

A NEW LOOK ON FAMILY BUSINESS INTERNATIONALIZATION.
NONECONOMIC GOALS IN FAMILY FIRMS AND STRATEGIC DECISIONS.

Abstract

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Family firms are defined as those organizations owned and usually also managed by a controlling family (Shanker and Astrachan, 1996; Lansberg, 1999). The importance of family firms in developed and emerging markets as well as among top MNEs is progressively growing (Birley, 2001; Carr and Bateman, 2009). Accordingly, the internationalization of family business is receiving increasing attention by scholars and developing into a significant research area (Pukall and Calabrò, 2014). Prior research has demonstrated that when family firms go international they show a peculiar behavior compared to firms with different ownership structures and related to the distinctive character of the family business (Thomas and Graves, 2005; Fernandez and Nieto, 2006; Claver et al., 2009): given the duality of economic and non-economic goals, a growing body of research has demonstrated that family involvement in ownership and/or management deeply affects firms' strategic decisions, including internationalization. Nevertheless this field of inquiry is still in its infancy and the distinctive features of family firms' international behavior have been only partially addressed (Kontinen and Ojala, 2010).

In order to contribute to international business and family firms literature, the dissertation is a collection of three studies organized as follows. The first study is a theoretical and empirical investigation on the relationship about different family ownership structures and entry modes. To develop this study I cooperated with "Università Politecnica delle Marche" and used their dataset on Italian medium-sized family firms. Relying on a sample of 368 foreign market entries related to 204 Italian medium-sized family firms, I show that different types of ownership structures within family

firms differently influence entry modes. I also provide evidence that non-family managers moderate the relation between family ownership and entry modes strategic decisions. Whereas prior studies have focused on the relationship between family involvement in the ownership and/or management influences the degree of internationalization, this study highlights *how* family firms enter into foreign market and *how* differences within the family ownership structure may differently drive strategic decisions.

The second study focuses on family leaders' strategic decision making and the subsidiary ownership policy i.e. the choice between forming a Joint Venture (JV) or setting up a Wholly-Owned Subsidiary (WOS). This study – developed in cooperation with Bocconi University – relies on a sample of 3,939 subsidiary ownership policies run by 586 family-controlled firms with more than 50 million of euros of revenues. I show that family leaders are either more or less willing to preserve their Socioemotional Wealth (SEW) – entering the foreign market by a wholly owned subsidiary – in relation to the level of performance hazard, the identity fit between the family and the business and the cultural distance between the home and the host country. This study contributes to the growing debate on the *contextual* nature of SEW preservation logic by theoretically and empirically challenging the prevalent notion that major managerial decision in family-controlled firms are driven by SEW preservation goals, even if doing so might entail higher financial risks or lower performance (Gomez-Mejia et al., 2007; 2010).

Finally, the third study is a conceptual investigation about succession in family firms. Prior research demonstrated that succession is directly related to internationalization according to the idea that the involvement of new generation in the ownership and/or management often stimulates and fosters internationalization (Fernández and Nieto, 2005; Menéndez and Requejo, 2005). Nevertheless only 30% of family firms is thought to survive the leadership passage to the second generation and only 10% makes it to the third generation (Beckhard and Dyer, 1983). Thus the succession success is a high critical and fundamental step for the firm survival as well as the survival of the family within the firm. This study theoretically investigates how agency problems occurring between the

predecessor and successors during succession – in terms of misalignments and goal divergence – may affect the succession success. More precisely I split the succession process into three different stages and in each stage I analyze how the different way the decision-making power is shared between the predecessor and successor moderates the relation between agency problems and succession success.