



International Partnership Failures in the Context of Family Small and Medium Enterprises Internationalisation

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Abstract This study aims to address the question of why the efforts of family Small and Medium Enterprises (family SMEs) to develop international partnerships fails. In particular, it draws on the network theory of internationalisation and SEW perspective and explores how family managers' interpretation of the behaviour of potential international partners can lead to the failure of the attempt to develop an international partnership in the context of family SMEs internationalisation. To do so, it conducts a multiple case study of four internationalised Greek family SMEs in the food and beverages sector. The findings suggest that family managers set strict criteria, regarding their expectations about international partners' behaviour when evaluating the potential international partners, which emerge from family managers' effort to fulfil family goals (e.g., the preservation of family harmony and family reputation), and reveal that the family managers' priority on the fulfilment of family goals can hinder the international partnership development process. These findings build upon the limited, yet important, family SMEs literature on international partnership failures and enrich previous networking theories about family SMEs' internationalisation.

Fracasos de las alianzas internacionales en el contexto de la internacionalización de las pequeñas y medianas empresas familiares

Resumen Este estudio tiene como objetivo abordar la cuestión de por qué fracasan los esfuerzos de las Pequeñas y Medianas Empresas familiares (PYMEs familiares) para desarrollar alianzas internacionales. En particular, se basa en la teoría de la red de internacionalización y la perspectiva SEW y explora cómo la interpretación de los gerentes familiares sobre el comportamiento de los socios internacionales potenciales puede conducir al fracaso del intento de desarrollar una asociación internacional en el contexto de la internacionalización de las PYMEs familiares. Para ello, lleva a cabo un estudio de caso múltiple de cuatro PYMEs familiares griegas internacionalizadas en el sector de alimentos y bebidas. Los hallazgos sugieren que los gerentes familiares establecen criterios estrictos con respecto a sus expectativas sobre el comportamiento de los socios internacionales al evaluar a los socios internacionales potenciales, que surgen del esfuerzo de los gerentes familiares para cumplir con los objetivos familiares (por ejemplo, la preservación de la armonía familiar y la reputación familiar), y revelan que la prioridad de los gerentes familiares en el cumplimiento de las metas familiares puede dificultar el proceso de desarrollo de alianzas internacionales. Estos hallazgos se basan en la literatura limitada, pero importante, de las PYMEs familiares sobre los fracasos de las asociaciones internacionales y enriquecen las teorías previas de redes sobre la internacionalización de las PYMEs familiares.

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1. Introduction

Establishing successful international partnerships (IPs) is of particular importance to all firms aiming to internationalise (Johanson & Vahlne, 2006). It is of even higher importance to Small and Medium Enterprises (SMEs), since international partners may yield specific benefits to them, such as to provide the necessary resources that SMEs lack (human capital, social capital, technology etc.) and, thus, they can help SMEs to enter and compete effectively in the international arena (Sandberg, 2014). Establishing successful IPs is of even greater importance to family SMEs, i.e. SMEs “in which family members have substantial ownership and take an active role in management” (Hennart et al., 2019, p. 8), aiming to enter and/or maintain themselves in the international arena. This is mainly due to the fact that the failure of the family SMEs’ efforts to develop successful IPs would jeopardize not only the international but also the domestic survival of the family SME, as the entire family’s wealth is at stake (Cesinger et al., 2016; Stieg et al., 2018). The reason behind this is that owners and managers of family SMEs are emotionally attached to their firms, something that in many cases leads family owners to sacrifice the family’s financial wealth for the sake of the fulfilment of their business goals (Berrone et al., 2012; Gómez-Mejía et al., 2011; Moreno-Menéndez & Castiglioni, 2021). Hence, family owners and managers could sacrifice significant family resources to enter or maintain in the international arena which would jeopardize the entire family’s wealth and the survival of the family SME.

Until recently international business research on IPs has mostly focused on the investigation of successful IPs (e.g., Leppäaho & Metsola, 2019; Sharma et al., 2019), whereas fewer studies have explored IP failures although research has shown that more than half of IPs fail (Nummela et al., 2016; Parameswar et al., 2021). Additionally, although limited, international business research has focused on the exploration of large multinational firms or internationalised SMEs. IP failures occur during a relationship developmental process where firms, in general, evaluate the behaviour of potential international partners (Nummela et al., 2016; Parameswar et al., 2021). Yet, in the context of family SMEs internationalisation, family managers’ interpretation of the suitable potential international partners’ behaviour can differ compared to SME managers’ interpretations, when family SMEs evaluate potential partners (Cesinger et al., 2016; Metsola et al., 2021). This is due to the fact that family goals, family values, familial ties, succession issues and non-rational

decision-making interact in family SMEs compared to SMEs in general, since these interactions do not appear in non-family SMEs (De Massis et al., 2018; Metsola & Kuivalainen, 2021).

Viewed in this light, and taking into account that international business research on IP failures in the context of family SMEs internationalisation is even more limited (Leppäaho et al., 2021; Pukall & Calabrò, 2014), this study explores how family managers’ interpretation of the potential international partners’ behaviour can lead to the failure of the attempt to develop an IP in the context of family SMEs internationalisation. Such research is important if we aim to understand what hinders the IP development process of family SMEs and if the effort of the family SMEs to develop an IP is different from the effort of firms with different ownership structures (e.g., non-family SMEs).

In order to meet the purpose, this study adopts the network theory of internationalisation (Johanson & Mattsson, 1988) and the SEW perspective and integrate ideas from the failure literature. We embarked on a multiple case study design, which investigated four Greek family SMEs in the Food & Beverages sector. The case study approach fitted well the purpose of our research in terms of understanding deeply the embedded process of the effort to develop IPs (cf. Yin, 2009) and the behavioural factors associated with it.

This study makes several contributions to the international business research. First, it builds upon the limited, yet important, family SMEs internationalisation literature on IP failures (De Farias et al., 2009; Leppäaho et al., 2021), answers the calls for greater understanding of the reasons for the failure of the IPs that family SMEs’ develop (Cesinger et al., 2016; Leppäaho et al., 2021; Leppäaho & Metsola, 2020) and enriches previous networking theories on family SMEs’ internationalisation by deepening our knowledge about the role of behavioural factors in the effort of family SMEs to establish an IP, factors that have been insufficiently examined in the family SME internationalisation literature (Cesinger et al., 2016; Metsola et al., 2021). The case study evidence shows that family managers evaluated communication attributes (e.g., inadequate informational and institutional knowledge sharing and unfulfilled financial agreements) as well as attributes of partners (opposing values) and set strict criteria regarding the fulfilment of financial agreements, the potential international partners’ behaviour towards the family SMEs’ products and the similarities in personal values.

The reason behind these strict behavioural criteria is the aim of family managers to fulfil family goals such as preserving the family harmony and family reputation in international markets. This is

an interesting new finding that brings to the fore that the fulfilment of family goals can hinder the IP development process, thus leading the efforts to develop an IP to fail. In addition, the better understanding of the role of behavioural factors in the context of family SMEs may enrich our knowledge of international partner selection and internationalisation processes of family SMEs and assist family SMEs' management to develop more effective and successful IPs in the future.

Second, this study differentiates its results from existing findings that have appeared in the international business and international management literature on IP failures by unravelling that contextual factors of family SMEs (e.g., the priority family SMEs place on the fulfilment on family goals) can affect international relationship building activities. Previous studies on IP failures have concentrated on multinational enterprises and have often equated family SMEs' to SMEs' internationalisation (Meschi & Wassmer, 2013; Nummela et al., 2016). Yet, this could lead to ambiguities when exploring international business phenomena, especially since decision-making in family SMEs is distinctive from that of large companies and other types of SMEs due to the idiosyncrasies of family SMEs (Barros et al., 2017; Berrone et al., 2012). Indeed, the findings of this study emphasize that the family SMEs' decision making process, when they take IP development decisions, is distinctive from the same process in large companies and other types of SMEs due to the priority that family SMEs place in the fulfilment of family goals (Berrone et al., 2012; Martínez-Romero & Rojo-Ramírez, 2016; Stieg et al., 2018). This finding can help international business scholars to better apprehend how family SMEs internationalise by establishing IPs (Cesinger et al., 2016; Leppäaho & Metsola, 2020; Pukall & Calabrò, 2014) and clarify any other potential ambiguities in the relevant IP literature (De Massis et al., 2018; Kampouri et al., 2017).

The remaining of the paper is organized as follows: we begin with the theoretical background, briefly discussing the family SMEs internationalisation through the lenses of the network theory and the SEW. Next, we discuss methodological considerations. Thereafter, we present and discuss the findings of this study. We conclude with the paper's contributions, the implications for practitioners and its limitations, and the directions for future research.

2. Theoretical Background

2.1. Family SMEs internationalisation through the lens of the network theory

The network theory of internationalisation

(Johanson & Mattsson, 1988) shifts the focus from the structure of the foreign establishment (entry modes) to the relationship between the internationalising supplier and the foreign business network (entry nodes) (Sandberg, 2013) and proposes that a firm can compensate for its limited resources by developing its position in an existing network or by establishing new relationships (Johanson & Mattsson, 1988). From a network perspective, family SMEs enter foreign markets by establishing direct or indirect relationships with other nodes (e.g., other businesses or businesses networks) in the local or international market (Graves & Thomas, 2008; Johanson & Mattsson, 1988; Johanson & Vahlne, 2009). The cross-border relationships "between diverse actors based on mutually agreed objectives" (Brinkerhoff, 2002, p. 1286) with network partners (intermediaries, distributors, wholesalers, representatives) that are initially used to connect family SMEs to local firms and customers (Sandberg, 2014) are also defined as IPs.

The existing family firm (FF) internationalisation literature adopting a network perspective has focused mostly on the successful IPs of family SMEs. These studies have revealed that family SMEs with limited resources and organizational capabilities avoid risky options when they first enter a foreign market and internationalise by reactively responding to demands from foreign customers and by developing low-commitment international business relationships (Kampouri & Plakoyiannaki, 2021; Kontinen & Ojala, 2011). Such a reactive mode of decision-making on internationalisation implies that family SMEs do not plan their actions in advance, do not judge the international networking activities by referencing to clear goals, do not follow formal decision rules, and do not compare alternatives (Child & Hiesh, 2014). On the contrary, larger FFs which have the resources and the organizational capabilities that are necessary to internationalise, carefully select international partners to develop high-commitment relationships with them and, hence, those FFs carefully evaluate the potential international partners' characteristics (e.g., Kao & Kuo, 2017; Kao et al., 2013). The decision-making is goal-directed and more rational in the sense of being guided by the assessments of whether a potential course of action satisfies aspiration levels (Child & Hiesh, 2014). However, regardless of the relationship type (high or low-commitment relationships), many IPs are failing (Oerlemans et al., 2007).

The network perspective has been widely used in the industrial marketing and international business literatures. Yet, it focuses mostly on the factors that can lead to the establishment

of successful relationships, without explicitly mentioning the behavioural factors that can lead to IP establishment failures and/or their link to family SMEs idiosyncrasies (e.g., SEW preservation tendencies) that may drive family SMEs' behaviour when they develop an IP (Cesinger et al., 2016; De Farias et al., 2009; Leppäaho et al., 2021; Pukall & Calabrò, 2014).

IP failures: The role of behavioural factors

IPs are created through a developmental relationship process of various stages (Andersen & Buvik, 2002; Brouthers et al., 1995). Although the literature is not entirely consistent with regard to the number and type of stages that are involved in establishing IPs, most authors agree that screening candidate partners is an important stage in this process (Duisters et al., 2011). Screening of the potential international partners occurs in the effort to establish an IP (also known as exploration stage) but it also continues after selecting one and before the firm decides to develop further commitment (Andersen & Buvik, 2002; Dwyer et al., 1987).

To illustrate, initially the potential international partners do not know each other well and there is high uncertainty. Consequently, firms aiming to expand internationally try to understand if the potential foreign partner is a suitable one or not. In doing so, firms usually filter out potential international partners by interpreting, giving meaning and making causal explanations on international partners' attributes (structural or behavioural), having as primary focus the success of their business goals (Andersen & Buvik, 2002; Parameswar et al., 2021).

IP failures refer to the "unintended/unplanned termination or (perceived) unsuccessfulness of a relationship" (Oerlemans et al., 2007, p. 197). IP failures do not only mean termination of an -up to a certain point- successful relationship. Yet, it is mostly seen as the absence of (continuous) success and it implies international relationship instability or unsatisfactory goal accomplishment as well (Oerlemans et al., 2007, p. 197).

IP failures can result from external factors, often beyond the firm's control, such as technological shifts, and from internal factors, such as managerial incompetence (Nummela et al., 2016; Welch & Welch, 2009). Entrepreneurs may suffer from the lack of necessary resources, such as human capital, or even from not using the necessary resources wisely, hence increasing the likelihood of IP failure (Nummela et al., 2016).

IP failures can also result from under-performance, strategic change and personal disengagement of the entrepreneur (Matthyssens & Pauwels, 2000; Welch & Welch, 2009). It is possible that

the entrepreneur may want to terminate the IP because of the opportunistic hazards as each partner tries to maximize its own individual interests instead of the collaborative ones (Park & Ungson, 2001). Such opportunistic hazards may influence negatively the level of trust between business partners and their commitment to the development of the IP, hence increasing the likelihood of failure.

External factors (e.g., governmental restrictions), structural factors (e.g., the limited financial strength of a potential international partner) and/or behavioural factors (e.g., limited information sharing) can also affect not only already established IPs but also the effort to establish a new one. Regarding the behavioural factors that can affect IP development, the international marketing literature highlights the important role of communication attributes (e.g., participation in planning and goal setting, the extent and the quality of information sharing) and attributes of the partners (e.g., interdependence, trust) (Kausar & Shaw, 2004; Mohr & Spekman, 1994). Nevertheless, existing FF internationalisation studies have missed to discuss the behavioural factors of failures in the effort to establish an IP in the context of family SMEs internationalisation (e.g., De Farias et al., 2009; Leppäaho et al., 2021). For example, De Farias et al. (2009) has brought into light that a disharmony between the export company's objectives and its partner's objectives can cause a fatal rupture in the IP development process, yet they do not mention how or why this disharmony exists. More recently, Leppäaho et al. (2021) take a network perspective and identify that when the new international partner is not a good fit with the firm, the FF can terminate the IP, thus leading to an IP failure. Nevertheless, the same authors do not focus on dyads but on whole international networks, and do not explain why a potential international partner may not be a good fit from a behavioural perspective (Leppäaho et al., 2021). However, decision-making in family SMEs differs compared to other types of firms with different ownership structures mostly due to family idiosyncrasies, such as SEW preservation tendencies (Barros et al., 2017; Berrone et al., 2012). As a result, behavioural factors that lead to IP development failures may be different for family SMEs in the context of their internationalisation. An understanding of those behavioural factors may illuminate how and why family SMEs select their international partners. Such knowledge is important since it may help family SMEs' management to avoid making incorrect decisions when developing relationships with international partners.

2.2. The SEW perspective

The concept of SEW, i.e., the non-economic rewards that owners may derive from their family SMEs, such as the maintenance of control and/or the identification of the family with the family SME (Cesinger et al., 2016; Metsola et al., 2021), was initially introduced by Gómez-Mejía et al. (2007) to explain the differences among FFs and non-FFs in a variety of phenomena and strategic decisions. It was created as an extension to the Behavioural Agency Model (Gómez-Mejía et al., 2011; Wiseman & Gómez-Mejía, 1998) that posits that firms' choices depend on the reference point of key decision makers, who aim to preserve the endowment in the firm (Wiseman & Gómez-Mejía, 1998). According to Berrone et al. (2012), the SEW endowment includes five dimensions: 1) the ability and desire of family members (usually the owner) to exert control and influence over the FF's strategic decisions, 2) the FF's social relationships, i.e., the sense of belongingness which is shared not only among family members but also among non-family employees and which promotes a sense of stability and commitment to the firm, 3) the strong identification of the FF with the family name (e.g., family members seek to perpetuate a positive family image and reputation), 4) the intention of handing the business down to future generations, and 5) the role of the family members' emotions that permeate the FF (Berrone et al., 2012; Metsola et al., 2020).

Gómez-Mejía et al. (2007) argued that preserving SEW endowment is critical for the family and shapes the framing of problems, becoming the primary reference point for guiding strategic decisions and choices. When there is a threat to that endowment (a potential SEW loss) or an opportunity to enhance it (a potential SEW gain), the family firm is willing to make decisions that may not be driven by an economic logic. In fact, the family members are willing even to put the firm at risk if this is what it would take to preserve that endowment (Gómez-Mejía et al., 2007).

Acknowledging the importance of IP establishment by family SMEs and FFs' idiosyncrasies with regard the SEW preservation tendencies, researchers have recently focused on the exploration of the link between international business relationship decisions (e.g., the selection of high or low-commitment international business relationships) in internationalisation and SEW goals (Debellis et al., 2021). To illustrate, research has shown that family SMEs aiming to enter foreign markets prefer to develop low-commitment instead of high-commitment international business relationships due to their lack of resources, their risk avoidance attribute, the fear of potential

economic losses (Eberhard & Craig, 2013; Kontinen & Ojala, 2011; Moreno-Menéndez & Castiglioni, 2021; Scholes et al., 2016) and the fear of not being able to maintain control of the foreign business (Pukall & Calabrò, 2014). Although few family SMEs choose to develop high-commitment international business relationships to confer the highest control (e.g., Boers, 2016; Sestu et al., 2018), these family SMEs usually have already gained extensive international experience and organizational capabilities in order to do so (Tsang, 2020). Research has also highlighted that when family SMEs develop IPs, they try to maintain them mostly for the benefit of the preservation of the family harmony (Scholes et al., 2016).

Nevertheless, existing FF internationalisation studies have missed to discuss the role of SEW in failures that may occur in the effort to establish an IP in the context of family SMEs internationalisation.

3. Methodology

The purpose of this study was met using the case study method (Yin, 2009). This approach was viewed as the most suitable method for this research since it allows a) to capture the "how" and "why" IPs developed by internationalised family SMEs were terminated or perceived as unsuccessful and b) to confront theory with the empirical world (Fletcher et al., 2016). It further offers a contextualised account, helps to unpack the human behaviour and to illuminate the complex, under-investigated phenomenon of family SMEs' international partner relationship development failures by facilitating the collection of rich data from multiple sources of evidence (Welch et al., 2022).

3.1. Case selection

Country and case selection occurred following a purposeful and particularly criterion sampling (Fletcher & Plakoyiannaki, 2011). More specifically, we selected Greece, whose economy relies on family SMEs and whose language (Greek) is not spoken anywhere else, except Cyprus. In Greece, most of the firms are owned and managed by a family (Family Business Survey, 2020). Thus, Greece provided a theoretically interesting context in that it heightened our sensitivity towards the phenomenon under study, namely the role of behavioural factors in family SMEs when evaluating a potential international partner (Johns, 2006).

Multiple case study design was chosen to address the purpose of the study. Despite the popular view that the more cases the better (Eisenhardt & Graebner, 2007), we recognize the importance

of the limited number of cases in the generation of deep contextualized insights of investigated phenomena (Dubois & Gadde, 2002; Dyer & Wilkins, 1991). In this study, we incorporated features of single and multiple case designs and, following a criterion sampling strategy (Fletcher & Plakoyiannaki, 2011), we selected four Greek family SMEs operating in the Food & Beverages sector. Each case was also selected given their informational redundancy (Emmel, 2013).

The selected family SMEs met the following criteria: 1) had at least one IP that had been terminated, 2) operated in the Greek Food & Beverages sector, and 3) had a family ownership of 100%. The aim was to study firms that had at least one IP terminated in order to collect retrospective accounts on “how” and “why” family SMEs decided to terminate international partner relationships (Craig-Lees, 2011). Context sensitivity is also important (cf. Dimitratos et al., 2010), hence the cases were drawn from a single industry in order to limit the effect of external factors on this study. The Greek Food & Beverages sector was selected given its dynamic nature and its growth potential in foreign markets (Karipidis et al., 2020). Moreover, this study aimed to include family SMEs with ownership of 100% because this type of firm places a priority to the preservation of SEW tendencies (Mensching et al., 2016). It should also be highlighted that this study examined one member of the international business relationship (the family SME) since dissolution is more often generated unilaterally (Dwyer et al., 1987).

The criterion sampling strategy generated a pool of 20 family SMEs. To generate this pool of family SMEs we have used databases from the Greek Exporters Association and the Panhellenic Exporters Association. All 20 family SMEs were contacted through telephone or e-mail and nine agreed to participate in this study. From those nine family SMEs, only four were willing to discuss with us on failures in their IPs. The case study firms are of medium (firm A) and micro size (firms B, C, D) that have developed IPs with wholesalers and/or distributors. They internationalise by exporting branded (firms A, B and C) or not branded products (firm D) (see also Table 1).

Table 1. Key information on the investigated family SMEs

Family SMEs	Size	Exports of branded (or not) product	International partner relationships with ...
Firm A	Medium	Branded	Exclusive distributors

Firm B	Micro	Branded	Non-exclusive wholesalers
Firm C	Micro	Not branded	Non-exclusive wholesalers
Firm D	Micro	Branded	Non-exclusive distributors

3.2. Multiple sources of evidence

Data were collected in 2017 from multiple sources, including 18 in-depth, open-ended personal interviews, archival records and examination of the family SMEs’ documents and publications (Eisenhardt & Graebner, 2007; Yin, 2009). The personal interviews were all tape-recorded and ranged from 60 to 90 minutes. Participants were invited to reflect on the international partner development process and to tease out instances of failure that we further explored in the interview process.

In each firm the owner (usually the founder of the firm) or the CEO was contacted, constituted the primary respondent of the study and was requested to identify other key respondents who were included in this research using snowballing sampling (Miles & Huberman, 1994). These respondents were chosen due to their direct experience with the family SMEs’ international partnership activities (cf. Polkinghorne, 2005). Such a selection enhanced the collection of nuanced accounts associated with the purposes of the study.

Additionally, web pages and documents (e.g., trade press publications and internal presentations) were organised and carefully analysed, following the process discussed by Welch (2000), for content and context in order to understand the history of each firm as well as to triangulate with the insights gleaned from the interviews (Yin, 2009) and thus to increase the quality of our evidence.

3.3. Data analysis

In the current research, data analysis was conducted in two phases: first, within-case analysis that included write-ups for each investigated family SME and, second, cross-case analysis that involved the identification of cross-case patterns (Dubois & Gadde, 2002; Miles & Huberman, 1994) across our dataset. In particular, we conducted essential tasks of qualitative data analysis, namely categorisation, abstraction and integration (Spiggle, 1994).

In the categorisation phase, we coded and analysed data emerging from interviews and secondary data. In vivo coding was used in order to organise the data and to facilitate the identification of themes across the different sources (Saldaña, 2013). We then employed

thematic analysis in order to unveil similar thematic aspects across data sources. In the following stage of data analysis, namely the abstraction stage, we linked the themes into conceptual categories (cf. Dimitratos et al., 2010; Spiggle, 1994). In this stage, by employing the internal homogeneity and external heterogeneity criteria (Patton, 1990), we reviewed and refined the emerging themes so as to secure the quality of the findings.

In the final stage of data analysis, i.e. integration, we connected the empirical findings with existing theory. Particularly in this phase, it was crucial to examine the emergent themes and concepts in light of the relevant literature so as to illuminate aspects of international partner relationship development failures of the internationalised family SMEs that have not been the subject of prior theorising.

In order to ensure the quality of the case study findings, the authors followed numerous practices recommended in the literature, such as theory to structure the list of interview topics and between-method triangulation that relied on the use of multiple methods of data collection, such as interviews, observation and archival data. Criterion sampling of the case study aimed at phenomenal variation (Sandelowski, 1995) that allowed the authors to expand the existing literature (Colquitt & Zapata-Phelan, 2007).

The aim of the current study was not (statistical) generalisation, but understanding of the phenomenon of family SMEs' international partner selection (analytic generalisation). We sought to generate a localised account on the behavioural factors associated with the international partner selection of Greek family SMEs in the Food & Beverages sector.

4. Findings

All investigated family SMEs produce and market food products in Greece. They all have managed to conduct direct and/or indirect exports by developing successful IPs with foreign wholesalers, agents and/or distributors. In particular, firm A is active in the international arena for more than 80 years and exports branded products to European countries, USA, Dubai, Australia and others. The last few years the family owners decided to be more active in the international arena by developing only exclusive IPs with distributors in all existing and new foreign markets. Firm B is active in the international arena for more than 10 years and has developed successful non-exclusive IPs with wholesalers and/or distributors. The firm exports branded products in European countries, Singapore, China and USA and aims to enter in other foreign markets as well. Firm C is also active

in the international arena for more than 10 years. It has already established successful non-exclusive IPs in Saudi Arabia and China and aims to extend its international operations to multiple countries by exporting mostly non-branded products. Firm D from 2004 until 2008 had conducted sporadic exports of non-branded products to Germany and other European countries through non-exclusive distributors and wholesalers. Yet, during Greece's financial crisis in 2009, the family owners decided to stop the firm's internationalisation activities, mostly due to its limited resources and the limited financial support from the state for such international activities, and to focus on the domestic market. The last couple of years the owners tried to develop an IP in Belgium in order to export branded products but the effort was not successful.

All investigated family SMEs throughout their internationalisation activities combated with IP failures, which made them to change their internationalisation strategies (firms A and D) and to learn from past mistakes (firms A, B, C and D). The reasons behind their IP failures had been both external and internal factors, which is in line with the existing SME literature (Nummela et al., 2016; Welch & Welch, 2009). In particular, in the effort to develop IPs, family owners paid particular attention to the structural characteristics of the potential international partner firms (such as financial strength and stability, reputation and international network) in order to avoid wasting their limited resources, as well as to the behaviour of the decision-makers (e.g., owners and managers) in the potential international partner firm since they first communicated with them. By assessing the structural characteristics of the potential partner firms and by screening the decision makers' behaviour, the management of the investigated firms decided whether they will develop more commitment relationships with them or not.

4.1. Interpreting the potential international partners' behaviour

The investigated family SMEs participated in trade exhibitions in order to meet potential foreign partners and customers. Nevertheless, in all cases it was the potential international partner that first communicated with the family SMEs. After the first screening of the structural characteristics of the potential international partner firms (e.g., international business network, international reputation), the family SMEs focused on the behaviour of the decision-makers of the potential international partner firms (usually the managers who communicated with the investigated family SMEs). In particular, the four case study firms evaluated communication

attributes, such as informational and institutional knowledge sharing, i.e., “knowledge that concerns the macro-environment institutions in the foreign country, such as culture and local government” (Sandberg, 2014, p. 22), and attributes of the potential partners, such as their owners’ similarity in personal values with the values of the Greek family SMEs owners. As quoted below:

“We continuously get multiple messages from our partners in our target countries about our products, packaging etc. The information we get from them is extremely important for us, since we can understand what our customers want and, thus, we can adapt to their demands. Different people from different cultures have different needs and preferences. ... In case we realise that we do not get the right information, we immediately terminate the relationship under development.”

(Export marketing manager and family owner, Firm A)

“Since we do not have specialised knowledge on each foreign market, we want our partners to know the foreign market. We are selecting partners that know the local customers’ needs and the countries’ restrictions from the government. For example, there are some countries that require specific standard certifications. If we do not know about them, we cannot enter in these markets successfully. If our partners do not have this knowledge, why should we consider developing an international partnership with them?”

(CEO and family manager, Firm B)

The conservative company culture in family SMEs B, C and D, in combination with informational obstacles, made family managers to terminate the potential IPs very early in the IP development process. Firm A, since it was founded, had a more active company culture with regard to its internationalisation activities and throughout the years the firm managed to save the needed resources to expand its international activities compared to the other three investigated family SMEs.

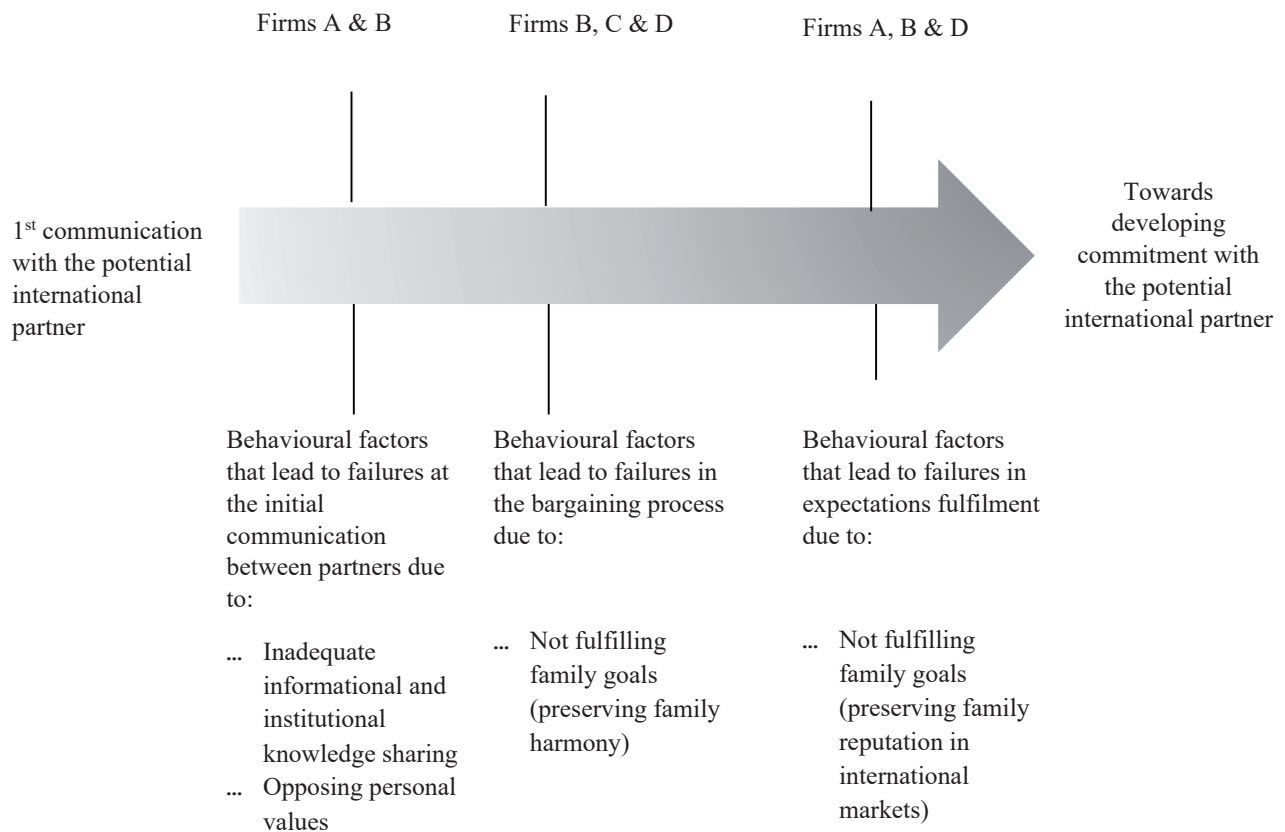
Nevertheless, all the investigated family SMEs illustrated that *informational* and *institutional knowledge sharing* played a significant role in establishing IPs. The quality of information is important since meaningful and timely exchange of information can result in more trusting relationships between potential international partners, thus helping family owners to realise mutual benefits by reducing misunderstandings

(Dwyer et al., 1987). Effective information sharing is associated with committed and trusting relationships as well, while it reduces the potential for conflict (Anderson & Narus, 1990). These findings are in line with the SMEs literature highlighting that communication attributes can affect the IP development process (e.g., Mohr & Spekman, 1994). Nevertheless, in the context of family SMEs, our findings provide further evidence that family SMEs also place particular emphasis to the *personal values* of the potential partners’ decision-makers and compare them with their own. As quoted below:

“We have mutual goals and mutual respect with our partners. Since we are a small firm, we depend on our partners in order to survive in the international arena. Therefore, we aim at finding partners who are honest, reliable and they understand what we are trying to do. ... In case there are main differences in these issues, we cannot continue to develop the relationship. ... To illustrate, we prefer partners that we share the same understanding about the quality of a product. We believe our product is of high quality and its price is high due to the high production costs and our hard work. In case potential international partners do not understand that quality is all that matters to us, and that our products are of high quality, they will insist on price reductions which we do not accept...”

(CEO and family owner, Firm B)

In screening the behaviour of the decision-makers of the potential international partner firms, the investigated family SMEs set strict criteria when they aimed to further deepen the international business relationship under development. In particular, opposing personal values (e.g., honesty, reliability, similar way of thinking) restricted the IP establishment in all investigated family SMEs. In fact, as the above quotation illustrates, in case there were opposing values, the IP development process did not proceed. On the contrary, in case there was similarity in personal values, the developing relationship proceeded in the bargaining process stage in two of our investigated family SMEs (Figure 1).

Figure 1. Failures of the international partnership development of the investigated family SMEs

In fact, firm A (the largest of the investigated family SMEs) and firm C (which exported non-branded products) proceeded in the bargaining process and negotiated the quantities that could be exported, whereas firms B and D hesitated to enter in a bargaining process and negotiate the price of the products they export. As quoted below:

“Our business partner asked to pay us at a later date twice. This was not acceptable since we did not want to take the risk of losing money, given that our family lives from it. We had clarified it since our first communication and hence we considered this effort to develop an IP as a failed one.”
(CEO and family owner, Firm C)

In the case of family SMEs C and B, the high-production cost that escalated the product price and the difficulties in acquiring quality certificates (i.e. ISO 22000, HACCP) and product guarantees that would ensure product acceptance in international markets, led their efforts to develop IPs to be terminated during the bargaining process, since the international partners asked for a price reduction or to pay at a later date.

Furthermore, it should be noted that although family SMEs A and C were more positive in

embarking in a bargaining process, they also did not accept a price reduction or payment at a later date since their families’ livelihood depended on that revenue. As quoted below:

“After a few initial export sales, the international partner asked for a price reduction. We felt angry when we were asked to reduce the price because we had already made a price reduction since our first sale and we couldn’t do another one due to high production costs. When he did it again we stopped this emerging cooperation”
(CEO and family owner, Firm C)

Our case study evidence showed that the family owners in most investigated family SMEs did not have the adequate financial resources to support both the firm in its internationalisation activities and the family. Hence, they set strict financial criteria when evaluating a potential international partner. In case the potential international partner asked to pay at a later date or for a discount, the family SMEs’ owners ceased the communication with them. Nevertheless, the strict financial criteria that family SMEs had set may have resulted in the failure of family SMEs to expand to foreign markets or to find new international sales opportunities and, therefore, could have restricted the family SMEs’

international expansion.

The reason behind the strict financial criteria had been also the family SMEs' goal to preserve the harmony of the families which owned the family SMEs. As quoted below:

“Moreover, during that time my brother intended to get married. ... We were forced to re-schedule the wedding in order to be able to pay for the changes in the packaging the international partner asked for. My brother's bride had been furious about this ... when we were ready to send the pallet with our products they asked for a discount on the price. So, we felt that this partner was not trustworthy given that the verbal agreement was different with regard to the prices and quantities for exportation. ... However, we couldn't risk reducing our prices. Otherwise, we would have lost the financial capital necessary for the survival of our family and our firm and also we would have many arguments inside the family.”

(CEO and family owner, Firm D)

The case study evidence fleshes out the fact that not fulfilling family goals could hinder the international partner development since the family harmony would be at stake. The family's financial wealth, but also the family's harmony, were important to all investigated family SMEs. In case the financial criteria had been fulfilled, the investigated firms would have aimed at deepening the relationship with the potential international partners. Prior to the development of more committed relationships with them, family owners continued to screen the behaviour of the potential international partners with regard to the product placement. As quoted below:

“Our international business partner did not handle the promotion of the product in an appropriate way... The placement of the product was not the one we expected... Nevertheless, our partners should respect our brand... The brand is the image of our family...”

(Export Manager and family owner, Firm A)

The aforementioned quotation highlights that the placement of the brand was an important goal especially for those family SMEs that were exporting branded products, since they link the family's name with the brand. Family owners aimed to perpetuate a positive family image and they linked the brand name with the family's reputation in the foreign markets. This family goal led the owners to re-evaluate their potential international partners and to terminate others that were not perceived as successful for the family SME. This re-evaluation

enabled family SMEs to learn from past mistakes (Baumard & Starbuck, 2005) and to develop new criteria when selecting a partner to enter new international markets. That helped them to build new and successful IPs in other foreign markets (Cesinger et al., 2016). As the owner of family SME A highlighted:

“We have learned from past mistakes and we are now very careful when selecting international business partners. ... We select partners that respect our brand and this is important for us since the brand is the image of our family. ... Would you let anyone to behave to your child in an inappropriate manner? We adopt the same line of thinking when evaluating the behaviour of others towards our brand. ... We have experienced international growth the last years and this is because we have managed to identify international business partners that understand what we want ... we prefer to make slow but steady internationalisation steps.”

(CEO and family owner, Firm A)

To conclude, family owners chose to terminate their IPs when they realized that the behaviour of the international partner towards the product or the brand was not the one expected. The family SMEs studied expected from the international partners to behave to their brand and their products in the same manner as the family did, i.e., to appreciate the brand and to promote it accordingly. In case the owners of the investigated family SMEs realised that an international partner did not respect the brand and the product, they reduced their export transactions with the specific foreign partner, even if the financial agreements were fulfilled.

5. Discussion and Conclusions

This study examined, from a network and SEW perspectives, why efforts of family SMEs to develop IPs fail. The findings of the empirical examination of the four internationalised family SMEs' enabled us to better understand the behaviour of internationalised family SMEs in their effort to develop IPs and to clarify any ambiguities in the international business literature with regard to the family SMEs' decision-making in their IP building activities (De Massis et al., 2018). To avoid confusion, we point out that existing international business and international marketing literature that examines IP failures mostly focuses on high-commitment IPs developed by large multinationals or SMEs and does not explicitly mention if the results of those studies refer to family SMEs or not (e.g., Nummela

et al., 2016; Zineldin & Dodouva, 2005). Bearing this in mind, and also taking into account the family SMEs' idiosyncrasies (Berrone et al., 2012; Barros et al., 2017), the reader could be blurred about whether the existing findings concerning IP failures apply to family SMEs or not.

In this study, we clarify this ambiguity by bringing into light that IP development failures may occur in family SMEs due to inadequate informational and institutional knowledge sharing, opposing values and unfulfilled financial agreements. Hence, in line with the existing SME literature, we highlight that in family SMEs financial motives drive decision making in international partner selection (cf. Meschi & Wassmer, 2013; Shah & Swaminathan, 2008; Zineldin & Dodouva, 2005). Nevertheless, our findings flesh out that family goals can further affect the IP development process. In particular, this study reveals that the fulfilment of the family SME owners' goals (family harmony and family reputation in international markets) drove the decision-making underlying the development of IPs. The fulfilment of the family goals made family SMEs to set strict behavioural criteria when deepening relationships with the international partners after the evaluation of structural criteria (e.g., financial strength of the international partner). This is an interesting finding that for the first time brings to the fore that the fulfilment of family goals can affect the development of IPs and hence the internationalisation of family SMEs.

With regard to implications for practitioners, the findings of this study could serve as a roadmap for the management of internationalised family SMEs which could help them to better understand where to focus when evaluating potential international partners and/or to avoid certain pathways that may lead their efforts to develop IPs to fail. More specifically, the family managers of family SMEs' should pay attention to the values of the managers of the potential foreign partner firms, from the very beginning of the IP development process in order to decide as early as possible whether it is worth for the family SME to further develop the partnership or discontinue it. In this manner, the family SME management will cease spending its limited time and money resources on a destined to fail IP at early stages of its development and devote them to other alternative and more promising IPs. Without this knowledge, family SMEs aiming to enter foreign markets by forming IPs would sacrifice significant family resources in the effort to establish them and this could jeopardize the entire family's wealth and the survival of the family SME.

Moreover, our findings could also be helpful to the management of firms from abroad who seek for suppliers in other countries and these

suppliers happen to be family SMEs. In such cases, it would be useful for the management of these firms to know that the family managers of the family SME focus from the very beginning of their communication on their structural and behavioural characteristics and interpret them according to their idiosyncrasies as well as their family's goals. Then the owners of the family SME take their interpretations of the potential foreign partner's characteristics very seriously into consideration when they decide whether they will continue developing the partnership or not. Consequently, if these firms consider the exporting family SME as a valuable supplier and partner, they should adjust their behaviour accordingly. For example, the management of the foreign firm should make clear and convince the family SME's management that they know very well how their country's market operates as well as the local buyers' preferences and, therefore, they can provide the family SME with all the information they need about the local market and its institutional peculiarities. Such behaviour will make the owners-managers of the exporting family SME feel safe to deepen and strengthen the relationship with the foreign partner and turn it into a successful and long lasting IP. In this manner, the foreign supplier-seeking firm will not waste time and money resources in an effort to develop an IP that will eventually turn out to be a failure.

With regard to its limitations, this study delimits the investigated firms to a specific type of FFs, namely family SMEs, in which family ownership is 100% and, therefore, the intensity of family idiosyncrasies (e.g., family values, the preservation of SEW) is high (Arregle et al., 2019; Pongelli et al., 2016). Hence, this study does not consider IP failures of other types of family SMEs with lower shares of family ownership. Future studies should consider investigating IP development failures within the context of various types of family SMEs, since there seems to be heterogeneity between family SMEs with different ownership structures and different levels of intensity of SEW (e.g., Mariotti et al., 2021; Rienda & Andreu, 2021; Wright et al., 2014).

Also, this study considered failures of low-commitment international business relationships. Although most family SMEs choose low-commitment international business relationships during their internationalisation venture (Kontinen & Ojala, 2011), there are large FFs that choose to develop high-commitment international business relationships (e.g., Kao & Kuo, 2017). Future studies should investigate behavioural factors that restrict the IP development process within the context of larger

FFs that choose higher commitment international business relationships. Moreover, this research draws on family SMEs from a particular country and sector. Although we purposefully investigated one single sector and country in order to limit the effect of other contextual factors, future research may investigate IP development failures of family SMEs from various sectors located in the same country as well as from various sectors and located in different countries. Finally, it should be noted that this study reveals certain ways that the family managers interpret the behaviour of potential international partners and which, in turn, can lead to IP development failures in the initial effort to establish one. Nevertheless, this study does not reveal behavioural factors which can lead to IP failures in the later stages of the relationship building process. Future research should investigate behavioural factors of internationalised family SMEs in the later stages of the IP development process of family SMEs (e.g., in the commitment stage) and consider if SEW preservation tendencies could affect the length of the IPs.

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