the mid-2010s to take up the challenge on studying FF internationalisation. Both were particularly inspired by the lack of network perspectives on FF internationalisation. After all, the world, the business environment, and the research on international business and internationalisation themselves had transformed into networked contexts and network-focused phenomena. In the research context, different seminal theories and concepts from the network model of internationalisation (Johanson & Mattsson, 1988) and international new ventures (Oviatt & McDougall, 1994) to born globals (Knight & Cavusgil, 2004) and the iterations of the traditional Uppsala model (e.g. Johanson & Vahlne, 2009; Håkanson & Kappen, 2017) included networks and network relationships as key antecedents and factors in firm internationalisation. Ironically, the evolution of internationalisation research towards network perspectives has occurred concurrently with the growth of FF internationalisation research; however, the latter has largely ignored the network perspectives.

During her academic career, Leppäaho has not only developed into a leading and much-cited scholar in FF internationalisation (Google Scholar, 2019; Pukall & Calabrò, 2014), but is an expert and advocate of network perspectives in FF internationalisation. In particular, social capital and social network ties have been her areas of focus. Under her supervision, Metsola conducted his Master's thesis on the FF internationalisation from a network perspective in 2015, which was awarded by the Finnish Family Firms Association as the best Master's thesis on FFs in 2016. Currently, both Leppäaho (Professor, Academy of Finland Research Fellow) and Metsola (Junior Researcher, Ph.D. Candidate) work at the School of Business and Management in LUT (Lappeenranta-Lahti University of Technology) University in Finland. This is one of the leading schools in the world in international entrepreneurship research, especially in the context of born-globals (Dzikowski, 2018; Servantie, Cabrol, Guieu, & Boissin, 2016). In such a fruitful environment, it has been great to conduct research and increase knowledge on FF internationalisation.

The present book is based on a distinguished 5-year research project (<http://ife.fi>) awarded to Leppäaho by the Academy of Finland. The project, called *Building a Theory on the Family Business Internationalisation*

Process: Pathways and Network Ties in Focus (with the informal name IFE, International Family Enterprise), deals with the internationalisation of FFs from network and process perspectives in special. In addition to the large pool of empirical case studies we present in this book, the IFE project managed by Leppäaho and assisted by Metsola, covers studies on historical long-enduring FFs, and a survey-based dataset.

The book in your hands is an outcome of a genuine interest in and fascination about international FFs oftentimes representing the most human and responsible side of business life in the whole world. Their importance to the world economy and our everyday lives is often neglected, but this should not be the case, being that family firms make about 80% of the company population through the world. It is, hence, self-evident that they deserve all the possible attention and appreciation. This book is one of the steps towards a better world for international FFs or ones willing to become international. In particular, as the term ‘pivot’ in the title indicates, we intend to draw the attention of scholars, teachers, managers, and students to the contemporary yet still largely ignored topic of FF internationalisation from a network perspective. Owing to being a diamond in the rough as a research topic, we do not only settle for summarising prior knowledge. We—and perhaps more importantly—embark upon an empirical investigation of our own, based on a large number of interviews and secondary data. We believe that this mix of theory and practice in the form of a Palgrave Pivot book provides readers with digestible insights related to international networking typology, strategies, paths, and success factors, especially in relation to FFs.

Lappeenranta, Finland

Tanja Leppäaho
Jaakko Metsola

References

- Dzikowski, P. (2018). A bibliometric analysis of born global firms. *Journal of Business Research*, 85, 281–294.
- Gallo, M. A., & Sveen, J. (1991). Internationalizing the family business: Facilitating and restraining factors. *Family Business Review*, 4(2), 181–190.

- Google Scholar. (2019). *Tanja Leppäaho's profile*. Available at <https://scholar.google.fi/citations?user=ye6xbeAAAAAJ&hl=fi>.
- Håkanson, L., & Kappen, P. (2017). The 'casino model' of internationalization: An alternative Uppsala paradigm. *Journal of International Business Studies*, 48(9), 1103–1113.
- Johanson, J., & Mattsson, L. G. (1988). Internationalisation in industrial systems—A network approach. In N. Hood & J. E. Vahlne (Eds.), *Strategies in global competition* (pp. 287–314). London: Croom Helm.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40, 1411–1431.
- Knight, G. A., & Cavusgil, S. T. (2004). Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies*, 35(2), 124–141.
- Oviatt, B. M., & McDougall, P. P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies*, 25(1), 45–64.
- Pukall, T. J., & Calabrò, A. (2014). The internationalization of family firms: A critical review and integrative model. *Family Business Review*, 27(2), 103–125.
- Servantie, V., Cabrol, M., Guieu, G., & Boissin, J. P. (2016). Is international entrepreneurship a field? A bibliometric analysis of the literature (1989–2015). *Journal of International Entrepreneurship*, 14(2), 168–212.

Acknowledgements

We want to cordially thank the financial assistance by the Academy of Finland (Grant Number 308667, 434 485 EUR, 1.1.2017–31.7.2022) and Foundation for Economic Education.

We also want to thank our dear colleagues Professor Eriikka Paavilainen-Mäntymäki, Professor Sarah Jack, Professor Emmanuella Plakoyiannaki, and Professor Pia Arenius and all the scientific community of LUT and international conferences for their insightful comments in various phases of the IFE project and earlier research efforts.

Contents

1	Introduction to the Book, Family Firms, and Internationalisation	1
1.1	Introduction	2
1.2	The Distinctive Family Firms: Theories and Perspectives	5
1.2.1	The ‘Old’ School of Family Firm Theories and Perspectives	7
1.2.2	The ‘New’ School of Family Firm Theories and Perspectives	8
1.2.3	Heterogeneity Among Family Firms: Family-Controlled Versus Family-Influenced Firms	12
1.3	Firm Internationalisation: Theories and Perspectives	13
1.3.1	Internationalisation of SMEs: Networks in Focus	17
1.3.2	Social Capital and Network Ties in Internationalisation	19
1.3.3	Internationalisation of Family Firms	21
	References	26

2	Methodology and Case Studies	39
2.1	Methodology	40
2.1.1	Data Collection	45
2.1.2	Data Analysis	46
2.2	Case Firm Descriptions: Internationalisation Profiles and Socioemotional Wealth	48
2.2.1	Family Firms with Low SEW	49
2.2.2	Family Firms with Medium SEW	53
2.2.3	Family Firms with High SEW	65
	References	71
3	International Networking Typology, Strategies, and Paths of Family Firms	73
3.1	International Networking Typology of Family Firms	74
3.2	International Networking Strategies of Family Firms	74
3.3	International Networking Paths of Family Firms	80
3.4	Narrow Network Maximisers (NNMs)	83
3.4.1	Regional NNMs	84
3.4.2	Global NNMs	87
3.4.3	The Pros and Cons of Narrow Network and Relationship Commitment Management	91
3.5	Broad Network Enablers (BNEs)	93
3.5.1	The Pros and Cons of Broad Network and Portfolio Management	99
3.6	Overview of the Success Factors Behind Family Firms' International Networking	101
3.6.1	High-Quality Products in Global Niches and Preventing Bifurcation Bias	101
3.6.2	Choosing the Suitable Foreign Partners and Customers	112
3.6.3	The Family Firm Status as an Advantage for Marketing and Relationship Building	116
	References	118

4	Conclusions: Implications of Family Firm Internationalisation from a Network Perspective	121
4.1	Summary of the Book and the Findings	122
4.1.1	Internationalisation of Family Firms: Network Perspective	122
4.1.2	Family Firms Narrowly Maximise or Broadly Enable Their Foreign Network Ties to Build Successful Internationalisation	123
4.1.3	Implications for Managers and Researchers: Summarising the Success Factors in FF International Networking	129
	References	132
	Index	137

Abbreviations

BAG	Born-Again Global
BG	Born-Global
BNE	Broad Network Enabler
CEO	Chief Executive Officer
CFO	Chief Financial Officer
EVP	Executive Vice President
FF	Family Firm
FSTS	Foreign Sales to Total Sales
INV	International New Venture
NC	Network Closure
NNM	Narrow Network Maximiser
SC	Structural Hole
SEW	Socioemotional Wealth
SME	Small- and Medium-Sized Enterprise

List of Figures

Fig. 1.1	Intertwinement of family, business, and ownership axes in the development of FFs as presented by Gersick et al. (1997)	6
Fig. 1.2	Internationalisation of FFs	25
Fig. 2.1	SEW distribution among the case firms	48
Fig. 3.1	The international networking paths of regional NNMs, global NNMs, and BNEs	81

List of Tables

Table 2.1	Basic information about the case firms and the interviews	42
Table 3.1	Descriptions of narrow network maximisers (NNMs) and broad network enablers (BNEs)	75