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What Does Really Matter in the Internationalization of Small and Medium-Sized Family Businesses?

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Internationalization of family businesses is often considered a way to revitalize both the family and the business. However, the debate on its challenges and constraints is still inconclusive. This study explores whether incoming generations' involvement impacts the decision to exploit and explore international opportunities and to what extent altruism and competence-based trust mediate that relationship. Three propositions are formulated drawing from international entrepreneurship literature and stewardship theory. To validate this framework, a multiple case study on four Italian family firms has been conducted. Implications for theory and practice are finally discussed.

Introduction and Motivation

Limited research has examined the factors that foster the internationalization of family firms (Zahra 2003). Nevertheless, there are many arguments related to the need for family businesses (hereafter FBs) to internationalize. The globalization of the world economy, for example, has spurred firms of all sizes and ownership types to expand their international operations (Zahra and George 2002). Moreover, given that a large number of firms and industries have broadened their global outlook over the last few decades, it is logical to suppose that FBs have also perceived internationalization as an important step for their expansion and growth (Claver, Rienda, and Quer 2009). The decision to expand to new markets abroad is seen as a way to revitalize the family and the business and can thus positively contribute to FBs' performance (Claver, Rienda, and Quer 2009). It gives new employment opportunities to family members and if successful, it is a good form of growth that is positive for the next generations (Zahra 2003).

The issue of how FBs cope with the complexity arising from the internationalization of their operations is one of the most pressing issues in the fields of FB research and international management. Therefore, it seems important to make efforts to understand the complexity of decision-making processes associated with FBs' internationalization (Claver, Rienda, and Quer 2009; Naldi et al. 2007) especially when we take into account small and medium-sized FBs often characterized by constraints in resources, lack of managerial skills, and which evolve and change over time and generations.

Despite the increasing interest on this topic, it is not clear what does really matter in the

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internationalization of FBs. Its main drivers, challenges, and constraints are still under-researched (Pukall and Calabrò 2014). The aim of this study is to explore whether incoming generations' involvement impacts the decision to exploit and explore international opportunities and to what extent altruism and competence-based trust mediate that relationship. Three propositions are formulated drawing from international entrepreneurship literature (Oviatt and McDougall 2005) and stewardship theory (Davis, Schoorman, and Donaldson 1997). To validate this framework, a multiple case study analysis on four Italian small and medium-sized family firms has been conducted. The main findings suggest that when "epochal" changes (incoming generation's involvement) suddenly break down, they contribute positively to the exploration and exploitation of international entrepreneurial activities. Moreover, the existence of interpersonal ties based on altruism and competence-based trust between senior and incoming generations mitigates this relationship.

This article makes several contributions to theory and practice. First, we add to the FB literature by showing how international entrepreneurship literature may shed new light to the understanding of incoming generation's involvement as a particular "episode" that can lead to an "era" of rapid and dedicated internationalization. Moreover, by formulating and discussing propositions on the mediating role of altruism and competence-based trust in relation to FBs' internationalization, we respond to Zahra's (2003) call for more studies using stewardship theory as the main lens of analysis for FBs' international behaviors. Second, results from the qualitative analysis show that different international behaviors and perceptions exist between senior and incoming generations. In fact, the timing, scope, and modes of internationalization change in relation to family firms' life cycle, the degree of generation's involvement, the founder/owner's paternalistic view of the firm, and other specific FBs' features. Finally, this study has also practical implications. It gives interesting perspective to FBs' owners by highlighting the need to ensure that multiple generations understand the business. This understanding prepares family members to share the risks associated with the decision to internationalize the business (and the family) while enabling them to contribute in a meaningful way to it. Furthermore, FBs' owners and managers might better understand the factors that may spur their international commitment, handling them properly.

The article is organized as follows: an overview on FBs' internationalization debate is given in the first part of the second section. Propositions are formulated in the rest of the section. The methods are shown in the third section. Results and discussion follow in the next two sections. Concluding remarks and future directions are then addressed.

Theoretical Debate and Propositions Formulation

Research on the internationalization of FBs had its starting point with the seminal article of Gallo and Sveen (1991), which discusses restraining and facilitating features of FBs concerning their internationalization. Whereas only few further studies were conducted throughout the 1990s (e.g., Gallo and Pont 1996), there is an increase in publications starting from 2000 up to 2005 (e.g., Zahra 2003; Fernández and Nieto 2005). After that, the topic has become even more popular, with a recent peak from 2010 to 2012 (e.g., Claver, Rienda, and Quer 2009; Sciascia et al. 2012). Looking at the existing literature on FB internationalization, we can argue that the results related to the impact of family ownership and influence on different aspects of internationalization, for example, type of market entry, speed of international expansion, or degree of international sales, are highly inconsistent. Whereas some authors come to the conclusion that family ownership and involvement have a positive impact on the internationalization of a business (e.g., Zahra 2003), others beg to differ, arguing that these family-related factors have a negative impact on internationalization dimensions (e.g., Graves and Thomas 2006). Some scholars even find no difference between FB and non-FBs regarding certain dimensions of internationalization (e.g., Cerrato and Piva 2012). This inconsistency of findings raises questions on how FBs manage and cope with the complexity arising from their internationalization processes and which are the main features that can foster or inhibit it. Therefore, there is an urgent need to explore how specific FBs' features affect international activities. To further investigate those issues, we combine international entrepreneurship literature to explain incoming generation's involvement impact on the decision to internationalize with stewardship theory by using altruism and competence-based trust as mediating aspects of the above-mentioned relationship. With this last point, we address Zahra's (2003) call for more research using stewardship theory as the main lens of analysis for FBs' international behaviors.

Incoming Generation's Involvement

Going international is a tricky and very demanding decision process requiring human, financial, and logistical resources and a clear strategy for taking the firm forward (Calabrò and Mussolino 2013). FBs may see the chance to grow faster if they expand beyond national borders but they perceive risks associated to the decision to leave the domestic market to explore business opportunities abroad (Kets de Vries 1993). Many arguments suggest that internationalization of small and medium-sized enterprises (SMEs) and family SMEs takes place gradually and in stages after exhausting domestic opportunities (Segaro 2010). Accordingly, the incremental internationalization theory shows that they are expected to incrementally internationalize their business to geographically close markets with less psychic distance (Lu and Beamish 2001). The vast majority of firms, and especially traditional FBs, are embedded in their local environment and do not have the resources to enter international markets (Autio, Sapienza, and Almeida 2000; Bloodgood, Sapienza, and Almeida 1996). If they do enter international markets, it is likely to be at a low intensity through low resource-intensive modes such as responding to orders and export agents or being lured abroad through subcontracting for domestic customers (Westhead, Wright, and Ucbasaran 2002). Nevertheless, some firms (and also FBs) may begin their activities directly with an international orientation (Knight and Cavusgil 2004). Indeed, international business scholars try to give an explanation to the internationalization behavior of firms known as international new ventures/born global firms, early internationalizing firms, and sometimes also referred to as accelerated internationalizing firms (Rialp, Rialp, and Knight 2005; Zahra 2005; Zucchella, Denicolai, and Denicolai 2007). In addition to that, there is an emerging stream of literature identifying the so called "born-again global" (Bell, McNaughton, and Young 2001). The empirical evidence of these types of internationalizing firms is grounded in international entrepreneurship literature. International entrepreneurship is defined as "the discovery, enactment, evaluation, and exploitation of opportunities across national borders to address future goods and services" (Oviatt and McDougall 2005). This literature has great merits in contributing to the debate on the role of entrepreneurs and top management teams in entrepreneurial firms. We suggest that this research stream is a relevant framework to understand how FBs behave in managing international opportunities by exploring how key decision-makers (senior and incoming generations) make their strategic choices (Andersson 2000). FBs are usually characterized by the presence of one main decision-maker and during their life cycle by the involvement of incoming generations into the family and the business systems. Family principals may face two opposing forces related to the decision to go international: (1) the exploitation and exploration of opportunities across national borders might drive them to grow and expand beyond their traditional markets, whereas (2) the wish to maintain family control encourages stability and the development of low-risk strategies within the traditional product market. Moreover, these two opposing forces might be perceived differently between senior and incoming generations. Many worldwide examples suggest that FBs have overcome these challenges with enormous success, becoming family-run multinational companies that are famous examples of how to combine the desire for international expansion and family control. Nevertheless, some studies indicate the predominance of the second driver (maintain family control) over the first one (the exploitation and exploration of international opportunities), so that FBs appear to be less inclined to expand their international activities (Fernández and Nieto 2005).

In order to shed new light on this complex issue and to advance the debate on facilitating and constraining factors to FBs' internationalization, we combine the evidence existing in the international business literature on firm internationalization triggered by particular "episodes" that can lead to rapid international expansion (Bell, McNaughton, and Young 2001) with the "special" and "unique episode" that distinguishes FBs from other types of organizations: incoming generation's involvement. Therefore, we suggest that by using this theoretical lens of analysis, incoming generation's involvement might foster activities associated with international entrepreneurship (exploitation and exploration of international opportunities), which may help FBs succeed into the next generation by reaching new markets (e.g., internationalizing operations and sales) or creating/reinventing products and services for international customers (Sharma, Chrisman, and Chua 1997). In support to this view, there is much evidence in literature suggesting that second/subsequent generation family members (the incoming generation) may be most likely to add fresh momentum to the entrepreneurial endeavor of FBs (Salvato 2004). This particular "episode" (incoming generation's involvement), if properly managed, might lead to an "era" of rapid and dedicated internationalization. Incoming generation's involvement through renewed international orientation, more skills and capabilities, commitment and experience, changes in ownership, board composition, and management might be the catalyst for a shift in strategic direction leading to internationalization. Therefore, we formulate the following proposition.

Proposition #1: The incoming generation's involvement constitutes a particular "episode" in FBs' life cycle that positively influences activities associated with international entrepreneurship (the exploration and exploitation of international opportunities).

The Mediating Role of Altruism and Competence-Based Trust

In our application of stewardship theory (Davis, Schoorman, and Donaldson 1997) to FBs' international behaviors (Zahra 2003), we consider altruism and trust as main elements that positively mediate the impact of new generation's involvement on the degree of international activities. The presence of the incoming generation in the firm's operations (Lansberg 1999) creates an organizational culture that can encourage the exploitation and exploration of international growth opportunities. However, this entrepreneurial endeavor of new generations might cause uncertainty and skepticism and might find some resistant behaviors among senior family members and siblings. Though not immune to self-serving behaviors and opportunism, family members often use altruism to gain support for their firm's long-term goals (Schulze et al. 2001). Indeed, the presence of a stewardship culture materializes in FBs through long-term orientation, aligned values between the family and business, and family identification with the business (Zahra et al. 2008) or by reciprocal altruism, participative decision-making, and the sharing of control in firm governance (Eddleston et al. 2010). The sharing of experience and knowledge of the incoming generation combined with altruism and trust, which characterize the family system, might encourage investments in entrepreneurial activities (James 1999) as the decision to internationalize (Segaro 2010). Though internationalization can create conflicts within the family (and within different generations), it also provides significant opportunities for profitability and growth.

Altruism is traditionally defined in the economic literature has a calculated utilitarian orientation, where an altruistic exchange would maximize the welfare of the entire family engaged in a common endeavor (Becker 1981). For Becker (1981), altruism is associated with efficiency and economic rationality in family firms. The importance of altruism has received renewed attention in the FB literature over the last few years (see for instance, Lubatkin et al. 2005; Lubatkin, Durand, and Ling 2007).

The presence of altruism indicates that the family and firms' objectives are ahead of personal and opportunistic views. FBs that are characterized as altruistic may have an advantage because members' interests are more aligned with the success of the FB (Eddleston and Kellermanns 2007). In such altruistic FBs, members are highly dedicated to the business and they believe that they have a common family responsibility to see the business prosper (Cabrera-Suárez, Saá-Pérez, and García-Almeida 2001). In particular, according to stewardship theory of the FB (Corbetta and Salvato 2004), altruism may explain why in some FBs members are able to successfully work together and run a business, whereas in others, family members are laden with animosity that deteriorates performance (Kellermanns and Eddleston 2004). The presence of altruism might help all the family to pursue the international strategic direction given by the incoming generation as a strategy to preserve the organization, enhance legitimacy, and make it more profitable for the whole family and for future generations. Altruism, indeed, increases communication and cooperation, reducing information asymmetries among family principals and facilitating the use of informal agreements (Daily and Dollinger 1992). Altruism indicates that internationalization helps owner–managers and their families to achieve their goals while ensuring the survival of the firm. Indeed, senior and incoming generations will place the firm's objectives ahead of their own (Zahra 2003). This might foster risk-taking and risk-sharing by, for example, exploring international growth opportunities. Therefore, we formulate the following proposition.

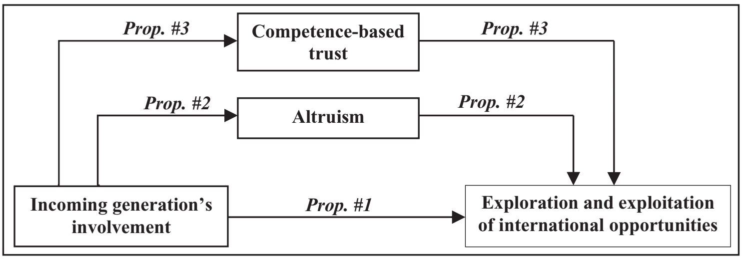
Proposition #2: The presence of long-term orientation, aligned values between the family and business, and participative decision-making (presence of altruism) between senior and incoming generations positively mediate the impact of incoming generation's involvement on the level of international entrepreneurship (the exploration and exploitation of international opportunities).

Trust is also a central element of stewardship culture, and Zahra (2003) suggested the importance of investigating other dimensions of stewardship theory among FBs when it comes to their international processes. In order to fill this gap, we employ trust, as a dimension of stewards' behavior within FBs, in relation to the decision to go international. It seems interesting to understand the main reasons that lead us to argue that trust develops between senior and incoming generations, thus positively mediating the impact of the incoming generation on FBs' international activities. First, we argue that based on mutual trust, a common vision of the internationalization process and its goals can be developed among different generations. Second, when feelings of trust are developed among senior and incoming generation, all the other actors (family and nonfamily) might benefit from that (Westphal 1999) and be more compliant with the overall strategic decision (e.g., going international). Finally, going international is a risk-taking activity and the general risk aversion arising from this decision is in part related to the fear of losing socioemotional wealth (Berrone, Cruz, and Gomez-Mejia 2012). The existence of trust between senior (the tradition) and incoming (the future) generations might be useful to manage those perceived risks and mitigate the socioemotional wealth loss orientation often characterizing FBs.

We define trust by following Mayer, Davis, and Schoorman's definition: "the willingness to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party's behaviours" (Mayer, Davis, and Schoorman 1995, p. 712). We believe that it is important to underline that trust can emerge either from an affective experience with the other person (Rempel, Holmes, and Zanna 1985) or from evidence of the other party's competence and reliability (Butler 1991). In this study, we focus on the second type of trust (competence-based trust) and on how it might mediate incoming generation's contribution to the decision to internationalize the FB. Therefore, we take into account the distinction between competence-based trust and integrity-based trust (Huse 2007), which align with the broader distinction in social psychology between two basic dimensions on which people map others, competence and warmth (Fiske, Cuddy, and Glick 2007). We rely only on competence-based trust because we believe that in relation to the incoming generation's involvement and its effect on internationalization, the fact of relying upon another person to have sufficient competence to perform a task or assignment is mainly represented by competence-based trust. Indeed, export activities require complex strategic decisions involving different functions, skills, and knowledge. Stemming from those arguments, we argue that the extent to which senior and incoming generations rely on each other's viewpoints depends on the competence-based perception of trust. The perceived trust based on the competence is more likely to affect the decision to go international. If the incoming generation is providing a detailed and planned suggestion on how to start an internationalization strategy, competence-based trust provides cues as to how to process, interpret, and act upon the information. It is founded on the ability or competence of the incoming generation. It enables the rest of the family (and in particular the senior generation) to trust the incoming generation because of the skills and creativity in strategic problem solving. It reassures these actors as to the efficacy of the proposal and strengthens their belief about the successful implementation of the internationalization decision. Hence, we formulate the following proposition.

Proposition #3: The competence-based trust that the senior generation relies upon the incoming generation positively mediates the impact of incoming

Figure 1
The Research Model



Source: own elaboration.

generation's involvement on the level of international entrepreneurship (the exploration and exploitation of international opportunities).

The overall research model is summarized in Figure 1.

Research Methods

There is still no widely accepted definition of FB in academia (Astrachan and Shanker 2003; Littunen and Hyrsky 2000; Litz 1995; Sharma and Zahra 2004; Sharma, Chrisman, and Chua 1997; Westhead and Cowling 1998). Nevertheless, what makes an FB different is the relationship between *ownership, management*, and *family involvement* (Chua, Chrisman, and Sharma 1999). Indeed, FBs have many features that make their investigation a particularly challenging opportunity. *We consider one specific type of FB, that is a firm with less than 250 employees* (the European Union's cutoffs for SMEs), with families having the voting control (Neubauer and Lank 1998) and the majority of ownership (more than 50.0 percent). Moreover, adopting Fernández and Nieto's (2005) definition of family SMEs, we also consider if there are family members in managerial positions.

According to Yin (2003), a multiple case-based investigation is defined as "an investigation strategy directed to understand the present dynamics in singular contexts." The present investigation could be judged as a singular phenomenon for which it would be appropriate to have a first approach by means of the case studies, as we are in a first exploratory phase of the investigation. As it is collected in Yin (2003), in order to minimize this effect, the triangulation was introduced in the process of obtaining the data of the analyzed cases. Considering the FB as the main unit of analysis, this empirical research is based upon a systematic application of the multiple case study approach to the investigation of internationalization patterns of four Italian FBs. The *selection of the cases* was made taking into consideration two important facts: firstly, *the FB should have or had some international activities*, and secondly, *it should have more generations involved into the business*. Moreover, we did not have limitations on FBs that successfully come with internationalization. We also looked for business sizes, different sectors, and number of family members involved in the business, etc.

Multiple case studies analysis allows the researcher to explore the phenomena under study through the use of a replication strategy (Yin 2003). According to this model, if all or most of the cases provide similar results, there can be substantial support for the development of a preliminary theory that describes the phenomena (Eisenhardt 1989). The four FBs that represent the object of this investigation are presented in Table 1, where the company type, the main activity, the contact person, and the information about the interviews are briefly resumed.

Source of Information

This study arises from a self-enriching process of reading, observation, interviewing,

Table 1
Case Studies' Characteristics

Information/Analyzed Family Firms		Company A	Company B	Company C	Company D
The Interviewees	Age (years)	60	68	51	58
	Position within the family	Father	Father	Father	Father
	Position within the business	Sole director	Chairperson	Sole director	CEO
	Length (minutes)	69	120	60	86
The Family Business	Foundation year	1987	1969	1930	1980
	Number of employees	25	78	25	80
	Generations operating into the *business*	1st and 2nd	1st and 2nd	2nd and 3rd	1st
	Generational tranfer is happening	No	No	Yes	No
	Family ownership	Yes	Yes	Yes	Yes
	No. family owners	4	3	4	1
	No. family members in the business	4	3	3	1
	No. family members in leadership positions	4	3	2	1
	Has a board of directors	No	Yes	No	Yes

Source: own elaboration.

and writing. The reviewed literature addresses the current debate on FBs' internationalization. Moreover, by using stories of FBs from the Italian context, the paper gives an explanatory model to understand FBs' internationalization that is not only limited to how decision-making processes take place within the family and the firms but also focuses on the importance of new generations' involvement, altruism, and trust. The main source of information for the case studies was the semi-structured interview. Extensive face-to-face interviews were run with sole director, chairperson, and/or chief executive officer (CEO). The contact was carried out by the means of a telephone call, the potential interviewees being informed about the characteristics of the investigation and being asked to do a questionnaire. Later on, an e-mail was sent with detailed information about the investigation and also the protocol of the interview was attached. The interviews, with an extent of more than one hour in average, were recorded with the consent of the interviewees, and afterward full write-ups were constructed on each company in the form of a detailed case study, focusing on the specific characteristics of each case situation.

Validity and Reliability

Sources of multiple data, as Yin (2003) proposes, are used to attempt to achieve the effect of the triangulation that guarantees the internal validity of the investigation. According to Yin (2003), it should be guaranteed the quality of the design of the study by introducing a series of methods and tests of validity and reliability along the methodological phases. The methods used in this investigation so as to guarantee the validity and reliability of the analyzed data are explained in what follows: (1) a number of interrelated sources were collected and analyzed: annual reports, corporate codes, information from products brochure and from the company website, newspaper articles; (2) a previous report of each case was edited, summarizing the in-depth interviews, and sent to the interviewees in order to avoid possible interpretation errors; (3) an investigation protocol was established in order to guarantee that, in case of replication studies, obtained results would be similar; and (4) the transcription of the interviews being done, a resume of each of them, was sent to the interviewees having as an objective the approval of the received information.

Main Results

This section first presents each case study and the joint discussion of the main evidence that emerged from the overall analysis.

Company A

Company A is an Italian FB operating in the personal care sector. It was established in 1987 and is run mainly by its sole director (family member) with international experiences and skills. The founder's idea in establishing the business was driven by the desire to form a long-lasting entity in which his two sons could accomplish themselves. The company is wholly owned by the family: the founder and his wife each have a 26.0 percent stake and each of the two sons has a 24.0 percent interest. There is no formal governance mechanism (e.g., presence of a board of directors) even if the founder underlines that there is an informal family council that generally takes place at the family's home. Decisions are made together and if there are different opinions, the final decision is that which has the majority of votes. As it emerged during the interview, Company A can be considered as an FB.

> [. . .] ours is truly a FB [. . .] it was established because I have two sons and my wife and I wanted to give them something for the future [. . .] our vision of the business stems from our idea of family [. . .] (Sole Director).

Company A's sales structure embraces the entire Italian territory with agreements with all of the most important Italian retailers. Moreover, the company presents a good international propensity (number of countries to which the company exports). Its export intensity (percentage of revenues from markets outside Italy) is currently 5.0 percent, whereas imports total 15.0 percent. As concerns internationalization, the interviewee states that he is aware that international sales are fundamental for the long-term survival of his company. The first step toward international markets took place around 2000, the year in which the first contract with an important international client was signed. Some excerpts of the interview follow to provide a direct perception of the interviewee's thinking.

> [. . .] internationalizing my business for me means showing the business and its

products outside Italy [. . .], taking part in international fairs and technical support from state agencies are of vital importance [. . .] the internationalization of one's company also reflects, very often, cultural factors which enable to see the opportunities round the corner [. . .] (Sole Director).

As pointed out in the interview, opening the business to international markets enables to overcome the problems related to the saturation of domestic markets. More than once the interviewee highlighted that

[. . .] When there is a crisis, especially today, finding new customers which pay on time and are financially sound is fundamental to achieve successful business growth [. . .] customers from outside Italy have these qualities and it is for this reason that we are particularly interested in tapping them [. . .] (Sole Director).

The new generation's involvement in the business is, according to the interviewee, an important event that radically changes the approach to international markets. The interviewee believes that continuous training, competences, and innovation orientation are some of the characteristics of the new generation.

The internationalization process of Company A starts around 2000 through an initiative promoted by an Italian state authority for trade relations with Morocco. However, this experience did not lead to the desired results and actually determined a general distrust in the international strategies promoted by state authorities. The advent of the new generation (two sons) in the business (2007) is an important milestone together with an intense product differentiation activity. This enabled to attract many international customers (Tunisia, Albania, and Malta) without implementing specific internationalization strategies (passive exporting). An interesting perspective is the idea of turning to China, but the main strategic directives do not appear to be clear yet.

[. . .] with my sons we are carefully assessing the means with which to penetrate the Chinese market [. . .], to date the most feasible route seems to be that of establishing contractual relations with local concessionaries [. . .] direct contacts with entrepreneurs operating in the same sector and the possibility of creating partnerships is another option [. . .], the possibility of forming a new position in the company (with a professional from outside the family) for this difficult task is not ruled out [. . .] (Sole Director).

As concerns other internationalization strategies and timing, the founder does not foresee any possible delocalization as the entire production cycle must occur in Italy. As to timing, there does not seem to be a precise identification. Conversely, attentive analyses were presented as concerns the specific risks connected to international activities.

[. . .] there are numerous risks connected to international activities [. . .], there is great concern on the company's capability of satisfying future foreign demand [. . .] also organizational risks must not be underestimated, problems related to foreign exchange rate fluctuations and the language problem (despite the fact that my sons know many languages) and the reliability of potential foreign partners [. . .] (Sole Director).

As concerns the relationships between him and the two sons when it comes to the decision-making process related to international activities, the interviewee underlines that there are conflicts with the new generation.

[. . .] the two generations work in close contact, and it is clear that the initiatives for internationalization come from the younger [. . .], my sons show a higher risk propensity and are constantly motivated by the search of new opportunities from foreign markets. This often triggers conflicts and difficult decision-making dynamics [. . .] (Sole Director).

Long-term vision, culture, and conflict management are at the base of company decisions.

[. . .] all we are doing would dissolve into nothing if there wasn't a strong corporate culture in the most effective means of managing conflict dynamics [. . .], corporate culture and a system of unwritten norms that promote tolerance

> and reciprocal trust are fundamental for serenely living together and successful business making [. . .] (Sole Director).

Nonetheless, decisions are taken together after a process that involves everyone. The presence of the founder and his participating leadership style very often mitigate the internal conflicts that arise from the sons' diverging opinions. Altruism and trust between the new generation and the founder are key features of the decision-making process. Actually, the founder considers and respects his sons' expertise (especially as a result of their experience in important multinational groups operating in the same sector), and the relationships with them are connoted by the presence of trust relationships based on their competence (competence-based trust).

Company B

Company B is one of the leading companies in Europe and in the world in airport logistics. The company was established in 1970, operating in the sector of precision mechanical construction from the early fifties. Over the years, the group achieved a considerable experience in the production of equipment dedicated to airport assistance and became the Italian leader in this sector. The business is entirely owned by the family: the founder holds a 40.0 percent stake, and his two children a 30.0 percent stake each. There is a formal governance mechanism (a board of directors). The chairperson of the board is the founder. The managing director (MD) is a person outside the controlling family. The decision to have an outside MD stems from the need to have a mediator between the founder and the new generation. Once the succession is completed, the MD will just have a representative role. Company B is an FB as specified by the founder.

> [. . .] this is a FB since the family owns the company [. . .], but orientation to the market, towards internationalization and the industry's characteristics mean that our company cannot be considered a traditional FB [. . .] (Chairperson).

As to the involvement of his offspring in the company, the interviewee specifies that it was not his idea, but it was his children's wish to be involved in the FB. The company presents a strong and lasting propensity to international activities, partly because of the specific characteristics of the industry and its products. Export intensity (percentage of revenues from markets outside Italy) is currently 37.0 percent, whereas imports are a negligible percentage. With specific reference to internationalization, the interviewee provides some specific information on the moment in which the company began its internationalization process.

> [. . .] actually from 1970 we started producing equipment with foreign markets in mind. We decided to start from those conferences in which we took part to show our products. It all worked through a sort of word of mouth: we sold our machines in Singapore because we had sold them before in Brazil, and since our customers were satisfied they spoke well of us [. . .] (Chairperson).

The company operates in 38 countries (*export propensity*), including France, Belgium, Spain, Portugal, Greece, Cyprus, Malta, Slovenia, Albania, Tunisia, Egypt, Arab Emirates, Congo, Angola, Zambia, Mauritius, Brazil, Argentina, Norway, and Denmark. Particular attention is also dedicated to Africa, China, and Turkey.

From inception, the company has been projected to the international markets, as evidenced by the various forms in which it has participated, not only direct exports but also delocalization of production in other countries and joint ventures with international partners. In fact, to date, the company has delocalized the production of the less complex machines to Tunisia, because of the cost-effectiveness of this solution. There are commercial agreements with Spanish, Austrian, and German companies. Among the main perceived risks of international activities, the interviewee cites "country risk," "increasing competition," "minimal support from national government entities," "the China effect," and the "difficult and complicated relations with the banking system."

Even if during the interview the founder states that he had not programmed the entry of his offspring in the company, as the conversation continues, it is clear that the involvement of the new generation was fundamental to manage the intrinsic complexity stemming from the international and dimensional growth of the company.

> [. . .] the company has had to adapt to changes in the market; the presence of my children enabled to expand the company on the basis of the new needs [. . .] (Chairperson).

The company's expansion was considerably affected by the advent of the new generation in the business. An excerpt of the interview strongly underlines this last aspect.

> [. . .] the relationship with my children is now an evolved relationship [. . .] we are no longer striving to strike a balance [. . .] organizational structure, role and responsibilities are well defined [. . .] (Chairperson).

The founder occupies a central position in the business. He has trust relationships with his customers. One of his main concerns is the transfer of these relationships to his children. The interviewee underlines that even though the hierarchical father–son relationship is not particularly felt within the company, it seems to be more marked in negotiations with customers in which the founder plays a central role.

Altruism and trust are some of the ingredients which, according to the interviewee, enabled the company to survive over time. The authoritative but at the same time open personality of the chairman permitted the transfer of these values to the new generation.

> [. . .] there have never been any real clashes between the two generations however it must be underlined that there are often considerable frictions as concerns the company's style of strategic guidance, there is a different entrepreneurial vision [. . .], a constructive conflict between tradition and modernity, pure entrepreneurship and structure is always solved through the altruistic behaviours we all have and the trust I have in my children's competence [. . .] (Chairperson).

Company C

Company C boasts a centennial history and was established by a family dedicated to toil for its love of the soil. It encompasses three great experiences that mature over decades: cultivation of land, transformation of its fruits, and their conservation. The family is the custodian of this process. Over the generations, it has been transferred with dedication and renovated with competence to realize wholesome products full of taste. At the helm is a family of farming entrepreneurs, born in the 1930s, which from direct production evolved toward direct commercialization of farm produce, in particular oil and olives. Second- and third-generation family members are involved in the business. The company was established with the commercialization of products in the south of Italy, whereas it was the interviewee (second generation) who commenced the internationalization process, by seizing the opportunity of exporting, in the 1980s directly in the United States. The company's operations are currently run by the interviewee and his wife, who are in charge of production, and the son, who is in charge of commercialization and the real estate management. The interviewee's daughter is not actively involved in the company and does not take part in business decisions.

The company is entirely owned by the family with a majority stake held by the second generation. The company does not have a completely defined organizational structure; moreover, there are no formal governance mechanisms such as board of directors. However, there is a "pseudo family board" regulated by a system of unwritten relational norms that are based on altruistic respect and reciprocal trust.

The internationalization process started around the 1980s on an occasional basis especially thanks to the entrepreneurship of a customer, which as an intermediary, built a system of relations and product trades with the United States. The company now exports 60.0 percent of production of oil and olives to one foreign market, the United States. The interviewee continues

> [. . .] internationalization is a great opportunity which favours growth [. . .] I do not see or perceive specific risks associated to this [. . .] (Sole Director).

The means through which the company performs its international activities is by means of direct export through specialized foreign distributors. Currently, the process is consolidated and is based on direct exports and occurs through distributors on foreign markets, even though the company is assessing the opportunity of proceeding with further diversifications.

> [. . .] I am very satisfied [. . .] my company has a profitable business and we benefit from a positioning which enables us to look at opportunities without taking uncalculated risks [. . .] (Sole Director).

Strategic internationalization decisions are taken together by the members of the controlling family. However, the interview testifies a clear separation in the entrepreneurial vision between the second and the third generations. He and his wife (second generation), who directly manage the company (the operations phases), have a conservative vision related to the status quo and are against changes, whereas the third generation (in particular his son) has a dynamic, more proactive, and aggressive vision on the growth and development of the FB.

> [. . .] very often the dialectic associated with major company decisions is animated [. . .] a continuous clash characterizes decisions, especially as concerns internationalization [. . .] I often oppose my son's investment proposals related to internationalization [. . .] (Sole Director).

There is a conflict between generations that have different entrepreneurial visions: the importance of a system of family values in the farming tradition on the one hand, and the dynamism and entrepreneurial innovation of the third generation on the other hand. Therefore, there are conflicts in decision-making, which in the end are solved in the logic of family cohesion and of what is best for the family and the company (altruism).

> [. . .] though sometimes we have discussions in the end our common objective is our company's soundness [. . .] (Sole Director).

The central figures of the company are the interviewee and his son who represent two conflicting generations. The interviewee has great respect for his son's work and seems to indicate that he greatly esteems him especially because of his competence. Even if often in disagreement, the interviewee seems to have a strong fiduciary relationship with his son especially because of his capabilities (competence-based trust). Two leadership styles that are different but at the same time based on shared values and a system of reciprocal relations which are core characteristics of this FB.

Company D

Company D was formed in 1988 and rapidly became a consolidated partner of important international pharmaceutical companies for machinery and equipment. The company operates, with its divisions, in the automotive, pharmaceutical, glass, and coils manipulation in deeply internationalized market and offices in China and the United States.

The founder has two brothers who are not involved in his business. The majority stake in the company is held by the interviewee's wife. The company is not a true FB but is a founder-managed firm, though it has a family connotation in that there is the desire of "passing the baton" to the next generation (his children).

> [. . .] currently there are no other family members in the management of the business even though my wife holds the majority stake in the company [. . .] however without my family I would not have been able to build my company [. . .] (CEO).

The founder has a long-term vision for his company and with reference to the future involvement of his children, he comments

> [. . .] I hope that tomorrow my children will be able to be part of my company [. . .] however they might not be interested [. . .] or capable [. . .], being an entrepreneur stems from passion not from the desire of the money [. . .] I would like my children to learn the culture of putting themselves to the test and risk, always pursuing ethics in behaviour and decisions [. . .] (CEO).

The company is greatly professionalized. There are outside managers and qualified personnel, and the CEO comes from outside the controlling family. This testifies the great autonomy of the business system and the family system.

> [. . .] I could easily be replaced [. . .] my main objective is to make the company autonomous from me [. . .] (CEO).

The company boasts direct exports amounting to 70.0 percent of total revenues. The internationalization process commenced in 2000 mainly in Europe.

> [. . .] internationalization is an opportunity, a consequence of business development [. . .] however, it is important to perceive the specific risks connected to this strategic decision [. . .] internationalization may occur in various ways [. . .] considering the peculiar nature of my activities I do not see any feasible ways of pursuing delocalization of production [. . .] (CEO).

Among the main perceived risks related to international activities, the interviewee cites: "country risk," "obsolescence," "insufficient support from government authorities," and "difficult access to financing."

Different phases may be identified in the company's internationalization process. In the first 10 years, the company was mainly focused on the domestic market (*consolidation of the organizational structure*). At the end of the 1990s, a sizable order from a foreign customer (passive exporting) marked the beginning of the internationalization process. This event enabled the entrepreneur to become aware of the strategic relevance that an orientation to foreign markets could have on the future of the business. At this point, an internationalization strategy was defined and implemented (an external manager with documented marketing experience was hired). In this phase, numerous direct exports were made in Europe and North America. Another important phase in the internationalization process (mergers and acquisitions) occurred in 2006, with an acquisition in China and Latin America. The main persons involved in the decision-making process related to the business' internationalization are the founder and the marketing director. If there are conflicts in the different ideas on the internationalization processes, these are solved with dialogue and serene confrontations. Perhaps, it is this high degree of professionalism that enabled the company to evolve from local to large international player. Moreover, in the company, there is a system of shared "relational norms" and trust of the founder (as recognized by the interviewee) that are fundamental strategic levers.

Discussion and Main Findings

The globalization of markets and business activities involves all types of companies without exceptions: small, medium, and large; local and multinationals; family and nonfamily. Therefore, FBs are also increasingly considering the opportunities offered by growth in international markets as an element of continuity and development for future generations. In certain cases, internationalization is the only possible alternative for many family companies that are having difficulties in domestic markets (Casillas and Acedo 2005).

Three theoretical propositions are formulated drawing from international entrepreneurship literature (Oviatt and McDougall 2005) and stewardship theory (Davis, Schoorman, and Donaldson 1997), and we investigate the history, the international dynamics, and the relative decision-making processes in four Italian FBs. New generations' involvement, positively mediated by altruism and competence-based trust, impacts the internationalization decisions in the analyzed FBs.

As concerns the internationalization process, in three of the four cases (Company A, Company C, and Company D), a pattern emerges that represents a clear strategic decision: first, consolidation on the domestic market and subsequently international expansion according to different timing and means (*incremental internationalization*). There are different specific modes with which the companies approach foreign markets: the first approach is through passive exporting (it is the customer who directly requests the product) in the case of Company A followed by other internationalization strategies in subsequent years; international activities that commence right from the establishment of the company in the case of Company B; through agents, foreign distribution agreements, and direct exporting in Company C; and direct exporting, joint ventures, acquisition of business branches located outside Italy from foreign companies, and delocalization of production for Company D. To understand the main drivers that influence the internationalization decision, the following internationalization modes are identified: (a) internal proactive; (b) external proactive; and (c) reactive. Moreover, we identify the changes in the internationalization behavior as the life cycle of the FB. Considering the first approach toward the international market, companies

Table 2
Evolution in the Internationalization Conduct of the FB[a]

Company	Internal Proactive	External Proactive	Reactive
Company A	Already implemented		Early stage
Company B	Already implemented	Early stage	
Company C	Already implemented		Early stage
Company D	Already implemented	Early stage	

[a]FB, family business.
Source: own elaboration.

can be classified as follows: in the second category (b), Company B and Company D; in the third (c), Company A and Company C (Table 2). Considering current behavior, all companies can also be classified in category "a."

Whereas in Company B and Company D, internationalization was mainly driven by external stimuli (external proactive), Company A and Company C were initially mostly reactive and their concrete actions only occurred after specific requests from foreign customers (passive exporting). Currently, all four cases present internationalization modes influenced by a proactive approach from within the company. In the rest of the article, the results of the case study analysis are discussed with relation to the three propositions formulated in this article.

Internationalization and Generational Involvement

A different degree of new generation involvement in the business emerges in our case studies. The main evidence in Company B suggests that despite the fact that the company, to some extent, was already partly internationalized at the time of establishment, the most significant changes in terms of impact on and actual development of international strategies occurred only after the new generation entered the business. In this case, the new generation's knowledge, competences, and enthusiasm made a decisive contribution to the FB's internationalization. A crucial milestone in the internationalization of this FB is the time in which there is an overlap in between the former generation and the incoming generation. For the internationalization of the business to be implemented, three factors must occur simultaneously: (1) the company is in its maturity phase; (2) the generation which is in command (*former*) is slowly losing the strategic helm of the company; and (3) a strong drive for change and growth orientation in the new generation (*incoming*). These three factors are present at the same time in Company A, Company B, and Company C. In all three cases, strong growth in international markets is achieved thanks to the fact that the new generation has taken on a leadership position. Company D does not fall into this category because it is more of a *founder-managed firm* than an FB *stricto sensu*, even though the founder expressed his desire to "pass the baton" to the future generation (his children). Despite the fact this company revolves around the figure of the founder, there are managers from outside the family and this makes it a very interesting case. The founder has a centralized guidance of his company. Competences, capabilities, and outside manager are the key words. It does not matter if he will not be able to "pass the baton" to the new generation as long as the company survives. In our view, this stems from the particular sector in which the company operates: the high-tech sector, which requires continuous know-how development.

One of the important contributions that this study aims to provide on the internationalization of FBs is to consider new generation involvement as a unique and fundamental "episode" in the life cycle of an FB. We are aware that in order to have the contribution of new generations, the family and the business systems must develop a generational transfer culture. Though with different intensity, in three cases (Company A, Company B, and Company C) new generation involvement in the business has led to satisfactory results in terms of new product and service development for foreign customers, imports from abroad, penetration of new international markets, establishment of sales structures abroad, and partnerships with international counterparties; therefore, proposition 1—on the importance of the new generations' involvement in the business for international strategies—is supported by the evidence that emerges from the case studies.

On the basis of specific characteristics investigated in the interviews and through the analysis of secondary data, the four FBs may be classified in the following different categories: (1) *conflict-driven and incremental internationalization* (Company A); (2) *born global FB* (Company B); (3) *direct exporter* (Company C); and (4) *international founder-managed FB* (Company D).

The Role of Altruism and Trust

As to the positive mediating role of altruism, from three cases (Company A, Company B, and Company C) it is clear that altruism plays an important role in conflict management and in the mitigation of perceived internationalization risk (Zahra 2003), therefore positively mediating the contribution of new generations' involvement to the level of international activities (proposition 2 supported).

In Company A, the need to create a stable and lasting family and business system for the children and the presence of trust-based relationship between the founder and the new generation, essentially based on the latter's competences (*competence-based trust*), determine the climate which is used in the management and resolution of conflicts connected to important internationalization decisions. In this case, competence-based trust between the founder and the new generation creates an informal governance mechanism to solve the conflicts related to the future of the FB. In fact, there are diverging views on strategic internationalization decisions, different perceived risk levels, and diverse competence levels. However, even if these conflicts are often significant, they have always been solved spontaneously without any negative effect. Therefore, competence-based trust mitigates the level of cognitive conflict arising from the new generation's involvement in the internationalization decisions.

In Company B, altruism and trust seem to be the key elements that play an important role in the decision-making process, even if this is the only case in which there is a board of directors as a formal governance system for strategic decisions. Moreover, the presence of relational norms, of a shared set of values, and long-term vision positively influences altruistic behavior in the FB. In this case, even though the founder is the main decision-maker, there is a participated decision-making process in which other family members contribute and the presence of a board ensures that company decisions may in any case and always be made even should conflicts between different generations occur.

Conflicts associated to the internationalization process also characterize Company C. Indeed, there is intergeneration conflict on the future development of the FB. Tradition and new ideas on the future of the company clash. However, also in this case, conflicts seem to be managed by the presence of altruistic behavior and competence-based trust between the new generation (incoming) and the former generation that operate together in the business (even if with different roles and responsibilities).

In Company C, the founder/owner is the only person involved in the decision-making process even if he is sided by a team of professionals outside the family for the most important strategic decisions. High entrepreneurial orientation and success stories influence his fiduciary relation with the entire organization. However, even though the new generation is not involved in the business, there is a strong intention to pass on the company to the new generation. This case is somewhat different as it is an FB in the first phase of its life cycle that, however, already displays a high degree of management involvement. This is mainly due to specific characteristics of the company's sector. Based on the evidence that emerged in the four cases, though with diverse intensity, the presence of altruism positively mediates the contribution of new generation's involvement to the level of international activities (proposition 2 is supported).

The other theoretical proposition refers to competence-based trust in the relation between the new generation and the founder (senior generation). A trust-based relationship based on the competences of the new generations is mainly found in Company A and Company D. Actually, in both cases, the new generation is respected by the senior (Company A) and by the other actors involved in the company (Company D) because of their competences and skills. In these two cases, their high technological content determines a series of peculiarities of these FBs. Nonetheless, the founder's leadership is complemented by a participated decision-making system, which involves the new generation (Company A). Therefore, this suggests that if there is competence-based trust between the new generation and the senior in an FB, it positively mediated the contribution of the new generation to the level of internationalization (proposition 3 is supported).

Conclusions and Future Research Directions

This paper makes several contributions to the academic debate and the practice on family firms' internationalization. First, we add to the FB literature by showing how international entrepreneurship literature may shed new light to the understanding of new generations' involvement as a particular "episode" that can lead to an "era" of rapid and dedicated internationalization of the FB. Moreover, by formulating and discussing propositions on the role of altruism and trust in relation to FBs' internationalization, we respond to Zahra's (2003) call for more studies using stewardship theory as the main lens of analysis for FBs' international behaviors. Hence, stewardship theory assumptions may help explain divergent views on FBs' internationalization and answer to the following question: why are some FBs stagnant whereas others are entrepreneurial? Second, results from the qualitative analysis show that different international behaviors exist within the analyzed FBs and that altruism and competence-based trust are important to take into account in order to understand how the new generation contributes to the level of international activities. Stemming from the main evidence arising from the four cases, we have identified four typologies of internationalization: the conflicting internationalization (Company A); the born global FB (Company B); the direct exporter (Company C); and the international founder-managed FB (Company D).

These explanatory patterns for FBs' internationalization are derived by using different sources (literature, documents analysis, and semi-structured interviews). Finally, this study has also practical implications. The main results give interesting perspective to FBs' owners by highlighting the need to ensure that multiple generations understand the business. Indeed, this understanding prepares family members to share the risks associated with the decision to internationalize the business (and the family) while enabling them to contribute in a meaningful way to it. Furthermore, FBs can better understand the factors that may spur their international commitment, handling them properly.

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